

## Results Profile: Rwanda



### Rwanda: Achieving Food Security, Reducing Poverty, Moving up the Value Chain

#### Overview

Agriculture is the backbone of the Rwandan economy – between 2006 and 2010 it accounted for 35 percent of GDP; 45 percent of export earnings and, according to the latest household survey of 2010/11, for 73 percent of employment. Constraints caused by population density, hilly terrain and erosion make it a critical determinant of rural poverty. Since 2001 Rwanda has worked closely with IDA to achieve food security and increase agricultural productivity - food security was attained in 2010 and between 2000/01 and 2010/11 poverty was reduced by about 14 percent.

#### Challenge

Rwanda has made remarkable progress since the civil war and genocide that started in October 1990 and ended in July 1994. It has moved from an estimated poverty rate of 77.8 percent and GDP per capita of US\$ 232 in 1995 to a reported poverty rate of 44.9 percent and a GDP per capita of US\$540 in 2012 .

Rwanda has averaged per capita growth of around 8 percent for the last decade but, given the rate of population increase of 2.7 percent this growth rate would need to be accelerated further to achieve sustained poverty reduction and in order to meet Rwanda's ambitions to achieve lower middle-income status by the end of the decade. Currently, growth remains driven by agriculture and public investments (about 40 percent of Government expenditures are financed by donor grants) with diversification of the economy and growth of the private sector being constrained by: (i) low energy access rates (still at around 10 percent in 2012) and highest cost (still at around \$.22 per kwh in 2012) in the region; and (ii) high transportation costs compared to regional averages - costs from the main ports of Mombasa and Dar es Salaam are estimated to be at least 70 percent higher than that in the rest of the EAC region and account for about 40 percent of the cost of imported goods and 50 percent of exported goods .

Preliminary poverty data based on findings reported by the: National Institute of Statistics: *The Third Integrated Household Living Conditions Survey (EICV3) - Main Indicator Report (2012)*.

More Results



# 11.8

Percent poverty reduction between 2005 and 2011, in part attributed to improved agricultural production

# 46

Percent increase in agricultural exports

#### MORE INFORMATION

- » Country Website
- » Country Brief
- » Country Assistance Strategy
- » Data and Statistics
- » Ministry of Agriculture and Animal Resources in Rwanda
- » Rural Sector Support Project

World Bank: *Diagnostic Trade Integration Study* (2005).

## Approach

The Bank's *analytic* work, that also helped inform the development of Rwanda's medium term 2008-2013 Economic Development and Poverty Reduction Strategy (EDPRS), concluded clearly that increasing agricultural productivity and commercializing production would be critical to achieving Rwanda's vision for structural transformation from subsistence agriculture to a middle income economy .

The Bank accordingly embarked on a program of *investment lending* support first using a three phased Adaptable Program Loan, the Rural Sector Support Project (RSSP) that since 2001 has focused on intensifying production in the marshlands followed by the Land Husbandry, Water Harvesting and Hillside Irrigation (LWH) Project that started in 2010 and focuses on developing horticulture production on the hillsides. This 10 year long program has enabled the Government to make significant progress on its agricultural intensification program through investments in infrastructure for irrigation and erosion control and the provision of quality inputs and capacity building to all the stakeholders in various agricultural value chains. These programs have also incorporated a number of innovations such as the farmer based extension model that has led to increased rice productivity and a comprehensive land husbandry package that has enabled effective erosion control and soil fertility restoration at the landscape level.

Finally, starting in 2008 an *annual development policy operation*, (the Poverty Reduction Support Financing) has underpinned critical policy reforms in the agriculture sector including: (i) improving planning and predictability of funding for the agricultural sector to allow for more effective spending on input distribution, irrigation, water and soil management; (ii) promoting the emergence of a private sector procurement and distribution system for agricultural inputs, especially fertilizer; and (iii) capacity building of private sector agro-dealers.

World Bank: Country Economic Memorandum (2007): *Towards Sustained Growth and Competitiveness* (Vol 1 and 2) Report No. 37860-RW

## Results

Since the beginning of RSSP1 in 2001:

- Over 6,000 hectares of marshlands have been rehabilitated or developed;
- Nearly 10,000 hectares of hillsides have been sustainably developed;
- Average crop yields on the developed marshlands and hillsides have increased by over 100 percent relative to the baseline at the beginning of RSSP1 i.e. maize yields have improved from 1.6 tons/ha to nearly 5 tons/ha; rice yields have improved from 3 tons/ha to 6.30 tons/ha; and potato yields have improved from 17 tons/ha to nearly 20 tons/ha;
- Crop derived incomes have increased from a baseline of RWF 73,000 to over RWF 156,000 per farm household;
- Over 51,000 people, of which 42 percent are female have benefited from the RSSP 1 and 2 while 6,748 people, of which about 54 percent are female have benefited from the LWH so far;
- Preliminary results presented by the Government of Rwanda on the most recent household survey indicate that the reported poverty reduction of 11.8 percent between 2005/06 and 2010/11 is likely to be attributed in part to improved agriculture production, increased number of agro businesses and increased farm wage employment;
- Between 2008 and 2011 agricultural exports (other than coffee and tea) increased on average by 46 percent annually; and
- Since 2010, Rwanda has maintained a positive food balance sheet and only imports

- » Land Husbandry, Watershed Management, and Hillside Irrigation Project
- » Rwanda Economic Update *Seeds for Higher Growth*. First Edition, April 2011
- » USAID
- » CIDA
- » JICA

those products that are not produced locally or that are consumed by the higher end of the market.

## Bank Contribution

As of March 16 2012, the IDA lending portfolio in Rwanda consists of 9 active projects with total commitments of US\$292.3 million in the key sectors of agriculture, energy, transport, skills development, demobilization and reintegration and private sector development. In addition, Rwanda is benefiting from two large Trust Funds, to the tune of US\$88 million, which are directly linked to active IDA operations in transport and agriculture. Rwanda also participates in five regional projects totaling some US\$69 million in the areas of trade and transport facilitation, regional communications infrastructure, public health laboratories, Lake Victoria environment management and financial sector development and regionalization.

Annually, IDA disburses about US\$100 million as general budget in support of Rwanda's poverty reduction strategy. The Bank also undertakes a number of analytic pieces and just-in-time policy notes in each year.

Current IDA investments in agriculture include RSSP 2 (US\$ 35 million), RSSP 3 (US\$80 million) and LWH (US\$34 million).

Africa Catalytic Growth Fund and Global Agriculture and Food Security Program

## Partners

The Government has established a number of formal aid coordination mechanisms including sixteen Sector Working Groups (SWGs). Each mechanism is chaired by the Government and co-chaired by a Development Partner. The Bank currently co-chairs the energy, public financial management and agriculture SWGs.

SWGs provide a forum for dialogue, ownership and accountability of the development agenda by all stakeholders at the sector level. They build synergies in policy formulation, implementation and undertake biannual joint sector reviews. The agriculture SWG is particularly effective with the active and engaged participation from key development partners such as the Canadian International Development Agency (CIDA), the United States Agency for International Development (USAID), the Japanese International Cooperation Agency (JICA) and the World Food Program. The private sector, civil society and farmers' organizations are also very engaged.

A particular strategy that the Bank has adopted in Rwanda is to leverage IDA funding to crowd in funding from other sources. In agriculture this has involved leveraging both public and private sector financing. In the public sector an IDA Credit of only US\$ 34 million to the LWH Program has leveraged financing from GAFSP of US\$ 50 million; from USAID of US\$ 14 million and from CIDA of CAD 8 million bringing donor contribution to the program to over US\$ 106 million. The World Bank was also instrumental in putting a Common Framework of Engagement (CFE) for LWH financiers into place. The CFE facilitates engagement with potential new financiers for the LWH program. On the private sector front, the World Bank Group supported a high-level agriculture investor forum in November 2010 focusing on the horticulture (fruits and vegetables) and tea sub-sectors. The forum attracted over 100 international investors and the task force (joint Government and WBG) formed to follow up on potential deals continues to work on the 23 potential deals that were an outcome of the forum.

## Toward the Future

In the short to medium term agriculture remains the best possibility of: continuing to reduce poverty; weathering the impact of the global economic crisis; maintaining macro-economic stability; reducing job unemployment; and increasing export earnings. As such the Bank will continue to support the sector to address some of the key impediments to increased agricultural productivity including: a poor feeder roads network; lack of information on investment potential; prohibitive air freight costs; inadequately developed frameworks for quality certification; and a lack of post harvest handling and storage facilities.

## Beneficiaries

"In the past, I cultivated and harvested very little, I could not even save for the market. But

after constructing terraces, I had a good harvest and a surplus for the market. I had an uncompleted house but now, I have been able to buy cement from the sales of my potato harvest and we are about to complete the house” *Colette Nyiraneza* - a farmer.

“The production of Irish potatoes has increased from 10.5 tons in 7 hectares to 42 tons in 13 hectares. Cooperative members attribute this boost in production to RSSPs support....When we look back at the traditional farming methods we used, we consider this as a great success” *Zigama Francois*, farmer and President COAVIDEP Cooperative.

“My family is happy now that I am a successful farmer. I can easily feed them and send my children to school.” *Edward Rwego*, member COAVIDEP Cooperative.