

Rwanda: Smallholder Cash and Export Crops Development Project

Item	Assessment Remarks	Rating
Country & Project Name	Rwanda: Smallholder Cash and Export Crops Development Project	
Loan No.	596-RW	
Project Id.	1232	
Board Date	11 December 2002	
Effectiveness Date	19 September 2003	
Original Closing Date	31 December 2010	
Final Closing Date	31 March 2012	
Total Project Cost US\$(M)	US\$25.09 million	
IFAD loan US\$(M)	US\$16.26 million	
Cofinanciers (if any)	Arab Bank for Economic Development of Africa (BADEA) - US\$5.66 million (Loan); Local Banks - US\$637 500 (credit)	
Implementing Agency	Ministry of Agriculture	
Principal Components	The project will be implemented over a period of seven years, and structured around five components: (i) coffee diversification; (ii) tea development in Gikongoro; (iii) development of new cash and export crops (as of 2007); (iv) guaranteed credit scheme for smallholder tea and coffee growers; and (v) project coordination. Its main objective was to maximize and diversify the income of the poor smallholder cash and export crop producers, subject to developing financially sustainable processing and marketing activities in 11 districts.	
Project Performance		
Relevance	The project's objectives, strategy and activities responded well to the needs and priorities of the rural poor. It was aligned with the country's Poverty Reduction Strategy Paper (PRSP), the Economic Development and Poverty Reduction Strategy (2007-2012), IFAD's strategic framework and the country strategic opportunities programme (COSOP) of 1999. The defining feature of the project was to respond to the economic needs of the rural populations by developing viable community-owned businesses rather than aiming at production targets alone. The stakeholder workshop concluded that all major design features of the project were appropriate in the specific socio-economic and political context and have remained relevant throughout, despite rapidly changing rural economic conditions. The focus on developing and up-scaling smallholder production of coffee and tea was found particularly relevant.	5
Effectiveness	Project effectiveness was hampered by the reformulation in 2005 of the Nshili Tea Development sub-component, the absence of a proper monitoring and evaluation (M&E) system, the re-casting of the Logframe in 2006 following the midterm review and finally, the changing economic and administrative circumstances under which the project was implemented. The project had no functional baseline and no proper M&E system. Also, attempts to retrofit a functional system during the later stages of project implementation failed. The project tried to compensate for the lack of data through thematic assessments, which, however, has been only partially successful. Nevertheless, the project has met most of its objectives. It has contributed directly and indirectly to maximizing and diversifying the incomes of poor smallholder producers involved in the production, processing and marketing of coffee, tea and silk. In the submarket chains, these have generated large numbers of permanent and seasonal jobs' as well as employment in construction activities. With the multiplier effect, the additional incomes have contributed to a strong and sustained uplift in the rural economy in the target areas. The development status of the project zones has developed steadily over the life of the project. According to the PCR, a large share of this socio-economic progress can be attributed to the project, as the main Government of Rwanda (GoR) investor in the area over the past 8 years.	4
Efficiency	Despite a slow start, reconfiguration of the Nshili Tea development sub-component and time spent developing appropriate modus operandi for the management of contracted services providers, the project was moderately efficient in achieving its results. The ex-post IRR was estimated at 25% and the average costs/benefit ratio of the project's major investments was estimated at 1.2/1. Cost estimates in the original design have proved to be robust. Withdrawal of BADEA did not have any major impact on the budget of the project due to an increase in the dollar equivalent of the IFAD loan. Also, the Tea Development Component leveraged substantial private sector investments. The loan was expected to be fully disbursed at closure.	4
Project Performance		4.3
Partner Performance		
IFAD	IFAD was responsible for the identification, design and co-funding of the project. From January 2009 onwards, IFAD took over the direct supervision of the project. The various implementation support missions fielded between 2009 and 2011 have helped improve project performance and sustainability.	5

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Cooperating Institution	The project was supervised by United Nations Office for Project Services (UNOPS)/Nairobi until December 2008. Loan administration has been timely and efficient, with short turnaround times for withdrawal applications (Was) and no-objections (NOs). Altogether, six supervision/follow-up mission were organized between 2004 and 2008, corresponding to an average of 1-2 per year.	5
Government	The project was implemented through Ministry of Agriculture agencies. GoR has provided 65% of the expected counterpart funding, albeit with some delays, and has been active in the oversight of the project through the Project Steering Committee. Various Government structures have also been implementers and/or beneficiaries of the project. The project has aligned with GoR financial management and procurement procedures.	5
NGO/Other	Most of the project's partners were GoR agencies and parastatal organizations. Private companies were contracted for construction works and knowledge management. Partnership with the Twin Trading Company, initially foreseen as implementing partner/services provider/co-funder of the Coffee and Nshili Tea development components, was cancelled before project start-up.	n/a
Cofinancier(s)	The project was to be co-financed by the Arab Fund for Economic Development of Africa (BADEA) (22% of total project costs). However, BADEA cancelled its loan after GoR introduced its public private partnership (PPP) policy, which was replaced by a private investor (Multisector Investment Group).	n/a
Combined Partner Performance	It appears that partners worked in synergy.	
Rural Poverty Impact		
Household Income and Net Assets	The project's investments in physical assets such as productive land, buildings, processing equipment, feeder roads and minor public facilities, have been modest. Technology transfer took place through adaptive research and group-based extension techniques to support small-scale agricultural. Production and value addition (basic knowledge about agronomy, quality improvement, organic coffee production). The project has had only a minor impact on the access to financial assets. Farmers and members of cooperatives have increased their private savings and access to credit. However, the coffee and tea enterprises are still struggling to achieve financial viability.	4
Natural Resources and Environment	The project has had a substantial impact on the environment and the natural resource base of the rural poor, mainly in the area of land consolidation, soil and water conservation measures, support to the regeneration of perennial crops and waste management. Issues linked to sustainable fuel wood supply to tea factories and waste disposal at coffee washing stations have been addressed.	5
Human, Social Capital and Empowerment	Participatory approaches were not part of the original project design but were introduced during implementation. Nevertheless, the project has made a modest impact in the domain of social capital and empowerment of the rural poor through institutional development activities based on principles of participation, partnership and gender balance within the framework of producer cooperatives. Good progress has been achieved in the mobilization, conduct and confidence of economic and social development groups and organizations. However, few of these cooperatives have reached financial self-sufficiency. Through its community animation, literacy training and skill transfer activities, the project is assumed to have had a modest impact on the nutritional status, health and knowledge of the target population, contributing only moderately to improved earning capacities and quality of life of the populations.	4
Ag. Productivity	It is assumed that the project has had only a minor impact on the productivity of coffee and tea in both plantations and individual plots. Although yields of coffee, tea and other enterprises have substantially increased as they have started at a very low level, productivity remains low and needs to be further improved to allow profitable business operations. The project has only weakly started transferring planning and management skills to farmers to initiate the transformation from subsistence farming to commercial farming. Altogether, productivity is still far below potential and many individual rural households continue to derive an inadequate income from farming.	3
Food Security	The food security situation in the project area has altogether improved dramatically over the past few years. It is not clear how much is attributable to the project. However, the project has definitely contributed to improving the food security situation in the project area through improved on- and off-farm incomes of the rural poor and better access to food.	5
Agricultural Productivity and Food Security		4
Inst. & Policies	The project's impact in the area was limited to initiating an institution building process in the main value chains (coffee, tea and silk) and has altogether not been very strong. It was limited to a moderate support in capacitating cooperatives and their respective	3

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	support services, including financial intermediaries and Government technical support services.	
Markets	The project has had only a modest impact on markets. Nevertheless, it has contributed to increasing the real demand for smallholder producer, promoting coffee marketing and providing key physical infrastructure for processing, storage, transportation and handling. Relevant technical and commercial training was given to producer groups.	4
Project Impact	The PCR concludes that given the absence of baseline data and of a functional M&E system, the project has not done well in capturing its undoubtedly positive impact on the livelihoods and wellbeing of the rural population in the project areas.	5
Overarching Factors		
Innovation	The project transferred new technologies and skills to the target group, including factory coffee washing and sericulture. However, the main innovations were in the form of economic interactions and organization rather than in the adaptation of proven production and processing technologies to local conditions. The project pursued a value-chain approach based on the assumption that organizational development was the creation and enabling of cooperative enterprises. The project's two main innovations include: (i) creation and operationalization of cooperative enterprises; and (ii) introduction and facilitation of public-private partnership (PPP) arrangements in the tea sector with the objective to generate sustainable incomes for large numbers of smallholder farmers and laborers. The latter included the introduction of workable and equitable rules of engagements between the various actors involved, assuming that all partners would benefit from the economic returns of PPP arrangements.	4
Replicability and Scaling-up	Activities with a high potential for replication and up-scaling include: (i) factory washing of coffee by cooperatives; (ii) "Women's coffee" as a niche business; (iii) PPP arrangements in the tea sector; (iv) silk production as a cooperative business; (v) Savings and Credit Cooperatives (SACCOs) for rural households and small and medium enterprises (SMEs).	5
Innovation, Replicability and Scaling-up		4.5
Sustainability and Ownership	The project failed to develop a solid exit strategy, in particular with regard to the operational and financial viability of the cooperative enterprises perceived as the project's main innovation (coffee, tea, silk). Progress made in the area of institution building in the various value-chains is outweighed by the poor business performance and weak management capacity of the producers and cooperatives. The need for an exit strategy was flagged by the midterm review and by subsequent implementation support missions. However, no such strategy was developed by the project. At completion, few economic activities are financially sustainable and expectations have arisen that substantial additional financial support will be provided for the same purposes by a follow-up project	3
Targeting	The targeting strategy adopted by the project was appropriate and effective in the country context. The target group comprised the majority of the rural population living in the vicinity of project investments, classified as poor. About 90% of the farmers in the project area were poor smallholders with the majority of the households not owning more than 0.25 ha of land.	5
Gender	Project design did not foresee a specific gender strategy but was rather focused on all farmers, coffee, tea and other cash crop producers. However, women were particularly encouraged to take part in local institutional development and savings & credit activities. They were better represented in cooperatives supported by the project. Altogether, the project has helped them gain confidence in running small businesses.	4
Overall Performance		4
Estimated number of beneficiaries	Initial target population of 340 000.	
PCR Quality		
Scope	The PCR covers all sections required.	6
Quality	The PCR includes a "project completion digest" which is a very useful snapshot of project performance and impact at completion. The PCR is altogether very informative and analytical. However, quality of the completion report is compromised by the absence of impact data.	5
Lessons	The PCR draws a number of lessons mainly to ensure sustainability of the project's achievements and viability of the institutions created. These lessons are sub-divided into three key areas: (i) rural economic uplift; (ii) pro-poor development and (iii) project management.	5
Candour	The PCR is self-critical and honest in its assessments.	6