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RWANDA PRIVATE SECTOR DRIVEN AGRICULTURAL GROWTH (PSDAG)

FISCAL YEAR (FY) 2015 QUARTERLY PROGRESS REPORT:
SEPTEMBER 1, 2014 – DECEMBER 31, 2014



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DISCLAIMER

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ACRONYMS

Acronym	Definition
AWP	Annual Work Plan
CA-USA	Crown Agents – USA
CDCS	Country Development Cooperation Strategy
COP	Chief of Party
CRS	Catholic Relief Services
CSO	Civil Society Organization
DCOP	Deputy Chief of Party
EAX	East Africa Exchange
EDPRS II	Economic Development and Poverty Reduction Strategy II
FTF	Feed the Future
FY	Fiscal Year
GIS	Geographic Information Systems
GoR	Government of Rwanda
ICT	Information Communication Technology
IFC	International Finance Corporation
IFDC	International Fund for Agricultural Development of the UN
IRG	International Resources Group
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MINAGRI	Ministry of Agriculture and Animal Resources
MINECOFIN	Ministry of Finance and Economic Development
MINICOM	Ministry of Trade and Industry
NAEB	National Agriculture Export Development Board
NISR	National Institute of Statistics and Research
NGO	Non-Governmental Organizations
PPP	Public-Private Partnership
PSDAG	Private Sector Driven Agricultural Growth Program
PSF	Private Sector Federation

Acronym	Definition
PSTA III	Plan for the Transformation of Agriculture in Rwanda III
PWD	People with Disabilities
RAB	Rwanda Agriculture Board
RCA	Rwanda Cooperative Association
RDB	Rwanda Development Board
TBD	To Be Determined
TWIGIRE	Farmer-to-Farmer Extension System
USAID	United States Agency for International Development

I. PROJECT PERFORMANCE

I.1. SUMMARY OF PROJECT ACHIEVEMENTS

PSDAG in the first quarter of operation developed a Year One Work Plan which was approved by USAID in late November, 2014. The process of developing the work plan included a stakeholder work plan workshop in Rubava which was attended by a number of investors, government and other private sector stakeholders, who provided the project with a good insight into the present situation.

One of the stakeholders' main requests was to include grant activities, which in the proposal had not been perceived as starting until year two. To that end during the first quarter, the project started developing initial relationships with a number of maize cooperative and creating a grant product that will allow these cooperatives to reduce their postharvest losses and therefore increase their members' income.

The project has also started investigations to identify other investor opportunities. The project has identified one opportunity working with Balton Rwanda, a private sector international input supplier, and started discussing investment into the Rwandan agro-dealer industry and the possible development of training centers.

Further to this, PSDAG is putting together a contract for a local service provider to do a survey into the credit needs of the smallholder farmers. We think that might be an opportunity to engage the local agro-dealer networks to potentially provide input loans and other credit, but still need to understand more the credit needs of the smallholder farmers.

On the financial side the project has had discussions with a financial insurance company called Atikus Insurance Co which is developing for the first time in Rwanda a specific product, called "Finch," which seeks to work with banks and microcredit organizations to reduce their lending risks. An MOU between PSDAG and this company has been signed. This is a general MOU that allows Atikus and PSDAG to share information when necessary.

In addition, the project is talking to Vision Finance to support VFC in the establishment and Development of their Agriculture Department.

Finally in the same vein PSDAG has had discussions with East African Exchange (EAX) with the idea of developing new trading products such as dried cassava. An MOU has been drafted for signing. This MOU includes an NDA to allow EAX to share information and envisages that where EAX and PSDAG see relevant private sector opportunities they will develop a joint proposal.

During the stakeholder workshop and at individual meetings a number of new and existing agribusiness entities have started discussions with PSDAG on their short and medium term activities. These very initial discussions are ongoing and once the opportunities for engagement become apparent, they will be evaluated for their contribution to PSDAG's goals and their investment into the sector.

I.2 PROGRESS AGAINST WORK PLAN COMMITMENTS

I.2.1. OBJECTIVE I

In the last month of the quarter, discussions have taken place with the management of Rwandan Development Bank (RDB) on the objectives of PSDAG. These discussions have been very cordial but

as the agency is in the middle of a restructuring process, the project was asked if RDB could review its position and the detail of its relationship with PSDAG after the New Year 2015.

Work is continuing on the development of a new investment center in Ministry of Agriculture and Animal Resources (MINAGRI) and our embedded expert has made a good start in developing relationships and the beginnings of a Terms of Reference for the unit. MINAGRI have committed to staffing the unit and then a clear counterpart arrangement can be defined.

Discussions have continued on the development and understanding of the roles and responsibilities of agencies involved in the investment framework that PSDAG will design.

Further to these interventions, initial discussions have taken place with IPAR, a Rwandan think-tank, which helps government develop such instruments as government performance contracts and how they should be assessed. This consultancy company is developing an initial MOU with PSDAG and the project hopes to develop a Terms of Reference that will provide the project with an understanding of the existing roles and responsibilities of various agencies and ministries in the agricultural investment oversight. In the second quarter, the project expects to develop a Terms of Reference to identify the strengths and weaknesses of the current processes and players advocating for changes in the agricultural sector.

1.2.2. OBJECTIVE 2

ACTIVITY 1: POST-HARVEST HANDLING (PHH) IN-KIND GRANTS TO MAIZE COOPERATIVES

The objective of this work plan-approved activity is to create ongoing relationships with maize cooperatives to improve their ability to provide services and market opportunities to their members. The activity also aims at enhancing the capacity of cooperative management to create a sustainable cooperative without government support. In addition, through the Rwandan Cooperative Association (RCA), to help them better communicate their business constraints and advocate for change. PSDAG's target for this activity is to provide training to and improve the incomes of up to 40,000 maize farmers.

BACKGROUND:

As PSDAG was developing its first year work plan and discussing activities with its stakeholders, it became clear that the maize value chain was a priority. MINAGRI had put a large amount of effort into developing the maize value chain with cooperatives over the last five years, but the latter's activities would normally be ministry-driven rather than private sector driven. It is PSDAG's mandate to listen to and be guided by the private sector's requirements (the cooperatives).

PSDAG FIRST QUARTER MAIZE ACTIVITY:

Having talked to the cooperatives and MINAGRI, it has become clear that the potential harvest of maize from the 2014/15 season could be very high, with harvesting occurring from January to March 2015. This situation was also brought to our attention by MINAGRI, which hoped that the project could help with an increased capacity of post-harvest infrastructure and training for this crop.

PSDAG decided to assess the demand for post-harvest equipment (tarpaulins and shellers) and training from the cooperatives growing maize by advertising for grant concept notes for the PHH activity. The concept note was responded to by 39 cooperatives, which were initially reduced to 23 by developing criteria to assess the ability of the farmers to benefit from this activity. These 23 cooperatives were then visited by teams of PSDAG staff and re-assessed to identify if the concept notes they had sent were accurate. At this stage, the **cooperatives were reduced to 16**, covering approx. **19,000 farmers** who were then asked to determine how many tarpaulins and shellers the cooperatives would require.

Presently, the requirement for extra **tarpaulins is approx. 10,000 and 18 shellers** for the 16 cooperatives. The cooperatives made it clear that they could not afford the quantity they required for their members, if they were to pay the full price. In addition to this, it was revealed that at the present time the quality of tarpaulin required was not available in all the districts where the cooperatives operated.

During this period of negotiation and discussion with the cooperatives, PSDAG had organized a tender for both tarpaulins and shellers and had received bids from 3 suppliers. Due to the limited quality of items found within the districts, one major component of the tender required the supplier to deliver the necessary tarpaulins and shellers to each cooperative. A second major criterion in the tender was the availability in country of the tarpaulins by mid-January. The tender committee has selected one bidder and this bidder is now in communication with the cooperatives selected. Additionally, PSDAG is now obtaining board decisions from each cooperative to pay for the quantity of tarpaulins and shellers they have committed to, and a tripartite MoU is being developed with each cooperative.

In addition to these in-kind grants, it was deemed necessary to conduct refresher training in post-harvest handling and marketing. It was decided that considering the imminent timing a trainers-of-trainer system would not be appropriate. PSDAG has therefore developed the training materials and brought together a number of local service providers who will train the majority of cooperative **maize farmers, approx. 15,000**. These trainings will start in different regions when the equipment has been received, so that on-farm training can be effectively achieved.

FUTURE ACTIVITIES WITH THE MAIZE COOPERATIVES:

PSDAG has developed a relationship with World Food Program (WFP) to provide additional warehouse and marketing training to the selected cooperatives. WFP have also suggested that subject to their funds they will prioritize these cooperatives for contracts. However, due to the timing of their funding which they expect to receive in late March 2015, these contracts will be of limited value to many of the cooperatives.

Further work in season B will be discussed with the cooperatives on such trainings and opportunities in access to finance, which in future might help with issues such as WFP contracts. PSDAG also wishes to improve cooperative management in these selected cooperatives by generating an IT solution that will build upon a locally-developed application for improving cooperative management and profitability.

Finally, PSDAG wishes to identify if the maize federations and their structures are providing benefits to the cooperatives and assess if these benefits can be improved.

INVESTMENT ACTIVITIES

The main achievements in the first quarter bulleted below.

- The project established a relationship with BRD and developed TORs for a consultant to support development of their agricultural lending strategy.
- PSDAG also drafted an MOU with Vision Finance cooperation to support this micro-finance organization develop and agricultural department.
- Establish a partnership with Balton Rwanda and develop an MOU.

We expect that within the second quarter we will be able to outline specific activities and next steps with Balton, Vision Finance, and BRD.

CROSS CUTTING – SOCIAL INCLUSION

This is an overarching activity which has been taken into account as PSDAG developed its work plan and M&E plan. During the first quarter, the team started to assess the need for a “youth mechanization” opportunity which will integrate a financial package, contracts for cultivation from a machinery service provider and a horticultural exporter

In addition, the project is closely working with EDC, another USAID project providing youth training. Specifically with a potentially large investor in the agricultural space, who has been in contact with EDC and hopes the project might help educate candidates in building an educated work force for a number of proposed investments.

2. PARTNERSHIPS AND LINKAGE WITH OTHER USAID PROJECTS

PSDAG management has attended one USAID partners' meeting at which other representatives of the economic growth projects attended. General discussions with other groups have been held especially with the EDC project a youth training project who wish to collaborate with PSDAG.

This collaboration will look at a specific investor currently interested in starting and developing agribusiness in Rwanda. PSDAG and EDC will assess the company's requirement to develop youth opportunities and help where appropriate.

Added to this intervention, EDC and PSDAG will also look at specific agribusiness opportunities that PSDAG develops for youth and identify training programs that the experienced EDC project can implement.

At the request of the GOR, PSDAG has been asked to work together with USAID global project Africa Lead which has started rolling out a capacity building program with MINAGRI to develop irrigation scheme investment profiles for 20 and more sites. These investment profiles are being produced to promote the divesting of some of these sites to the private sector.

USAID has requested a meeting with PSDAG to discuss further areas of collaboration and how Africa Lead can complement your work beyond the current activities.

3. PLANNED ACTIVITIES IN THE NEXT QUARTER

4.1. OBJECTIVE 1 ACTIVITIES OUTLINE

The objective one team will continue to develop various terms of reference for and with IPAR such as an understanding of present roles and responsibilities of the ministries and agencies. The SPIIDS will continue to develop an understanding of PSF's present activities and their capacity needs to improve their advocacy of a private sector view in agriculture.

We are discussing the placement of an embedded advisor and the capacity building arrangements for RDB or PSF.

An embedded advisor in MINAGRI will continue to work with the State Minister to develop their Investment Unit and finalize a TOR for that unit.

4.2. OBJECTIVE 2 ACTIVITIES OUTLINE

The initial post-harvest handling activity for the maize value chain starts with the distribution of subsidized tarpaulins and shellers to selected cooperatives. The provision of training on post-harvest handling will go hand in hand. In addition on the maize value chain, the project are identifying a suitable aflatoxin expert to come out to develop a plan for a system that creates a relationship between buyer and producer such that aflatoxin control at the post –harvest stage could provide a premium price. Other ongoing activities in marketing and financial advice to these cooperative will be assessed this quarter.

Irrigation Farming Systems as they relate to rice production will be a focus of the Senior Staples Specialist. This work will include the coordination of Africa Lead activities and developing matching fund opportunities with CARD. PSDAG hopes to start initial activities in this value chain at the end of this quarter. To that end we expect to develop a more effective farming system within the rice value chain. The expectation is that we can improve harvesting techniques to allow a rotation with high value crops such as tomatoes and onions.

The potato value chain will be the focus of the farm book pilot with the start of activities in one district. This activity will work with Rwanda Agriculture Bank (RAB) potato facilitators and their development, in close association with BTC.

Financial interventions will continue this quarter with the arrival of a Senior Agricultural and Rural Finance Specialist who will conduct a short-term assignment to assist the Rwanda Development Bank to review their current strategic outlook and institutional set up and propose a new strategic plan in line with the bank's new mandate. In particular, we will be providing recommendations for the agricultural lending strategy, the structure of the agriculture department and the profiles of the staff.

In addition PSDAG finance is looking into the funding of a youth program that will help develop the mechanization of Rwandan farms to create opportunities for youth employment.

Having introduced Balton Ltd investment ideas to stakeholders, the investment unit of PSDAG will work with the company this quarter to develop a detailed proposal .We expect that during the second

quarter we will continue to work on an agreement between PSDAG and Balton. PSDAG will also support the roll out of Balton ltd.'s Farming is Cool initiative, but only on a technical basis.

PSDAG in the second quarter will continue to work with an investor in the Geranium value chain to develop this investment and identify the possibility of developing an out-growers program in this crop.

This quarter it is planned that a project team (three) will travel to Senegal to assess the work of the IRG project there, which has had successes with development of “Consolidation Units” that have allow development of production and market linkages. It was noted in the proposal that these experiences would be beneficial to PSDAG. In addition PSDAG wishes to assess the project's M&E systems to see if they can be made relevant in Rwanda.

It is expected that a team will travel to Zambia to attend the Cracking the Nut conference arranged by Connexus to identify possible investment opportunities and investors for the Rwanda market.

The Chief of Party will travel to Nairobi, Kenya and immediate neighboring market to promote PSDAG work in Rwanda, engage business that might be investing, meet with the East Africa Trade Hub project and Trade Mark Kenya amongst others.

For the second quarter, PSDAG communications expects that we will be able to focus on the development of a communication strategy that will guide the overall communication platform for the PSDAG Program. The communications plan will provide guidance to the PSDAG team on how to effectively disseminate project information and results to various audiences including: USAID, GOR, and private sector investors.

The PSDAG M&E unit will be conducting our baseline assessment for the project. Denise Mainville will provide guidance and support to the preparation, implementation and completion of a baseline survey, development of a project beneficiary database and data collection IT solution. Developing the M&E System to track and collect our data and a potential trip to Senegal to learn about the M&E system and replicate it within Rwanda.

During this quarter we will complete the PERSUAP that will provide us with our Environmental Mitigation plans for the Value Chains we will be working within. A consultant has been engaged to complete the PERSUAP and will be in country from January 20th – February 7th.

Finally PSDAG will react to investor requests and demands as they arise keeping USAID and MINAGRI fully informed and providing updates at monthly meetings.

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