

THE AFRICA FOOD CRISIS RESPONSE

USE OF RESOURCES RELEASED FROM NON-AGRICULTURAL PROJECTS IN RWANDA

1. Introduction

1.1 On July 24, 2008 the Boards of Directors through Resolution B/BD/2008/14 Rev.1 – F/BD/2008/09/Rev. 1, approved the Africa Food Crisis Response (AFCR). The AFCR provides the framework for accelerated support to Regional Member Countries (RMC) affected by increased food prices. The Boards of Directors also approved on 8 August 2008, by Resolution ADF/BD/WP/2008/64/Add.2 – ADB/BD/WP/2008/113/Add.2, the indicative list of non agriculture projects to be considered for restructuring, including those for Rwanda.

1.2 The Government of the Republic of Rwanda (GOR) has accepted the Bank's proposed short term measures to address the current food crisis affecting its Regional Member Countries. Subsequently, the GOR has submitted to the Bank a request for restructuring one (1) non-agricultural project, the "Programme d'Alimentation en Eau Potable et Assainissement en Milieu Rural" in Rwanda to make available a total amount of **UA 3.442** million for the purchase of agricultural inputs to boost crop production in the country. The project earmarked for this restructuring exercise and the amount projected to be released towards the AFCR is shown in Annex 1.

2. Project Background

2.1 Brief Description

The project selected for the restructuring exercise is the "Programme D'Alimentation en Eau Potable et Assainissement en Milieu Rural". Brief description of this project has been provided in Annex 2.

2.2 Implementation Status of the Projects

The project involved has been carefully evaluated ensuring that the reallocation of these resources will not affect the attainment of its initial objectives. To this end, this project, with un-disbursed balance which will not be required before its closing date, has been selected for this food crisis initiative.

2.3 Implementation Arrangements

2.3.1 The resources freed from the project will be managed by the Ministry of Agriculture and Animal Resources as the Executing Agency which will submit a work program to the Bank justifying the use of resources.

2.3.2 The Ministry of Agriculture and Animal Resources will be responsible for the procurement and distribution of the fertilizers; and the extension service in the field will oversee food production on the ground. The actual food production will be handled at the individual farmer's level. The Ministry will set up a Fertilizer Committee for an oversight role on the procurement process, payments and distribution. The fertilizers will be distributed through the extension service distribution networks.

3. Environmental Safeguards

Major environmental concerns associated with this intervention are not foreseen as inorganic fertilizer usage is below potential. However, absolute figures of chemical fertilizer application per hectare are still very low compared to most other countries. Government assures that the issue of environmental impact is not a major concern in the country given the low level of adoption and best practices developed over the years. However, the Ministry of Agriculture will work closely with the Rwanda Bureau of Standards (RBS) and the Rwanda Environment Management Agency (REMA) to ensure that imported fertilizer is of high quality and free of any toxic material. Farmers will be equally trained in handling fertilizer and other inputs. All the imported fertilizers will be used immediately leaving no stockpiles. As a result, any environmental hazard that might occur can be mitigated with measures already in place. However, the Bank will also monitor the process in line with its existing Environmental Guidelines.

4. Modalities of Procurement

Given the large amount involved and in order to accelerate the procurement process, the fertilizers will be procured by the Ministry of Agriculture and Animal Resources through Limited International Bidding (LIB) with prior review, but with a bidding period of 15 days. The bid validity period will be the accepted commercial period for fertilizers which is currently between seven (7) to fourteen (14) days, or the Government may procure directly from a supplier selected to supply the same inputs following competitive procedures acceptable to the Bank, under the procurement rules of a multilateral development bank, UN institution or co-financing partner. Given the urgent nature of the procurement, Management requests that the Board of Directors authorizes the Resident Representative of the Bank in Rwanda to approve the bid document and the tender results.

5. Financing Instrument and Conditions for disbursements

5.1 Financing Instrument

This project has been financed through ADF Loan and Grant. The underlying agreements will continue to govern insofar as the original project is concerned but a Letter of Agreement will be signed by the Bank and the Government that sets out the component to be financed by the reallocated amount and the obligations of the Government with respect to the receipt and use of such amount. With respect to any loan provided for this project (as opposed to grant) the repayment terms will not change.

5.2 Conditions for disbursements

5.2.1 The Government will communicate the details of the bank account into which the resources will be deposited and the signatories to the account.

5.2.2 Disbursement of resources will be effected upon receipt of the disbursement request from the Government. The request will be accompanied by the following documents: (i) form A1 (Disbursement Request Form) and form A3 (Used with form A1 to obtain initial advance or replenishment of the special account); and (ii) the work program to justify the use of resources. Following the approval of the work program, the disbursement of UA 3.442 will be made in one tranche into the designated account opened by the Ministry of Agriculture and Animal Resources.

5.2.3 At the end of the fiscal year, the use of the resources will be specifically audited by an independent auditor and the reports will be communicated to the Bank for review.

6. Conclusion and recommendation

The restructuring of the “Programme d’Alimentation en Eau Potable et Assainissement en Milieu Rural” in order to free UA 3.442 million for purchase of agricultural inputs will help boost crop production and contribute to alleviate the effects of the food crisis in Rwanda. In view of the Boards of Directors Resolution B/BD/2008/14/Rev.1–F/BD/2008/09/Rev.1 approving the AFCR and Resolution ADF/BD/WP/2008/64/Add.2 – ADB/BD/WP/2008/113/Add.2, of 8 August 2008, approving the indicative list of non agriculture projects considered for restructuring, Management invites the Boards of Directors to consider the proposal contained herein for the use of the resources, including the implementation and procurement arrangements as proposed above.

**AFRICAN DEVELOPMENT BANK
RESOURCES FOR THE FOOD CRISIS INITIATIVE FROM BANK PROJECTS IN RWANDA
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NO	PROJECT NAME	ADF LOAN (IN UA)	DATE APPROVED	CLOSING DATE	AMOUNT DISBURSED (IN UA)	UNDISBURSE D AMOUNT (IN UA)	AMOUNT ALLOCATED TO FOOD CRISIS INITIATIVE (IN UA)
1	Programme D'Alimentation en Eau Potable et Assainissement en Milieu Rural						
	Loan	4,000,000	17.12.2003	31.12.2009	3.522.702,90	477.297,10	0.00
	Grant	9,000,000	17.12.2003	31.12.2009	3.428,866.50	5.571,133.50	3.442.000,00
Total Allocation to Food Crisis Initiative (in UA)							3.442.000,00

Annex 2

Brief Description of Selected Projects

The “Programme d’Alimentation en Eau Potable et Assainissement en Milieu Rural” was approved in 2003 with a loan amount of UA 4,00 million and a grant of UA 9.00 million and is scheduled to end in December 2009. The overall performance of the program is satisfactory. The un-disbursement amount is UA 6.04 million representing a disbursement rate of 48.5% for loan and grant, for an implementation rate of 80% of the project activities. This savings arise from efficient implementation of different procurement packages and Government use of own domestic resources. It is against this background that the Government has decided to re-allocate UA 3.442 million to finance purchase of fertilizer under the AFCR. The balance of the funds will be enough to achieve the remaining project objective. The Project objective and financing plan will not therefore be affected by the proposed re-allocation.