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Rwanda: Agricultural and Rural Market Development

This Credit of US$5 million was a Learning and Innovation Loan (LIL) – 1999-2003 -whose objective was to contribute to the revitalization of the country’s agricultural and rural economy by identifying policies and institutional mechanisms to: (a) promote efficient, private sector-based local agricultural input distribution and output marketing systems in order to (b) raise modern farm input use among farmers and thereby the productivity of labor and levels of income in the rural sector. The project was implemented in 20 districts, representing about 25% of the total number of districts; it affected 21,000 farm families, with a population of 1.05 million, including about 1,000 lead farmers and 1,000 Farmers’ Associations.

The project focused on (i) supply side management activities through the implementation and monitoring of 300,000 hectares of environmentally sustainable community-managed forest resource systems in the Tambacounda and Kolda regions of Senegal, forming in the process a managed protection zone around the Niokolo-Koba National Park (“International Bioshepre Reserve”); (ii) demand side management activities in the form of promoting private sector inter-fuel substitution and private sector and NGO-based improved stoves initiative; and (iii) capacity development activities to strengthen the institutions involved in the management of the sector, and the promotion of the participation of civil society in the operation of the sector.

Impact on the ground

- The aggregate number of private fertilizer importers increased from 5 to 30, representing a 600% increase compared to the project’s end-target of 75%.
- Cumulative quantities of imported modern inputs increased from 674 tons at baseline to 7000 tons by project-end – a tenfold increase compared to the project’s target of a 100% increase.
- Average marketed quantities of inputs per retail trader increased significantly: NPK – from 16.7 to 43 tons; urea- from 4.7 to 21 tons; and seeds – from 0.21 to 14 tons.
- High output levels by beneficiary farmers have positively affected the trading activities of private traders through the increase in the average quantities of their selected crop sales as follows: beans – from 18 to 66 kg; potatoes – from 17 to 128 kg; and sorghum – from 13 to 148 kgs.
- The quantities of outputs marketed per capita by beneficiary farmers of some key crops increased as follows: beans - from 30 to 174 kg; potatoes – from 86 to 1,904 kg; cassava – from 66 kg to 574 kg; bananas – from 164 kg to 5813 kg; and sorghum – from 15 to 365 kg.
Estimates made from 5 provinces for which data were available show that net average income from farm production by beneficiary farm households increased from Frw (Francs Rwandais) 229,000 in 1998 to 943,000 in 2001 and reached 1.05 million in 2002. Data reveal an increase of 350% in net average income across these provinces over the project period. Net income is estimated as gross value of production minus costs of inputs including seeds.

Even with a late start, the resources of the Small Farmer Input Credit Facility (SFICF) were exhausted by the end of the first year of implementation, making it necessary to substantially increase the original allocation. The utilization of the SCIF has had a significant impact on the demand for modern agricultural inputs and, along with the training program and extension activities, has resulted in increased per capita production of key crops within a range of 800-1,800% during project implementation.

The project sub-contracted with 6 Specialized Local organizations (SLOs) across the project districts and mobilized MINAGRI extension services in 5 others to provide in-depth training and technical support to more than 1,000 farmers’ associations involving about 21,000 farmers. Ten thousand demonstration plots were established under the leadership of the lead farmers.

A collaborative program for service provision has been established between farmers and SLOs with the option for farmers to pay for advisory services received – this proposition came from the farmers themselves.

In the provinces of Umutara and Gitarama, as evidence of this successful collaboration, one of the key issues is now meeting the demand for prepared tofu and bottled sunflower oil, as well as their by-products – animal feed from sunflower extracts and soybean by-products. These products are being marketed by Farmers’ Associations. Fifteen hermetic silos ranging from 5 MT to 150 MT and grain safes between 0.5 MT and 1 MT have been successfully piloted and distributed selectively across 20 project operational districts.

Fifteen market sites were satisfactorily completed and management committees, including traders and local administration representatives are operational in all markets. Advisory services for investment in marketing services have been successfully provided to 400 traders.

The project’s sub-contracting arrangements with local organizations have contributed to promoting the emergence of a local market for technical advisory services – this feature has outlived the project.

The project has been instrumental in ensuring that the government takes the necessary measures to eliminate disincentives to private operators, in particular: (a) the removal of a 20% tax on imported inputs and (b) the prohibition of subsidized or free distribution of modern inputs.

The monitoring system has been very efficient in tracking all field activities in terms of planned costs, planned timing and planned outputs. Some of the SLOs are in fact using this system in their work outside the project.

Many of the project’s activities have been scaled-up or replicated through a major agricultural sector support program. The sustainable input and output distribution systems developed by the LIL are central to successful scale-up.

**Lessons learned**

- A viable and sustainable input supply system is possible in the Rwandan context under the appropriate set of policies, incentives and institutional mechanisms.
- There is need to ensure that suppliers have more knowledge about inputs and profitability must be facilitated; information about the project’s activities need to be disseminated as widely as possible.
- Access to inputs through resources from credit schemes, combined with extension programs, stimulate yield increases and improve farmers’ understanding of input use.
- The staff of local banks need to be trained so that input credit activities are optimally implemented; local leaders also need to be sensitized on the management of input credit.
- The lead farmer extension system should be adopted at the national level and the concept applied to other sectors of development.
- There are high payoffs in using international seed centers, i.e. the WARDA experience.
- For optimal rural market development, the modernization of the marketing infrastructure, along with training programs for local leaders in the management of the constructed markets, is essential.
- Markets need to be located close to farming communities; market management committees need to be trained and functional before marketing activities are launched.

This Infobrief has been excerpted from Implementation Completion Report No. 29556. For more information, please e-mail Ousmane Badiane (obadiane@worldbank.org).