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PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

IN THE AMOUNT OF US$ 50 MILLION

TO THE

REPUBLIC OF RWANDA

FOR A

LAND HUSBANDRY, WATER HARVESTING AND HILLSIDE IRRIGATION PROJECT

February 11, 2011

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REPUBLIC OF RWANDA
Land Husbandry, Water Harvesting and Hillside Irrigation Project

TABLE OF CONTENTS

RWANDA **5**

LAND HUSBANDRY, WATER HARVESTING AND HILLSIDE IRRIGATION PROJECT **5**

ADDITIONAL FINANCING DATA SHEET **5**

I. INTRODUCTION 1
II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING 2
III. PROPOSED CHANGES 4
IV. APPRAISAL SUMMARY 6

ANNEX 1: **10**

ANNEX 2 ..... **15**

OPERATIONAL RISK ASSESSMENT FRAMEWORK (ORAF) **15**

ANNEX 3 ..... **46**

FY	2012	2013	2014	2015
Annual	16.0	16.0	14.0	4.0
Cumulative	16.0	32.0	46.0	50.0

agricultural growth constraints in Rwanda. The GoR then specifically requested the Bank‘s financial and technical support to the LWH, which culminated in the approval of an IDA credit in 2010. The Bank‘s catalytic role with other partners in the AWSG, both by its expertise and as a financier, resulted in Canadian and Japanese Government commitment supporting the Program. USAID has since followed suit. With its environmental and social safeguards management framework fully

The merger of the respective FM and Procurement staff working on the two World Bank programs managed by the ministry will strengthen the fiduciary management of the Project. GoR has substantially complied with all legal covenants currently due, and audits are current. The original financing agreement contains the most recent procurement guidelines, which would also apply to this trust fund.

13. **Project Achievements.** LWH has had an impressively rapid and comprehensive start on Project activities: mass mobilization of beneficiaries for sensitization; implementation of a labor-intensive approach to land works; preparation and disclosure of safeguards; development and execution of participatory crop selection on all sites; staffing up of Project Teams; preparation of terms of reference (TOR) for a number of necessary studies; the first set of contracts have been signed and land husbandry works on the first four sites have started; advance preparation on dam safety; and extension and marketing support for production on the first terraces for the very first planting season after effectiveness. While it is too early in Project implementation to report on the PDO indicators (since a first harvest has not yet been marketed), and on any indicators that involve irrigation or cooperatives given the timing and sequencing of these activities, three intermediate outcomes have already been assessed. The target proportion of farmers in project affected areas using improved farm methods for Year 1 is 50% for women and for men. Although less than half way through the first year, (and only halfway through the first season), the proportion taking up improved methods is 17%, fully 52% of which are women. The percentage of population using services of financial institutions for Karongi 12 is 53.1% and 39.7% for women and for men, respectively, compared to the Project‘s average baseline of 17.6% and 22%. As compared to a full Year 1 target of 50%, the proportion of land protected against soil erosion on the first site is 40%, representing 11% of total Project area.

14. **Rationale for Additional Financing.** The rationale of the Bank in supporting the program, as outlined in the current CAS, is to provide an effective means to advance the Government-led sector-wide approach and the ongoing harmonization process. Indeed, as mentioned above, the Bank‘s involvement in LWH has leveraged and galvanized additional support for the LWH from other development partners. The Bank has strong experience and expertise in agricultural intensification and in successful watershed management approach to hillside irrigation and is a result of a specific request from GOR to take the lead role given its role as lead development partner and co-chair with GoR of the ASWG.

III. PROPOSED CHANGES

HANGES

integral part of the irrigation investment. Both economic and financial analyses used the same financial prices as economic prices for tradable goods, since there are no major policy distortions affecting the prices of inputs and outputs. The overall economic and financial analysis of LWH shows strong economic and financial profitability. The original credit undertook analysis based on data from six potential sites (four of which were subsequently chosen as preliminary sites) which resulted in an ERR of 29 percent (see LWH PAD, Annex 9). Furthermore, LWH interventions show strong economic and financial profitability in all the scenarios estimated, despite explicit consideration of pessimistic scenarios.

21. The program is expected to increase the productivity of the targeted irrigated command area, the targeted non-irrigated hillsides, and increase the share of commercialized products from the targeted areas. The additional financing will scale up the coverage by adding some 5775 ha to the targeted areas. This will result in an additional 6,000 ho

RSSP 2 and submit to the Bank for review. To ensure smooth progress on FM, the LWH should, through MINAGRI request support from the Office of the Government Chief Internal Auditor to undertake internal audit, or seek resolution through the proposed merger with RSSP 2, as they have that function. A dated covenant requiring the Recipient to have in place by April 30, 2011 the necessary incremental financial management and procurement staff as agreed with the Association has been included as part of the Grant Agreement.

25. The recent review mission also found the procurement function of the Project to be moderately sa

30. The Government is hiring a consultant to create a baseline data bank on water quality, which will help the Project monitor water quality in the Project sites and take timely corrective water management measures as necessary. A TOR has also been prepared and cleared for a Dam Safety Panel of Experts. Environmental Management Plans (EMPs) as well as environmental assessments of future sites prior to detailed dam studies for the dams will be undertaken by a separate entity from the one undertaking detailed design work. Tools have also been introduced to allow the project to measure the cumulative effects of the program on water quality and quantity.

31. **Risks**. The project received a moderate overall risk rating at appraisal. The team has updated the risk matrix in the attached Operational Risk Assessment Framework. Overall risk remains moderate, with the following key issues:

Capacity at the local level remains weak. The specific technical capacities of the government, private sector service providers and communities required for successful implementation is substantially supported through the LWH program and this additional financing, which is undermined the ability of the Government to recruit and retain competent decentralized staff. The presence of qualified technical staff at local level is critical to achieving objectives of the LWH and ensuring high quality decentralized staff is central to mitigating risk for the scale up. A sample of comparator decentralized Project salaries from other development partners and NGOs shows that the current LWH remuneration package is not competitive (the package is 27% to 87% lower than reviewed comparators). To mitigate implementation risk for the base project, and particularly for scale-up, the decentralized remunerative package for LWH needs to be adjusted upwards.

LWH scale up involves simultaneous implementation of an increased number of watershed catchment sites. Contracting capacity for civil works as well as extension capacity for cooperative and farmer empowerment is overstretched. Actions to mitigate these risks such as reaching regional contractors and service providers, and changing the tendering procedures to enhance competition can be found in the attached ORAF.

The SWAP implementation structure at MINAGRI is new and capacity is still being built. Progress has been made since the IDA credit was approved, with donor support (DFID and IFAD) of MINAGRI‘s sector strategic framework through the ongoing PAPSTA program (Program to Support the Strategic Plan for Agricultural Transformation). The LWH program is, by design, supporting the implementation capacity of the program dealing with intensification and development of sustainable production systems.

The program triggers environmental and social safeguards, which require capacity to manage correctly. The startup phase has trained staff and communities, resulting in completion of environmental management plans and resettlement action plans and process frameworks for the sites to be funded by the ongoing IDA operation. Compliance is rated satisfactory and the experience gained will allow the team to roll out the process in the new sites.

32. There are no exceptions to Bank policies.

ANNEX 1:
Results Framework and Monitoring

Rwanda: Land Husbandry, Water Harvesting and Hillside Irrigation (LWH) Project

Additional Financing from the Global Agriculture and Food Security Program (GAFSP) Trust Fund

Revisions to the Results Framework		**Comments/ Rationale for Change**
PDO		
Current (PAD)	*Proposed*	
Increase the productivity and commercialization of hillside agriculture in target areas.	No change	
PDO indicators		
Current (PAD)	*Proposed change**	
Productivity of Non Irrigated Hillside ($/ha) end of project target	End of project target increased from $1400 to $1600/ha.	Extra year of implementation
Intermediate Results indicators		
Current (PAD)	*Proposed change*	
Cost recovery ratio for operation and maintenance of water user associations in project area (%)	End of project target increased from 40% to 60%	

REVISED PROJECT RESULTS FRAMEWORK

Project Development Objective (PDO):

Increase the productivity and commercialization of hillside agriculture in target areas.

PDO Level Results Indicators	Core	UOM	Baseline Original Project Start (2009)	Prog-ress To Date (2010)

Intermediate Results and Indicators												
Intermediate Results Indicators	**Core**	**Unit of Measure-ment**	**Baseline Original Project Start (2009)**	**Prog-ress To Date (Sept. 2010)**	**Target Values**				**Frequen-cy**	**Data Source/ Method-ology**	**Responsi b-ility for Data Collection**	**Comments**
					2011	**2012**	**2013**	**2014**				
Population in project area using the services of formal financial institutions, by gender (%)		%	17.6% female, 22% male	57.2% female, 42.8% male	22% f, 26% m	26% f, 30% m	31% f, 35% m	36% f, 40% m	MTR and End of Project	Survey based on FinScope methods	MINAGRI	Broken down by gender
Participating financial institutions using new products (Number)		#	0		3	6	12	24	Bi-annually	LWH progress report	LWH M&E	
Component B: Infrastructure for Hillside Intensification[1]												
Land protected against soil erosion in project area (%)		%	44.5%	40%	50%	60%	70%	80%	Bi-annually	MINAGRI dat 44.544		

Area developed for irrigation (ha)		ha	0		350	900	1500	2055	Bi-annually	LWH progress report	LWH M&E	IDA funding will develop 900 ha and GAFSP 1155 ha.

Reduction in annual soil loss in project areas (ha)

Rwanda: Land Husbandry, Water Harvesting and Hillside Irrigation (LWH) Project
Additional Financing from the Global Agriculture and Food Security Program (GAFSP) Trust Fund

Increase the productivity and commercialization of hillside agriculture in target areas.

		Land is very scarce in Rwanda while population growth is among the highest in the region.	Land is very scarce in Rwanda while population growth is among the highest in the region.	reconciliation systems to avoid a repeat of the 1994 genocide. There are joint efforts by GoR and DRC to solve instability in the region, particularly by members of the exiled forces/ FDLR *Land use:* risk that limited availability leads to social unrest if land allocation issues not handled appropriately. But, GoR has implemented a successful land redistribution program in last two years Specific actions by GoR include the passing of the 2005 Land Law, enshrining rights of even customary landholders; making land	C

				efforts (more output from fixed land) of GoR have received increasing share of national budget. LWH is one example. At the Project level,	

Risk (sector & multi-sector Level)	L	(AF) for LWH contributes to the GoR own initiative for hillside intensification. GoR shared and developed their LWH program extensively with DPs who support environmentally sustainable intensification efforts in Rwanda. The Project contributes to key strategy for poverty reduction and growth at the national level, which the sector is accountable for. There is therefore little risk that a sector level institution would change/misalign these objectives.	is very high. The LWH Project contributes to the larger LWH Program in the country, originally conceived and designed by GoR. Instead of creating a new PIU, the Project contributes to and forms part of the SWAp implementation structure of MINAGRI. The SWAP structure itself has benefitted from consultation and ratification from the DPs. It meets GOR and partner requirements to	The AF for LWH by design is based on and builds on a GoR concept and design and it contributes to medium term objectives for the agricultural sector and for national growth (EDPRS), therefore linking its activities and outputs with supra-sectoral leadership and concerns. Similarly, the implementation structure designed for the Project builds the SWAp capacity for MINAGRI and contributes to The LWH modality selected is that of a SIL so as to provide the fiduciary and due diligence support in the fledgling SWAp structure at	C

		programs under an eventual SWAp. As such, staff working on LWH is seen as ministry staff and work beyond the boundaries of the project. While meeting DP and GoR commitments to Paris principles, this carries some implementation risks as focus of implementation team can be diluted. Using a holistic approach, the LWH does depend to some degree on multisectoral collaboration, e.g. between ministries of agriculture, and those of land (for land	the vision of considerably reforming hillside intensification and greater market approaches.	to Finance Rwanda (AFR) and therefore places MINAGRI as an active partner in the access to finance agenda, formalizing the needed coordination. The LWH is in frequent contact with the National Land Center regarding registration. Finally, the oversight committee for the LWH is deliberately multisectoral (Interministerial Steering Committee). District level technicians are provided with training on	

		implementation support mission for the parent project and during scale-up technical missions. Bank implementation support missions have repeatedly confirmed the high quality of LWH environmental safeguard capacity and assessed the needs for strengthening social and community issues capacity. Capacity for financial management and procurement management, while of good quality, is insufficient for a large scale up. The sector has extensive experience with Bank systems. The	strengthened to handle the proposed increase in value and volume of transactions.	assessment has been done and specific technical and managerial support staff have been identified, documented and agreed with the GoR. New recruitment is underway due to the proposed increment of activity. Showing strong leadership, recruitment for strengthened social and community development personnel was initiated by assessment and is now adding multiple community development specialists to support the community engagement and social safeguard activity, which has been rated as satisfactory for the Project so far, but will require scaled up activity	O O/NYD

		activities of the parent project, as well as of other related activities (e.g. RSSP 2) has demonstrated constraints on local capacity for works contracts (i.e. skills for comprehensive land husbandry, machinery, supervision capacity) and a low number of bidders, particularly for dam construction. The result is high bids and potential for delays.		(b) Grouping similar dam work tenders across multiple LWH sites (possible with the AF scale up) and across MINAGRI projects and programs will make the tenders more attractive to international bidders and improve competition and quality of capacity; (c) Revisit evaluation criteria in order to tackle constraints to competition. Tender requirements as a possible source of rejection of a number of proposals, reducing bid competition are being reviewed with an eye to maintaining final quality; (d) Development of local	O C and O

				capacity such as ongoing efforts to train local agricultural, land husbandry and engineering graduates through an LWH internship program has been introduced (a) Development and adoption of a spreadsheet based M and E tool similar to RSSP 2, which will improve data collection and management.	
	Low	Capacity is generally good for undertaking Monitoring and Evaluation for an enlarged project.	Capacity for data collection and management of Monitoring and Evaluation may be strained with scale up.		

4.1 Desig

		summary of safeguard policies triggered). The Project and GoR have shown strong commitment to safeguard policies. Risk of poor compliance with safeguards policies unlikely. Key social issues concern resettlement, temporary loss of income for land husbandry activities (one season); and shared benefits within the watershed community. The above is important since water harvesting and hillside irrigation affects the use of productive resources on	compliance with safeguards policies unlikely. This is important since water harvesting and hillside irrigation affects the use of productive resources on private land. Failure to adequately implement resettlement framework in a timely manner would undermine community interest, critical to sustaining Project achievements. The LWH is designed with very concrete environmental benefits in mind and it is important that environmental management plans are	issues/concerns. It served as a key input to project design. Further, an ESMF and resettlement framework has been prepared and will be implemented for all project sites. Four environment management plans and three resettlement instruments for the IDA sites have been prepared and cleared for implementation so far, as part of the parent projects. The resettlement instruments in particular, were rated as best practice by safeguards management. As for the Parent project, continued training for the	

		private land. Failure to adequately implement resettlement framework in a timely manner would undermine community interest and participation by laying a basis of mistrust, which can undermine the community buy in, critical to sustainability of Project outcomes. Further the resettlement activities required for irrigation contributes to the win-win approach for all members of the watershed community, as discussed above in the ORAF. The LWH is designed with very concrete environmental benefits in mind and it is	well adhered to ensure that there is no cancelling out of positive effects due to poor environmental management. Riparian notification, as with the parent Project, has been undertaken.	LWH safeguards team in GoR is resourced, and social-related staff has been scaled up (see above).	

		important that environmental management plans are well adhered to ensure that there is no cancelling out of positive effects due to poor environmental management in design and during construction. Riparian notification for the parent project did not present any issues and has been repeated for the AF. Only technical inquiries have been returned at this point and the team will prepare a complete summary of Riparian response after the final deadline.			
4.3 Program &	Low	The LWH project is part	The LWH project is part	To mitigate any risk around	

A - Proposed Rating <u>before</u> Decision Meeting[3]:

	Medium-I	Medium-I	1/18/2011	This is additional financing for an ongoing and

Project Costs