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**Investment proposal**  
**Republic of Rwanda**  
**Farmers' Organizations Financing Programme**  
**(FOFP-R)**

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**FOR: APPROVAL**

**Action:** The Executive Board is invited to approve a senior loan of US\$9 million and a grant for technical assistance of US\$1.2 million to Bank of Kigali, and a grant of US\$1.8 million for first loss managed by Aceli Africa.

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## Executive summary

1. The Republic of Rwanda is heavily dependent on agriculture, which employs over 70 per cent of the population and contributes approximately 25 per cent of GDP. Despite strong macroeconomic growth, rural areas face persistent poverty and food insecurity, with smallholder farmers, particularly women and youth, experiencing limited access to finance and markets.
2. Farmers' organizations (FOs) play a critical role in aggregating production, facilitating market access and improving rural livelihoods. However, their ability to access formal finance is constrained by weak governance, limited collateral and poor financial records. Approximately 70 per cent of agricultural cooperative financing needs remain unmet.
3. To address these constraints, IFAD has designed the Farmers' Organizations Financing Programme – Rwanda (FOFP-R), a blended finance initiative that mobilizes US\$21 million in total financing, to address systemic barriers to financial inclusion for FOs and smallholder farmers in Rwanda. The programme includes a US\$9 million senior loan from IFAD to Bank of Kigali (BK), matched by US\$9 million in cofinancing from BK, a technical assistance grant of US\$1.2 million to BK, and a first-loss grant of US\$1.8 million managed by Aceli Africa.
4. BK has been selected as the implementing entity due to its national reach, growing agribusiness strategy, and capacity to scale agricultural lending. FOFP-R will provide tailored financial products to FOs and value chain actors, supported by governance and digital capacity-building, and risk-sharing mechanisms. FOFP-R aims to enhance food security and increase incomes for 35,000 rural smallholders, with a focus on women and youth, by improving access to finance and professionalizing the operations of 215 FOs across priority food value chains such as maize, rice, dairy, horticulture and cassava.
5. FOFP-R is aligned with IFAD's Strategic Framework 2016–2025 and its Private Sector Operational Strategy, and contributes directly to Sustainable Development Goal (SDG) 13 (climate action) and SDG 15 (life on land), and indirectly to SDG 1 (no poverty), SDG 2 (zero hunger), SDG 8 (decent work and economic growth) and SDG 10 (reduced inequalities). It complements IFAD's sovereign portfolio in Rwanda and is designed for replication across other countries.

## I. Key data on investment proposal

<b>Project name</b>	Farmers' Organizations Financing Programme – Rwanda
<b>Geographic focus</b>	Rwanda
<b>Private sector borrower</b>	Bank of Kigali Plc is a commercial bank licensed by the National Bank of Rwanda.
<b>Technical partner</b>	Aceli Africa Inc.
<b>Financiers</b>	<p>IFAD Private Sector Trust Fund:</p> <ul style="list-style-type: none"> <li>- <b>Senior loan of US\$9,000,000</b> composed of Private Sector Trust Fund resources of US\$6,000,000 and Global Agriculture and Food Security Program's (GAFSP) Business Investment Financing Track (BIFT)<sup>1</sup> resources of US\$3,000,000</li> <li>- <b>Grant for technical assistance (TA)<sup>2</sup> of US\$1,200,000</b> to Bank of Kigali financed from GAFSP BIFT</li> <li>- <b>Grant for first loss of US\$1,800,000</b> financed from GAFSP BIFT. Provision of an additional US\$200,000 to cover direct costs to Aceli Africa, and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein</li> </ul> <p>Band of Kigali (BK) (expected cofinancing):</p> <ul style="list-style-type: none"> <li>- Senior loan: US\$9,000,000</li> </ul>
<b>Senior loan total</b>	US\$9,000,000 from IFAD to BK
<b>Risk-sharing grant</b>	US\$1,800,000 grant for first loss from IFAD to BK through the selected technical partner Aceli Africa Additional US\$200,000 to cover the direct costs for Aceli financed by GAFSP through the 5% IFAD Private Sector Trust Fund direct cost (not part of the grant for first loss)
<b>TA facility grant</b>	US\$1,200,000 TA grant from IFAD to BK
<b>Borrower cofinancing</b>	Minimum US\$9,000,000
<b>Total financing</b>	US\$21,000,000
<b>Summary lending terms of IFAD financing</b>	<ul style="list-style-type: none"> <li>• Loan amount: US\$9,000,000</li> <li>• Currency: United States dollars</li> <li>• Interest rate: 3% p.a. fixed</li> <li>• Interest payments: semi-annually</li> <li>• Tenor: 7 years</li> <li>• Principal grace period: 3 years</li> <li>• Principal repayment: Semi-annual payments in years 4 to 7</li> <li>• Disbursements: 2 disbursements, each subject to fulfilment of conditions precedent</li> <li>• Front-end fee: 1% of the total principal amount of IFAD financing, payable no later than 30 days after the signing of the financing agreement and prior to the first disbursement</li> <li>• Commitment fee: In United States dollars at the rate of 1% on the undisbursed principal amount of the IFAD financing, which will begin to</li> </ul>

<sup>1</sup> GAFSP approved the funding request on 3 November 2025 (see approval notice in appendix VI). From overall US\$6,000,000 financing from GAFSP BIFT, 5 per cent represents IFAD Private Sector Trust Fund direct cost and 8 per cent supplementary funded administration fee. GAFSP approved the funding request on 3 November 2025 (see approval notice in appendix VI).

<sup>2</sup> Technical assistance may account for a maximum of 20 per cent of the non-sovereign operation.

	<p>accrue on the execution date of the financing agreement and extend through the availability period</p> <ul style="list-style-type: none"> <li>• Seniority: Senior</li> <li>• Availability period: 36 months from the date of execution of the financing agreement</li> </ul>
<b>Governing language and law of financing documents</b>	<p>English language English Law</p>

## II. Introduction

1. **Region and sector context.** In the Republic of Rwanda, despite robust GDP growth averaging 7.2 per cent over the past two decades,<sup>6</sup> poverty (52 per cent)<sup>7</sup> and food insecurity (20.6 per cent)<sup>8</sup> remain high. The agriculture sector employs nearly 70 per cent of the population.<sup>9</sup> The sector faces structural challenges, including weak value chain (VC) development and integration, and barriers to the productive inclusion of smallholders, who account for the majority of the country's producers. These constraints particularly affect smallholders, women and youth, who face persistent barriers in accessing land, finance and technology.
2. **Financial sector and access to finance.** Rwanda's financial sector is relatively well developed, comprising commercial banks, microfinance institutions (MFIs), non-bank microfinance institutions, insurance companies, pension funds, and a wide network of savings and credit cooperative organizations (SACCOs), which serve as the main channel for rural financial inclusion. Mobile money has expanded its reach, with nearly 60,000 agents and over 9 million accounts. Despite this progress, agricultural lending is limited, constrained by high costs, perceived risks, lack of suitable insurance products and delays in guarantee claims. SACCOs and MFIs face liquidity and capacity challenges, while limited data-sharing restricts credit scoring and risk assessment.
3. **Role and constraints of farmers' organizations.** Rwanda has around 10,000 farmers' organizations (FOs), up from only 645 in 2008.<sup>10</sup> FOs play a critical role in aggregating farmers, providing access to inputs and credit, improving market integration, and supporting advocacy. They also help bridge the gap between farmers and financial institutions by supplying creditworthiness data and guaranteeing member loans. However, despite the potential of farmers' organizations, around 70 per cent of their financing needs remain unmet, particularly in unstructured value chains.<sup>11</sup> Key constraints include weak governance, limited financial literacy, lack of collateral, and poor compliance with regulatory requirements. These weaknesses increase lenders' perception of FOs as risky borrowers, which discourages formal financial institutions from engaging with them.
4. **Gender and youth dimensions.** Women and youth are disproportionately excluded from productive finance. Women produce the bulk of food but receive less than 10 per cent of agricultural credit.<sup>12</sup> Barriers include lack of land ownership, collateral and representation in FO leadership. Youth unemployment exceeds

<sup>6</sup> <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=RW>.

<sup>7</sup> <https://hdr.undp.org/sites/default/files/Country-Profiles/MPI/RWA.pdf>.

<sup>8</sup> [The Borgen Project: Updates on SDG 2 in Rwanda](#).

<sup>9</sup> Ministry of Agriculture Rwanda. [Agricultural sector transformation](#).

<sup>10</sup> Cooperative typology in Rwanda: (i) land cooperatives: focus on the joint acquisition and management of agricultural land; (ii) marketing cooperatives: specialize in the collective marketing of agricultural produce; (iii) production cooperatives: manage all activities collectively, from land acquisition and crop cultivation to marketing.

<sup>11</sup> [https://safinetwork.org/wp-content/uploads/2023/03/A2F-for-farmers-organizations\\_IFAD\\_SAFIN\\_FO4ACP.pdf](https://safinetwork.org/wp-content/uploads/2023/03/A2F-for-farmers-organizations_IFAD_SAFIN_FO4ACP.pdf).

<sup>12</sup> African Union. [We must do more to break barriers for rural women farmers and address the deeply rooted structural inequalities](#).

21 per cent<sup>13</sup> and opportunities to engage in agriculture are limited by land access constraints, limited capital and exclusion from decision-making structures. Addressing these disparities is essential to ensure inclusive rural transformation.

5. **IFAD's experience and lessons learned.** IFAD's long-standing engagement with FOs yields several lessons that can promote increased access to finance for FOs: (i) support should strengthen existing FOs rather than create new ones; (ii) interventions should be tailored to the FO's maturity level; (iii) capacity-building is critical to ensure bankability; (iv) financial products must be aligned with agricultural cycles; (v) an ecosystem approach linking multiple value chain actors is effective; and (vi) digital tools can significantly improve outreach and efficiency.
6. **Problem statement and proposed solution.** FOs in Rwanda face significant barriers in accessing finance – typically for amounts below US\$50,000 – despite strong demand for seasonal working capital, post-harvest loans, asset finance, and bundled insurance. Constraints include weak collateral, incomplete records, poor tax compliance, high rural lending costs and limited insurance options. Governance gaps and low financial literacy further reinforce perceptions of risk. Financial institutions, particularly MFIs and SACCOs, struggle with liquidity and lack products tailored to agricultural cycles. Fragmented value chains and climate risks exacerbate these challenges, limiting investment in productivity-enhancing assets such as machinery, cold storage and irrigation.
7. **Proposed solution.** FOFP-R addresses these gaps through a blended finance partnership with the Bank of Kigali. The programme will provide medium- and long-term finance to FOs, smallholders, and agricultural small and medium-sized enterprises (agri-SMEs) that are linked to FOs, with a focus on women and youth. Concessional capital will be aligned with harvest cycles to crowd in commercial lending. Complementary technical assistance will strengthen FO governance and compliance, while a risk-sharing mechanism and digital solutions will reduce lending risk and improve transparency. These interventions aim to shift financial institutions' perception of FOs and enable them to become bankable actors in Rwanda's agricultural transformation.
8. **The Borrower.** BK is Rwanda's largest commercial bank, accounting for 4.2 per cent (RWF 60.5 billion or US\$45.8 million, with 4,712 borrowers) of national lending to agriculture. BK's non-performing loan ratio is low, standing at 2 per cent in 2024. Following the approval of its agribusiness strategy (2022), BK established a dedicated department and specialized credit team to scale up agricultural finance across key value chains. The bank has committed US\$150 million to expanding agri-finance over five years, supported by strong capital adequacy (19.8 per cent), US\$1.4 billion in deposits, and has risk systems that are compliant with International Financial Reporting Standard (IFRS) 9.

### III. The proposed non-sovereign operation (NSO)

9. **Overarching goal.** The overall development goal of the FOFP-R is to enhance food security and increase the income of up to 35,000 rural smallholders, particularly women and youth.<sup>14</sup> To achieve this, the programme aims to improve the access to finance and professionalize the operations of an estimated 215 FOs (172 of which are expected to obtain loans from BK) within selected food crop VCs, alongside other linked VC actors, through focused capacity-building, digitalization, and catalysed funds for agriculture lending.
10. **Target group.** The NSO will seek to improve access to finance for FOs and their members in the selected VCs. To complement the livelihood benefits of this improved access to finance and promote wider VC development and integration,

<sup>13</sup> [EMU DSpace](#).

<sup>14</sup> Refer to annex I for the preliminary results framework.

the NSO will enhance access to finance for other linked actors in the VCs, including lead agribusinesses and SMEs (overview in appendix III). The target groups are in higher- risk and higher impact categories that are underserved by the investment approaches of financial institutions.

11. **Targeted value chains.** Using a nutrition-sensitive approach, FOFP-R will concentrate on priority food crop value chains, including dairy, horticulture, Irish potatoes, maize, beans, rice and cassava, which will be identified through consultations with FOs, BK and other financial institutions. The focus on a limited number of VCs will enable the bank to deploy tailored financial products, develop a deeper knowledge of market dynamics and adopt better risk management practices, while maintaining flexibility to adapt to emerging opportunities that have commercial viability. The value chains under consideration are aligned with the Food and Agriculture Organization of the United Nations framework on nutrition-sensitive value chains and Global Alliance for Improved Nutrition (GAIN) metrics on nutrient-dense food systems, which emphasize integrating nutrition considerations to enhance dietary diversity and food security.
12. **Programme components.** The FOFP-R is structured around **three components** designed to address financial, institutional and risk-related barriers faced by FOs, smallholders and value chain actors in Rwanda.
13. **Component 1: Effective financing for rural adaptation.** IFAD will provide a senior loan of US\$9 million to BK, which will be matched by US\$9 million from BK in local currency, creating US\$18 million in loanable resources. Financing will target high-demand products: seasonal working capital, asset finance, trade finance and post-harvest/inventory loans. The senior loan will have a total maturity of up to seven years, including a 3-year grace period and disbursement of funds within a 36-month period.
14. BK will implement strategies to ensure uptake and sustainability, including:
  - Tailored financial products aligned with agricultural cycles;
  - Flexible collateral policies (e.g. off-take contracts, FO-owned assets);
  - Concessional pricing passed through to end-users;
  - Incentives for branch staff to originate agricultural loans for FOs;
  - Prioritization of structured value chains (e.g. rice, dairy, horticulture);
  - Lending delivered directly or via intermediaries (MFIs, SACCOs, VC lead firms).
15. **Component 2: Capacity-building and digitalization to enable access to finance.** A TA grant of US\$1.2 million will support strengthening FO capacities to become more bankable, building FO members' financial literacy, and strengthening BK's capacity to provide more inclusive finance (see TA grant design in appendix IV). BK will manage the TA facility and will be responsible for hiring local service providers in alignment with IFAD procurement requirements.
16. The TA will support BK in designing and piloting digitally enabled agribusiness products aligned with agricultural seasonality and value chain dynamics. Investments will also be made in digital infrastructure and analytics to strengthen core banking systems, credit scoring, portfolio monitoring, and mobile-based repayment platforms. In parallel, staff training will build expertise in FO risk appraisal, climate-smart agriculture lending, and environment, social and governance compliance. Marketing and outreach support will help expand uptake of the FO-tailored products.
17. FOs will undergo a structured capacity-building process, beginning with market mapping and assessment, in collaboration with International Finance Corporation (IFC) using the Agribusiness Leadership Program's (ALP) capacity assessment and

financial needs assessment (FNA) tools. These tools evaluate FO size, governance, financial performance, participation of women and youth, and technology readiness. FOs classified as “advanced” will be prioritized for the FOF-P-R financing pipeline. These FOs will receive support in cooperative financial management and digitalization, while those at earlier stages will receive basic capacity-building through complementary IFAD programmes. BK will integrate FNA outputs into its own credit assessment processes, enabling more refined loan appraisals and product tailoring.

18. The TA package for FOs will focus on business planning and financial management, strengthening market linkages, and enhancing digital literacy and adoption of locally appropriate digital systems. This will include training on tools that improve transparency, traceability, and financial management, and will include solutions tailored for low-connectivity areas. Support will also be provided to link FOs with business development services and digital agriculture providers. Monitoring will be embedded through FO surveys, household surveys, and a midterm review to track progress and impact.
19. **Component 3: Risk management solutions for sustainable financing.** To expand lending to FOF-P-R’s higher-risk target groups, IFAD will provide a US\$1.8 million first-loss grant to Aceli Africa Inc- an African based platform that de-risks agricultural SME lending and incentivizes financial institutions to expand lending to underserved markets to further enhance its existing partnership with BK (see grant design for first loss in appendix V).
20. Aceli will cover the first 2 to 9 per cent of principal losses on eligible loans, averaging around 5 per cent, thereby enabling coverage of up to US\$36 million in loans and achieving a leverage effect of roughly 20 to 1. Under Aceli’s incentive model, lenders build a reserve account as loans are registered, with coverage tied to new borrowers, informal value chains, and impact criteria such as gender, climate resilience and food security. This risk-sharing structure lowers the financial barrier and aligns the lender’s incentives with inclusive outcomes. BK must demonstrate reasonable recovery efforts before accessing the reserve, and any unused funds will be returned to IFAD at the end of the loan term.
21. In addition to the Aceli facility, BK benefits from a 50 per cent pari passu guarantee from the United States International Development Finance Corporation, resulting in an estimated 55 per cent of effective guarantee coverage on FOF-P-R loans. BK retains at least 30 per cent of loan-level risk, ensuring prudent lending and alignment with programme objectives.
22. **Expected outcomes.** The main outcomes to be achieved by the end of the programme’s seven-year implementation include:
  - (i) Approximately 215 FOs are successfully professionalized with a well-defined and transparent governance structure, strong leadership, robust internal policies, internal mechanisms for accountability, proper digitalized financial records, sound financial management; and demonstrate transparency and accountability in handling funds and resources. Of these, 172 are expected to receive loans (benefiting approximately 35,000 smallholder members), either directly through the borrower or indirectly through intermediary local financial institutions or VC finance through lead agribusinesses.
  - (ii) Actors linked to FOs in the VCs will benefit from: (i) business development support for 23 linked agri-SMEs, of which 18 are expected to receive loans; (ii) direct loans to an additional 7,000 smallholder FO members through the borrower or intermediaries.
  - (iii) Over 35,000 smallholders supported by FOF-P-R financing, including a target of 30 per cent women and 15 per cent youth. Over 19,000 of these smallholders are expected to benefit from improved prices and/or more stable

market linkages. Over 20,000 of those directly reached are expected to report improved productivity. (See annex I for the programme's results framework).

23. **Sustainability and exit strategy.** FOF-P-R is designed for long-term sustainability beyond the concessional phase as it embeds agri-lending into Bank of Kigali's core operations. The transition from the concessional phase will be supported by digital credit tools and a gradual shift from risk-sharing to relying on BK's own reserves. Technical assistance will strengthen FOs' governance, financial management, and digital capacity, thereby reducing costs and improving creditworthiness. Digital onboarding and repayment systems will further lower operating expenses, enabling BK to lend on fully commercial terms. By programme end, concessional elements will be phased out, leaving a scalable, digitally enabled FO lending model financed through BK's internal systems. BK maintains meaningful "skin in the game," ensuring ownership and accountability while preserving concessionality for the target groups. Incremental lending and additionality will be tracked through a dedicated FOF-P-R portfolio, clearly distinguishing it from BK's existing Aceli-supported operations to avoid double-counting.

#### IV. Structure and governance

24. **Governance structure and oversight.** BK has a formal governance structure that adheres to the requirements of the National Bank of Rwanda (BNR) – the country's central bank and financial regulator. BK's board of directors is composed of independent and non-executive members, and includes specialized committees for credit, risk, audit and governance. Its executive management team is well-established. The bank operates under Basel II/III principles and BNR's prudential regulations, including concentration limits and related-party lending restrictions.
25. **Management.** BK's agribusiness team is still relatively small but well-qualified, with strong client engagement and a growing lending pipeline. The bank exceeded its 2023–2024 agribusiness targets, which will bolster plans to increase staffing in 2025–2026. The team is led by an experienced department head and includes segment-focused officers for cooperatives, SMEs and structured value chains.

#### V. Strategic considerations

26. **Alignment.** This NSO is aligned with IFAD's strategic objectives by increasing productive capacities, market access and climate resilience. It supports SDGs 1, 2, 8, 10, 13 and 15 and is consistent with IFAD's Private Sector Operational Strategy (2025–2030) by catalysing private investment for inclusive, sustainable rural transformation. FOF-P-R is also aligned with the Inclusive Rural Finance Policy as it is characterized by financial innovation and catalytic use of concessional resources. The operation follows the blended finance principles observed by development finance institutions, addressing market gaps without distorting competition and progressively reducing concessionality. (Annex II contains detailed information on strategic alignment.)
27. **Additionality.** FOF-P-R tackles a key barrier to rural development in Rwanda by expanding access to finance for underserved FOs and related value chain actors through a blended package of concessional lending, capacity-building, and risk-sharing tools not otherwise available in the market. IFAD adds strong institutional value as the initiator and manager, leveraging its Private Sector Trust Fund (PSTF) resources, technical expertise and reputation to mobilize complementary grant funding, technical support (including from IFC) and linkages with its sovereign portfolio.
28. In terms of financial additionality, FOF-P-R will catalyse at least a 1:1 leverage ratio with Bank of Kigali, mobilizing up to US\$9 million in additional local financing to create an US\$18 million lending window for FOs and associated SMEs, offering

longer maturities and grace periods aligned with agricultural cycles. While BK already benefits from the European Investment Bank, United States International Development Finance Corporation and Swedish International Development Cooperation Agency guarantee schemes, these target SMEs more broadly and exclude FOs due to their informality and weak governance. FOFP-R fills this gap as BK's only initiative dedicated to FOs, combining a US\$9 million concessional loan from IFAD's PSTF with US\$3 million in grants from GAFSP BIFT (for first loss and TA respectively), thus creating a scalable, blended model that strengthens FO capacity, improves environmental, social and governance (ESG) compliance, and lays the foundation for replication across the East and Southern Africa region.

29. **Private sector funds catalysed by the NSO.** Apart from the 1:1 leveraging factor previously mentioned, the extended maturity and grace period of the IFAD loan enables BK to offer significantly longer loan and grace periods to end-borrowers, with maximum loan maturities reaching six years. This strategic financial structure supports the overarching goal of empowering FOs and fostering sustainable agricultural development.
30. **Complementarity.** The FOFP-R strongly complements IFAD's country strategic opportunities programme (COSOP) 2025–2030, which prioritizes access to finance (SO2) and private sector engagement in alignment with Rwanda's national push for digital payments and fintech innovation. At the portfolio level, it fills a key gap in IFAD's sovereign operations by providing a dedicated financing vehicle for FOs, complementing projects such as the Partnership for Resilient and Inclusive Small Livestock Markets Programme and the Kayonza Irrigation and Integrated Watershed Management Project – Phase II, which focus on capacity-building, irrigation management and financial literacy. At the non-sovereign level, FOFP-R complements regional operations like the Africa Rural Climate Adaptation Financing Mechanism (ARCAFIM), offering FO-specific finance and governance support. It will also explore synergies with initiatives such as the AgDevCo Ventures NSO. Finally, the programme will connect with an upcoming Farmers' Organization Programme (FO4), which will identify and refer bankable FOs for financing under FOFP-R, ensuring a coherent pipeline and a sequenced approach to strengthening and financing FOs throughout all stages of maturity.
31. **Operational considerations.** The FOFP-R loan to Bank of Kigali will have a seven-year tenor with a three-year grace period, enabling longer-term, affordable lending for FOs and smallholders investing in productive and climate-resilient assets. The loan facility, disbursed in two tranches with a 1 per cent fee, combines concessional finance with digitalization, product innovation and portfolio risk-sharing through a first-loss grant managed by Aceli. A maximum lending rate of 14 per cent – below the market average of 18 to 24 per cent – and flexible collateral terms (e.g. pooled assets and FO guarantees) will expand access to credit for previously unbanked actors. The programme aims to crowd in commercial finance while adhering to development finance institution-blended finance principles and ensuring that concessionality is transparent and time-bound.
32. **Institutional roles and responsibilities:**
  - (i) **IFAD** will be responsible for oversight of the operation, serving as the lender of record for the US\$9 million investment to BK through the PSTF. It will also channel funds to the manager of the TA funds (BK) and will sign a grant agreement with Aceli,<sup>15</sup> the partner designated to manage the US\$1.8 million grant for first loss. IFAD will also hire a locally based collaborator to ensure effective programme delivery, stakeholder alignment and coordination, ESG adherence, and timely and accurate reporting.

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<sup>15</sup> Direct cost of the grant to Aceli will be financed by GAFSP through the 5 per cent IFAD PSTF direct cost.

- (ii) **Bank of Kigali** will be IFAD's key partner and will be responsible for managing the loan under component 1 and the TA grant activities under component 2. BK will take full responsibility for using the loan proceeds for the specified purposes and for full deployment, implementation and reporting to IFAD. The TA conditions will be set forth in a separate TA grant agreement between IFAD and BK. BK will hire a dedicated project manager and TA manager with an international procurement background to manage the TA facility, ensuring full compliance with United Nations procurement standards and international best practices. The TA manager will also ensure transparent processes, competitive sourcing and efficient contract management, with regular reporting to IFAD for the duration of the programme.

In addition, BK is considering using the TA resources to subcontract under the IFC-ALP for implementation of the ALP tool to identify the pipeline of FOs, design training tailored to FO needs, and monitor FO professionalization during the first three years of implementation (see appendix IV for details). The aim during this period is to embed IFC-ALP content into BK's credit scoring systems and assessment tools, thereby enabling BK to take full responsibility for continued monitoring of FO progress after the programme's midterm evaluation.

- (iii) **Aceli** will implement the risk-sharing component through a formal grant agreement signed between Aceli Africa Inc and IFAD. Under this arrangement, Aceli will administer the facility in partnership with BK<sup>16</sup> and will be responsible for reporting on the implementation and performance of the risk-sharing component in line with agreed indicators and formats.
- (iv) **Programme coordination.** Implementation will be managed and monitored by three fixed-term staff members. An IFAD programme coordinator, based in the IFAD country office in Rwanda and financed through IFAD's direct cost allocation from the PSTF, will support coordination between IFAD, BK and Aceli Africa. The coordinator will focus on monitoring loan performance, TA delivery and guarantee utilization, and ensuring appropriate and timely reporting. Within BK, a programme manager, financed by the bank, will oversee the day-to-day implementation of all the components ensuring smooth operations and alignment with IFAD requirements. BK will also hire a TA facility manager to oversee transparent and competitive sourcing in full compliance with both national and international standards. Together, these roles will ensure effective, accountable and timely delivery of FOPP-R activities.

33. **Monitoring and evaluation.** BK will provide the necessary information and reports according to IFAD's templates. During the annual supervision missions, IFAD will (i) assess BK's ongoing financial and operational capacity to implement the programme and ensure loan repayment, compliance with covenants, and (ii) evaluate the results and impact of FOPP-R on food crop VCs and financial inclusion for FOs, and (iii) assess the level of concessionality. The loan and grant agreements with BK and the risk-sharing agreement with the service provider will include reporting requirements as follows: regular financial and operational performance reports; provision of data on loan disbursements and repayments; and detailed records of any loan defaults or losses covered by the risk-sharing facility; and progress on implementing risk mitigation strategies. (See annex III for further details.)
34. **ESG considerations.** The NSO applies strong **ESG safeguards** aligned with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP),

<sup>16</sup> Aceli and BK have in place a non-disclosure agreement which allows for the sharing of information. To cover the direct cost incurred by Aceli, an additional US\$200,000 will be financed from GAFSP through the 5 per cent IFAD PSTF direct cost (not part of the grant for first loss).

ensuring inclusion of farmers, women and youth in mitigation and monitoring efforts. All potential borrowers will be subject to IFAD's exclusion list and updated environment and social screening procedures in order to address environmental and climate risks early in loan assessment stage. The operation is rated as having **moderate risk** for both environment and climate. Actions to promote sustainability and social inclusion are set forth in the programme-specific **environmental and social action plan**.

35. The overall risk profile of the **FOFP-R** is considered **moderate**, reflecting BK's strong financial standing and IFAD's comprehensive mitigation measures. A detailed list of risks identified during due diligence and the associated mitigation measures are provided in annex IV.

## **VI. Conclusion**

36. The FOFP-R holds significant potential to address a key barrier to rural development in Rwanda, and strongly complements the programme of loans and grants. It will also provide an important learning opportunity for IFAD, which can be used to replicate this model to address similar barriers in other countries both within and outside the region.
37. The Government of Rwanda provided its non-objection in October 2025.

## **VII. Recommendation**

38. The Executive Board is invited to approve a senior loan of nine million United States dollars (US\$9,000,000), composed of Private Sector Trust Fund resources of six million United States dollars (US\$6,000,000) and GAFSP BIFT resources of three million dollars (US\$3,000,000), and a grant for technical assistance of one million two hundred thousand United States dollars (US\$1,200,000) to Bank of Kigali, and a grant for first loss of one million eight hundred thousand United States dollars (US\$1,800,000) and provision of an additional two hundred thousand United States dollars (US\$200,000) to cover direct costs to Aceli Africa, and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

## Results framework

Outreach/outcome	Indicators	Programme midterm and final targets			DATA SOURCES	DATA COLLECTION METHODS	FREQUENCY	
			Mid (y4)	End (y7)				
Outreach	Number of beneficiaries directly reached (broken down by gender, age)	Total	29 000	35 000	Client system	BK reporting	Annual	
		Women (30%)	8 700	10 500				
		Youth (15%)	4 350	5 250				
	Amount of total funding catalysed by the programme (private versus other sources)	Total loanable		18 000 000	Client system	BK reporting	Annual	
		BK (private, 50%)		9 000 000				
	Disbursement rate of funding	%		100	IFAD system	IFAD reporting	Annual	
	Number of producer-based organizations supported (organization)	Direct and indirect FO*		146	172	Client system	BK reporting	Annual
Other entities supported. Breakdown by type of investee and instrument	Direct and indirect smallholder farmers (SHFs)*		5 460	7 045	Client system	BK reporting	Annual	
	Direct agri-SMEs		16	18				
	Intermediaries		12	14				
Outcome 1: More rural employment opportunities notably for women and youth	Direct employment provided (full-time equivalent)	Total	1500	1800	Client system	BK survey	Mid (y4)/end project (y7) reporting	
		Women (25%)	375	450				
		Youth (15%) <sup>17</sup>	225	270				
Persons receiving capacity-development support	Direct FO leaders		547		Client system	BK reporting	Annual	
	Of which number of females (30%)		164					
Outcome 2: Increased income and revenues for small producers involved in food systems	Farmers that are supported in accessing improved marketing opportunities (farmer) Disaggregation: Of which, number of females	Total	16 500	19 400	Client system	BK survey	Mid (y4)/end project (y7) reporting	
Outcome 3: Increased production and farmers' productivity	Number of beneficiaries directly reached that have reported improved productivity	Total	16 800	20 200	Client system	BK survey	Mid (y4)/end project (y7) reporting	
Outcome 4: Improved access to finance for small producer and rural poor people, and agri-SMEs involved in food systems	Persons supported by project in rural areas accessing financial services	Total	29 000	35 000	Client system	BK reporting	Annual	
		Women (30%)	8 700	10 500				
	Number of loans to beneficiaries (by gender, age)	Total # loans: (women %, youth %)		10 900	19 000	Client system	BK reporting	Annual
		Women (30%)		3 270	5 700			
		Youth (15%)		1 635	2 850			
Total US\$		US\$33 427 200	US\$56 358 700		BK reporting	Annual		

<sup>17</sup> Number will be higher if informal jobs are included.

Outreach/outcome	Indicators	Programme midterm and final targets			DATA SOURCES	DATA COLLECTION METHODS	FREQUENCY
			Mid (y4)	End (y7)			
	Total value of loans to beneficiaries (by gender, age)	Women (30%)	US\$10 028 160	US\$16 907 610	Client system		
		Youth (15%)	US\$5 014 080	US\$8 453 805			
	% increase in agri-portfolio of private sector portfolio**	%	85	90	Client system	BK reporting	Annual
	# new financial products or services developed and offered to beneficiaries	#	3	3	Client system	BK reporting	Annual
Outcome 5: Strengthened resilience of small producers to the impacts of climate change on their food security and nutrition	Farmers receiving inputs or services on climate resilient or sustainable agriculture practices	Farmer	N/A***	N/A	BK survey	Mid (y4)/end project (y7) reporting	BK survey

\* Any SHF receiving access to financing through the Farmers' Organizations Financing Programme (FOFP) is member of a supported farmers' organization (FO). Receiving services directly from BK and from intermediaries serving additional FOs and SHFs.  
\*\* % increase in agri-portfolio of private sector portfolio represent the % of the new FOs not the % of the loan increment.  
\*\*\* The midterm and final evaluations will assess and document climate resilient or sustainable agriculture practices but no specific objectives are included in the results framework.

1. **Further considerations.** This results framework has been revised based on GAFSP BIFT steering committee feedback. Alignment with the Private Sector Financing Programme reporting practices will be ensured.
2. **Assumptions.** To fill the indicative targets of the results framework, outreach estimations have been structured around four indicative investment groups: direct FOs (45 per cent of total investment), direct smallholder farmers (20 per cent), direct agri-SME lending (20 per cent), and indirect lending via SACCOs/multi-finance institutions (MFIs) (15 per cent). Each group has defined budget allocations, ticket sizes, loan durations, grace periods, interest rates, expected losses and repayment frequencies, reflecting tailored assumptions to achieve targeted outreach and financial sustainability.
  - **Direct FOs.** Total allocation of US\$8.1 million, average loan size US\$100,000, duration 2 years, with a two year repayment schedule. Each loan is expected to reach 200 households, primarily smallholders (92.5 per cent), with 20 per cent of borrowers being new clients per cycle. Average loss per cycle is 4 per cent, with a 10 per cent dropout rate, and four loan cycles planned.
  - **Direct smallholders.** Total allocation of US\$3.6 million, average loan size US\$1,500, duration 1 year, biannual repayment, with each loan reaching one household. Average loss per cycle is 3 per cent, 20 per cent new clients, 10 per cent dropout, and seven loan cycles planned.
  - **Direct agri-SME lending.** Total allocation of US\$3.6 million, average loan size US\$250,000, duration 2 years, biannual repayment. Each loan reaches 200 households, with 20 per cent new clients per cycle. Average loss per cycle is 2 per cent, with a 10 per cent dropout, and four loan cycles planned.

- **Indirect via SACCOs/MFIs.** Total allocation of US\$2.7 million, average ticket size US\$250,000 (on-lending of US\$25,000 for FOs, US\$750 for smallholder farmers), duration 3 years, biannual repayment. Loans reach 50 households (46 of which smallholder households) on average, with 20 per cent new clients per cycle, 2 per cent loss rate, 10 per cent dropout, and two loan cycles planned.
  - Persons receiving capacity-development support will be gauged by the number of FO members in governing and management positions of targeted FOs
3. Across all groups, the framework assumes progressive outreach to new clients (20 per cent per cycle), management of loan recycling and controlled financial risk, with average losses ranging from 2 to 4 per cent and repayment schedules harmonized as biannual. This framework provides a comprehensive projection of expected impacts, household reach, and financial performance across different client segments at midterm and completion of the programme.

## Alignment with the Sustainable Development Goals and IFAD's mission

1. **Alignment with IFAD's mandate and the Sustainable Development Goals (SDGs).** This NSO directly contributes to strategic objectives 1 and 2 of IFAD's Strategic Framework 2016–2025<sup>18</sup> through its support to increasing productive capacities and access to markets and finance. FOFP-R also contributes to strategic objective 3 given that it will finance loans to support climate resilience and, potentially, mitigation. It contributes directly to SDG 13 (climate action) and SDG 15 (life on land), and indirectly to SDG 1 (no poverty), SDG 2 (zero hunger), SDG 8 (decent work and economic growth) and SDG 10 (reduced inequalities).
2. **Alignment with IFAD's Private Sector Operational Strategy and Inclusive Rural Finance Policy.** FOFP-R is closely aligned with the objectives of the Private Operational Sector Strategy 2025–2030, specifically objective 2, in that it will catalyse private sector finance for investment in inclusive, sustainable and resilient transformation of the rural sector and food systems. FOFP-R will deploy one of the three instruments foreseen in the NSO framework. The solutions provided under this NSO are demand-driven and informed by extensive prior research into the specific needs of FOs. Moreover, the NSO is fully aligned with IFAD's Inclusive Rural Finance Policy, which emphasizes financial innovation, catalytic finance and the creation of sustainable pathways for rural economic inclusion. Alignment with the development finance institution-blended finance concessionality principles<sup>19</sup> ensures that concessional funding complements rather than distorts the market, particularly when providing commercial financing to FOs. This will address market failures without crowding out private sector investment and minimize concessionality over time while maximizing private sector resource use.<sup>20</sup>
3. **Alignment with the country strategic opportunities programme (COSOP).** The design of the Rwanda COSOP 2025–2030 includes innovative solutions for farmers' organizations to derisk private sector engagement and to increase access to finance. Access to finance has a dedicated strategic objective and is identified as a main theme for the next period of IFAD operations in the country. FOFP-R is a key component for the delivery of this plan. The programme's objectives are supported by the enabling environment led by the Government of Rwanda's and its strategic push for payments to farmers to be conducted digitally, for example via FOs and savings and credit cooperative organizations.

<sup>18</sup> <https://www.ifad.org/documents/d/new-ifad.org/ifad-strategic-framework-2016-2025>.

<sup>19</sup> <https://www.ifc.org/content/dam/ifc/doc/mgrt/ifc-blendedfinance-fin-092021.pdf>.

<sup>20</sup> The loan conditions set will therefore be backed by a quantitative model, demonstrating that for the borrower, FOFP-R's internal rate of return will be sufficient incentive for participation (e.g. comparable to other investment opportunities). Other conditions may include setting a minimum target for the leverage ratio of private to concessional funding or establishing a concessionality phase-out plan.

## Operational considerations

1. **Purpose of financing.** The US\$9 million in financing is composed of US\$6 million from IFAD under the Private Sector Trust Fund and US\$3 million from the Global Agriculture and Food Security Program (GAFSP) Business Investment Financing Track (BIFT) window. The total amount of US\$9 million will be channelled as an unsecured senior loan to BK, for direct lending to FOs, wholesale lending to MFIs and SACCOs that finance FOs, and value chain (VC) players linked to farmers' organizations (FOs). This amount will be combined with a further US\$1.8 million from GAFSP BIFT to be used as a grant for a first-loss facility, and US\$1.2 million from GAFSP BIFT as a grant for technical assistance.
2. **Terms/condition of financing instrument:**
  - Instrument: United States dollar-denominated debt
  - Seniority: Senior loan
  - Loan amount: US\$9,000,000
  - Interest rate: 3% p.a. fixed
  - Tenor: 7 years
  - Principal grace period: 3 years
  - Principal repayment: Semi-annual repayments in years 4 to 7
  - Interest payments: Semi-annually
  - Front-end fee: 1% of the principal amount of the IFAD financing, which is payable no later than 30 days after the signing of the financing agreement and prior to the first disbursement
  - Commitment fee: This will be in United States dollars at the rate of 1% on the undisbursed principal amount of the IFAD financing, which will begin to accrue on the execution date of the financing agreement and extend through the availability period
  - Disbursements: There will be 2 disbursements, each subject to the fulfilment of conditions precedent
  - Availability period: 36 months from the date of execution of the financing agreement
3. **Monitoring and evaluation (M&E).** BK will provide information and reports according to IFAD's templates. During the annual supervision missions IFAD will (i) assess BK's ongoing financial and operational capacity to implement the programme and ensure loan repayment and compliance with covenants, and (ii) evaluate the results and impact of the programme on food crop VCs and financial inclusion for FOs, and (iii) assess the level of concessionality. The loan and grant agreements with BK and the risk-sharing agreement with the service provider will include reporting requirements such as regular financial and operational performance reports, data on loan disbursements and repayments, detailed records of any loan defaults or losses covered by the risk-sharing facility, and progress on implementing risk mitigation strategies.
4. A clear attribution methodology will be applied during implementation to ensure that only incremental lending generated under FOF-P-R is reported as BIFT-funded results. As an additional layer of tracking, Aceli will monitor all FOF-P-R-financed loans above the US\$10,000 threshold – covering those delivered to cooperatives, agri-SMEs, and savings and credit cooperative organizations (SACCOs) – while smaller loans to smallholder members of cooperatives will also be tracked by BK to ensure full portfolio transparency.

5. BK will track the FOFP-R portfolio quality through dedicated loan codes and reporting templates, fully segregated from pre-existing Aceli, the United States International Development Finance Corporation or EIB-supported portfolios. Only loans originated after programme effectiveness that meet FOFP-R eligibility criteria and are funded by FOFP-R resources from loan proceeds will be counted.
6. In addition, BK is subject to reporting annually on a set of financial indicators including non-performing loans. Part of the overall M&E system includes establishing a baseline assessment utilizing the International Finance Corporation Agribusiness Leadership Program tools for up to 400 FOs and subsequently monitoring their levels of professionalization over time.
7. In terms of attribution, the current plan to capture results through baseline, midline and endline household surveys and FO surveys allows for strong results measurement given the M&E funds available through the technical assistance (TA) grant. However, adding control groups to these surveys in a bid for stronger attribution would require additional TA funds, which would need to be diverted away from other activities. It is considered that the results measurement and M&E systems currently in place are effective and proportionate to the scale of the initiative and the funds available.
8. **Environmental, social and governance (ESG) considerations.** A comprehensive ESG reporting and monitoring mechanism will ensure that all stakeholders – particularly farmers, women and youth – are actively informed about and engaged in mitigation actions. IFAD has assessed the Bank of Kigali’s ESG policies against its Social, Environmental and Climate Assessment Procedures (SECAP) standards and identified areas requiring enhancement. These include full operationalization of the BK’s environmental and social management system (ESMS) and the incorporation of missing elements such as cultural heritage safeguards and Free, Prior and Informed Consent for Batwa communities, and adherence to IFAD’s exclusion list. All borrowers under the programme will be required to comply with stringent ESG guidelines, and no financing will be permitted for activities on IFAD’s exclusion list. Environmental and climate considerations will be embedded in the loan application and assessed through an updated environment and social screening form, requiring each FO to identify potential negative impacts and corresponding mitigation measures. Climate-responsive financing, including tailored support for women- and youth-led initiatives, may also be included. As confirmed in the final SECAP review note the overall environmental and social risk of this non-sovereign operation is classified as moderate. Risks are expected to be site-specific, reversible and manageable through BK’s ESMS and the programme-specific environmental and social action plan (ESAP). Climate risk is likewise rated moderate, and locally identified climate vulnerabilities must be considered during screening of FO subprojects. Key actions required to ensure SECAP compliance – including full ESMS implementation, capacity-building, and application of an environmental and social management framework – are consolidated in the ESAP.
9. **Independent review.** The independent review confirms that the FOFP-R is aligned with the DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects, in that it uses a targeted blended finance structure to enable Bank of Kigali to lend to farmers’ organizations and value chain actors that are currently excluded from commercial credit due to high collateral requirements, weak financial records and perceived risk. The programme combines a US\$9 million concessional IFAD loan – matched 1:1 by BK – with a first-loss grant and technical assistance from GAFSP, ensuring minimum and time-bound concessionality, while maintaining commercial incentives and a projected return on assets of 2.5 to 3 per cent. By coupling risk-sharing with capacity-building for both BK and borrowers, FOFP-R aims to create a scalable and commercially sustainable FO lending model that reinforces rather than distorts market development, while

promoting high standards of ESG performance, and inclusion, particularly for women and youth. Continuous monitoring will be required to ensure that concessionality declines over time and that international best practices remain embedded throughout implementation.

## Main risks

1. **Credit risk (risk of default)** is limited as the IFAD loan would constitute 0.6 per cent of BK's gross loans portfolio (US\$1.051 billion as of end of 2024). Cross-default risk is low given BK's diversified portfolio, prudent liquidity management and strong credit history. However, loan book concentration remains elevated: the top 20 borrowers account for 50 per cent of exposures. While most are performing and several are sovereign-linked, the systemic risk remains material. BK has committed to keep concentration below 50 per cent and to expand SME and agribusiness lending (with a target US\$150 million agribusiness portfolio by 2030). IFAD will require, within its covenants, annual reporting on concentration, stress-test results and the performance of the top 20 borrowers.
2. **Repayment risk.** Ability of BK to meet its repayment obligations to IFAD on time could be influenced by factors such as poor financial health, cash flow issues, or adverse external economic conditions. This is mitigated by the bank's strong asset quality, reflected in a low non-performing loan ratio of 3.24 per cent as of end-2024, which is below the central bank's 5 per cent threshold.<sup>22</sup> Earnings and profitability are solid, as demonstrated by the increasing return on assets (from 2.9 per cent in 2020 to 3.6 per cent in 2024) and return on equity (from 17.2 per cent in 2020 to 23.8 per cent in 2024), surpassing various competitors in the industry. Improvement in the liquidity coverage ratio and a consistently high net stable funding ratio suggest a generally robust ability to manage financial obligations and maintain financial stability. Despite macroeconomic risks such as high inflation and climate-related disruptions, the Bank of Kigali (BK) has successfully navigated challenges through strategic partnerships and a focus on financial inclusion. Furthermore, BK will be required to report regularly on specific covenants, and liquidity/solvency ratios.
3. **Market risk.** Lack of readiness on the part of farmers' organizations to effectively utilize the financial services being offered due to weak governance, insufficient management skills, and poor financial literacy could lead to high default rates. This will be mitigated through the robust capacity-building component. Also, the programme will segment farmers' organizations (FOs) based on their readiness for commercial financing, with those more prepared receiving immediate support to professionalize and enhance their bankability. Continuous monitoring will help to ensure that FOs progress towards becoming viable clients for financial institutions. National and regional FO networks and ongoing IFAD-supported initiatives, such as Farmers' Organizations for Africa, Caribbean and Pacific (FO4ACP) and the sovereign portfolio, will be engaged to identify the pipeline.
4. **Execution risk.** There is risk related to BK's capacity to navigate project challenges and fully engage with FOs, particularly in less structured food-crop VCs. BK's agribusiness lending is still modest (US\$45 million, representing 4 per cent of loans in 2024) and the agribusiness department is relatively new (active since 2023). Scaling to 13 to 15 per cent of the loan book by 2028 may strain capacity. BK's procurement processes seem to rely heavily on non-competitive methods and generic templates, with limited milestone monitoring. Governance documentation for sensitive loans is limited, with delayed reporting. Reporting capacities also showed weaknesses such as poor gender/youth disaggregation and limited documentation for sensitive loans. This will be mitigated by: (i) portfolio guarantees and advisory support for agriculture-specific risk tools; (ii) strengthening of BK's procurement manual, templates and competitive processes; (iii) semi-annual submission of board/committee minutes on high-value loans; (iv) dedicated programme management staff for FOFP-R, with technical

<sup>22</sup> [https://www.bnr.rw/documents/MPFSS\\_March\\_2024\\_Final\\_Booklet.pdf](https://www.bnr.rw/documents/MPFSS_March_2024_Final_Booklet.pdf).

assistance (TA) support for gender/youth reporting and strengthening of reporting systems.

5. **Moral hazard and operational risk** with regard to delivery of **Aceli's** portfolio first loss cover. **A key risk is that BK could** accelerate defaults or weaken recovery efforts to take advantage of the guarantee mechanism, rather than exhausting normal debt management and follow-up processes. Additional risks include delays or inaccuracies in loan registration, cash management and data reporting, especially as Aceli expands to FOs that may struggle with eligibility and reporting, which could undermine transparency and timely disbursement. These risks are mitigated by Aceli's standardized reporting framework, segregated cash management, and strict alignment with IFAD's eligibility criteria. In addition, all loans backed by the Aceli guarantee must demonstrate that rigorous recovery efforts were undertaken before the first loss is paid. Tying coverage to Aceli's compliance standards directly addresses moral hazard, strengthens incentives for prudent loan management and ensures that the facility remains aligned with programme objectives.
6. **Market volatility and agricultural risks** caused by fluctuating commodity prices, unpredictable weather patterns and changes in market demand could significantly impact the incomes of small producers, making it difficult for them to meet their financial obligations. This will be mitigated through various risk management tools such as offering risk-sharing mechanisms like portfolio guarantees and locally based foreign exchange currency solutions. This will encourage financial institutions to lend to FOs despite the higher perceived risks.
7. **Foreign exchange risk.** Foreign exchange risk presents a significant challenge, as the IFAD loan to BK will be denominated in United States dollars, while BK will on-lend in local currency. Depreciation of the local currency could increase repayment costs, put a strain on FOs, and raise default risks. BK mitigates this risk through central bank swap lines (US\$ at 2 per cent, RWF at 8 per cent) as part of its business process. The programme will promote local currency financing and facilitate access to the central bank swap and hedging mechanisms, including rolling hedges to address unfavourable currency movements. BK may also deploy local currency liquid assets for on-lending, thereby reducing currency exposure while safeguarding hard currency reserves. This approach allows the bank to maintain access to reserves while mitigating currency risk.
8. **Risk to privacy, security, and ethical use of farmer data.** The digitalization of FOs involves extensive collection, management and storage of sensitive personal data on smallholders, including those from marginalized groups. Without robust data governance, there is a risk of data misuse, privacy breaches and erosion of trust among farmers. As mitigation, BK is embedding data protection safeguards across its expanding digital offer. The new online retail loan application system will incorporate secure data management features (encryption, restricted access and consent protocols) to ensure that farmers' data are collected and processed responsibly. Partnerships with technology providers will prioritize solutions that comply with ethical data governance standards, including privacy-by-design and transparent consent mechanisms. The programme's commitment to competitive and transparent procurement processes will include requirements for strong cybersecurity and farmer data protection. Finally, BK's pledge to extend digital services to underbanked populations will be accompanied by clear data ownership policies and tailored safeguards to protect marginalized groups, ensuring inclusion without compromising privacy or trust.
9. **Coordination risk and management complexities.** Given that the programme involves multiple stakeholders, including local FOs, there is a risk of misalignment of goals, delays in implementation, and challenges in monitoring and evaluating progress. These issues could compromise the programme's effectiveness and its

ability to scale up to other regions as planned. To help mitigate this risk, a dedicated IFAD project coordinator and a BK project manager, specifically for FOFP-R, will be hired. Additionally, the programme will establish clear reporting and monitoring mechanisms to proactively identify and address issues.

10. **Financial crime/integrity risk.** The Anti-Financial Crime Unit of the Financial Controller's Division (FCD) has conducted enhanced due diligence (EDD) of Bank of Kigali, its ownership structure, beneficial owners and key project staff, as well as an assessment of BK's anti-financial crime programme. BK has also completed the know your customer (KYC) and anti-financial crime program (AFCP) questionnaires. EDD checks were also extended to Aceli Africa, the entity selected to manage the risk-sharing facility with BK and implement the risk-sharing component through a formal agreement with IFAD. Aceli also completed the KYC and AFCP questionnaires. Through this EDD, a series of individuals within BK were found to qualify as politically exposed persons (PEPs). While most of these individuals' PEP status stems directly from their roles within BK – which is consistent with the fact that BK remains under significant government ownership – others also hold roles in other public bodies or entities. While their role may be or may have been relevant for the operations of BK, it does not appear to be specifically relevant for the programme. In light of the above elements, the FCD has classified these alerts as carrying moderate risk. This rating is also based on the mitigating circumstances that BK has a robust and structured AML/CFT framework in place, in line with local regulations and international standards. This framework includes an anti-money laundering policy and a fraud and corruption prevention and handling policy. Onboarding KYC/customer due diligence (CCD) checks are conducted on all new clients, including sanctions and adverse media screening, and enhanced due diligence is carried out on high-risk individuals (PEPs, NGOs, high-risk industry clients, etc.). All BK staff must complete anti-financial crime training, including at branch level. BK is a regulated entity supervised by the National Bank of Rwanda (NBR), which ensures regular oversight and obligations to comply with NBR regulations, and it is listed on the Rwanda Stock Exchange, making it subject to stringent regulatory requirements and supervision. These findings are detailed in FCD's EDD report.
11. **Financial management. Some financial managements risks are associated with** BK and the service provider, given the various forms of financing from two different financiers. There are also risks associated with BK's provision of cofinancing. BK will undertake regular financial reporting by component, separating the loan, TA grant and first-loss grant (Aceli).
12. BK and Aceli will each undergo an external audit covering the entire programme duration. The audit terms of reference will be agreed upon and include the auditing and accounting standards at the contract negotiation stage. IFAD will work together with Aceli and with BK to provide semi-annual reporting templates in compliance with the upstream donor agreements. BK will ensure that the programme is included on a regular basis within the scope of the bank's internal audit. The TA funds will be used predominantly within BK, and potentially for service providers as per the proposed budget outlined in appendix 4. The financial management risk will be mitigated through annual supervision exercises.
13. **Blended finance principles.** There is a potential risk of conflict of interest and misuse of resources with distortionary market effect due to concessional market conditions. This is mitigated by the fact that rates have been aligned with the DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects.
14. **Targeting risk.** There is a risk that loan proceeds may be allocated to clients outside the intended target groups. This could undermine the programme's objectives of supporting FOs and smallholder farmers operating in designated food-crop value chains. This will be mitigated by: (i) structuring of tailored loan

products with capped ticket sizes; (ii) eligibility screening procedures embedded into credit processes; (iii) dedicated TA to develop and monitor the pipeline of eligible clients; (iv) each loan benefiting from the Aceli first loss facility will be required to submit an application to Aceli, which will review and validate alignment with the programme's targeting criteria before granting coverage; and (v) continuous monitoring by IFAD and BK to ensure strict compliance with targeting criteria.

15. **Procurement risks associated with TA.** The main procurement risk is that the recipient may not conduct procurement activities in line with accepted private sector methods or IFAD's procurement guidelines. The desk review identified strengths such as a formal procurement structure with qualified staff, clear segregation of duties between procurement and finance, use of Oracle ERP for electronic procurement and contract management, strong digital record-keeping via the Andoc system, and ethical policies covering conflict of interest, harassment, fraud and corruption. However, significant weaknesses remain: BK's procurement manual is not fully aligned with national or international standards and provides limited guidance on key aspects such as cost estimates and the consistent assignment of methods. Current procurement practices show some divergence from recognized good practices, including bidding documents that are not always clear, insufficient planning and frequent reliance on non-competitive procedures. Templates for bidding and contracts could be further developed, as they lack important elements and acceptance procedures. Staff have limited exposure to international procurement, roles in contract management are not always well defined, and procurement data – particularly regarding the use of single-source selection – is often incomplete or inconsistent. These challenges may affect transparency, limit accountability and increase the risk of legal or procedural issues, potentially undermining the overall integrity and efficiency of procurement. To address these challenges, BK will hire a dedicated TA manager to oversee all activities linked to the FOFP-R technical assistance facility. The manager will clarify roles and responsibilities, ensure effective procurement planning, enhance the use of competitive procedures, establish acceptance and monitoring systems, and reinforce ethical compliance through training and reporting mechanisms, thereby ensuring that procurement is transparent, competitive and compliant with national legislation and the standards of international development partners.

## Bank of Kigali: Company information

- Institutional profile and ownership:** Bank of Kigali (BK) is Rwanda's largest and systemically important financial institution, holding roughly one-third of sector assets and leading both corporate and retail lending. Majority-owned by the Government of Rwanda through the Agaciro Development Fund and the Rwanda Social Security Board (together >50%), BK plays a central role in national development programming and is a preferred partner for government and donor initiatives. This public ownership strengthens its strategic importance but also introduces governance risks linked to high exposure to public and quasi-public borrowers and potential political influence in credit allocation.
- While historically focused on corporate and retail banking, BK has identified agribusiness as a strategic growth area and committed RWF 155 billion ( $\approx$  US\$ 150 million) by 2030 to agricultural lending. This shift is embedded in its Agricultural Finance Strategy and supported by dedicated staff, product development, and partnerships with EIB, IFC, Aceli, and IFAD. BK's agricultural finance expansion is anchored on three priorities: (i) digitalisation of agricultural lending and mobile-based delivery; (ii) long-term, affordable funding for farmers and value chain actors; and (iii) technical assistance for both clients and internal teams. In a market where commercial banks have traditionally underserved smallholders and FOs, BK's scale, digital infrastructure, and concessional funding access position it to play a transformative role, though its recent entry into the sector means execution risks remain as systems and capacities evolve.
- Governance and oversight:** BK has a governance framework compliant with National Bank of Rwanda regulations, featuring an independent Board with specialized committees (credit, risk, audit, governance) and a Basel II/III-aligned oversight structure. While governance is formally sound, recent senior management turnover and high concentration of large exposures warrant continued monitoring. BK has shared detailed assets and top-loan information to support due diligence.
- The executive committee consists of seasoned professionals with advanced academic backgrounds in fields such as economics, finance, banking, statistics, and international business. Most hold postgraduate degrees (MBA, MSc, or PhD), often from internationally recognized universities. Several members bring prior experience from national institutions, global audit and advisory firms, and major commercial banks in the region, reflecting a blend of public-sector, development finance, and private-sector expertise. Collectively, the team has decades of experience in areas including credit risk, digital transformation, corporate banking, operations, financial management, and internal audit.
- Leadership tenure is generally stable, with some executives having been in senior roles for 6–10 years, while others joined more recently as part of a strategic refresh. The management structure reflects a clear division of responsibilities across core functions: CEO, finance, credit, risk, internal audit, operations, digital/retail, and corporate business solutions. Overall, the committee combines long institutional memory with external industry exposure and demonstrates strong alignment with international governance and professional standards.
- Risk management and Credit Policy:** BK has a well-structured risk management framework, with centralized risk functions, IFRS 9-aligned provisioning, quarterly stress testing, and a multi-tier Credit Committee process. Its credit policy follows good practice on concentration limits, early warning systems, and risk-based pricing. However, agriculture lending tools are still being upgraded: BK is developing sector-specific scorecards and a new agri credit manual to move from collateral-driven to cash-flow-based assessments. Remaining gaps include slow approvals, limited seasonal cash-flow data, and the need for officer training—mitigations that will be supported through TA.

7. **Banking Regulation and Benchmarking:** Rwanda’s banking regulation is comparatively strong, with BNR enforcing prudential norms on capital, liquidity, single obligor limits, and IFRS 9 compliance. BK is fully compliant and maintains a stable regulatory and credit rating outlook. However, as in the wider region, supervision of related-party exposure and disclosure practices could improve. BK’s sizeable lending to sovereign-linked or politically connected borrowers—despite partial sovereign guarantees—remains a prudential risk area, highlighting continued vigilance against political influence in credit allocation.
8. **Agricultural Lending Portfolio:** BK’s agricultural lending has grown rapidly since 2021 and is now a strategic priority, supported by a dedicated Agribusiness Department created in 2023. Agriculture represents about 4% of the loan book, but BK has become one of Rwanda’s leading agri-finance actors, targeting key value chains such as maize, rice, coffee, tea, dairy, poultry, horticulture, and inputs. BK currently offers 17 agri-focused loan products, ranging from short-term working capital to long-term investment loans. Products are tailored by segments (e.g., cooperatives, SMEs, commercial farmers) and often linked to structured value chains or input finance schemes. Several products are unsecured or rely on non-conventional collateral such as off-take agreements, warehouse receipts, or third-party guarantees. The bank has also innovated with receivables-backed loans, seasonal repayment terms, bundling with crop insurance in pilot schemes.
9. FOs are a core and expanding client segment: BK finances over 200 FOs, mostly through value-chain off-takers, with around 38% of the agri-portfolio linked to FOs. However, constraints such as weak FO governance, limited collateral, and low financial literacy still hinder direct lending at scale, underscoring the need for complementary TA and risk-sharing mechanisms.

**Table - BK Agricultural Credit Products**

Product Name / Type	Target Segment	Typical Loan Size	Tenor	Collateral / Risk Mitigation	Key Limitations for FOF-P-R Targets
Corporate Agribusiness Loan	Large agribusinesses (processors, exporters, input suppliers)	RWF 200M – 1B+	12–36 months	Fixed asset collateral, corporate guarantees	Limited trickle-down to smallholders; high collateral threshold excludes most FOs
SME / Cooperative Loan	SMEs, registered FOs with audited accounts	RWF 50M – 200M	6–24 months	Land titles, equipment, third-party guarantees	Many FOs lack audited accounts or formal collateral; short tenors limit long-cycle investment
Value-Chain Off taker Finance	Offtakes supplying inputs / buying crops from FOs & smallholders	RWF 100M – 500M	6–18 months	Contract farming agreements; portfolio guarantees (up to 25% for staple crops)	Benefits FOs indirectly; repayment depends on off taker performance
Direct FO Loan	Registered FOs with strong governance	RWF 10M – 50M	6–12 months	Collective collateral (member contributions), sometimes backed by guarantees	Small scale; limited to better-organised FOs; high TA requirement for risk management
Individual Farmer Loan	Smallholders, often via FO endorsement	RWF 0.5M – 5M	6–9 months	Personal collateral, FO guarantee	Uses standard personal loan scoring; repayment terms not fully aligned to agri cash flows
Asset Finance / Equipment Loan	Farmers, FOs, SMEs acquiring machinery or transport	RWF 5M – 200M	12–36 months	Asset as collateral, insurance	Long approval process; limited uptake among smallholders due to down-payment requirement

10. **Portfolio Composition and Performance:** As of the most recent reporting period, BK's agri-portfolio remains dominated by corporate clients (85%, 35% of which is allocated to FOs through corporate offtakes). Direct exposure to FOs (3%) and individual smallholders (13%) is limited but growing and remains a stated priority for 2024–2026. BK has signaled a medium-term strategic target of 10%, conditional on availability of guarantees and concessional funding. This planned growth is subject to a relatively conservative internal capital buffer limit and risk appetite frameworks. The bank has low NPL ratios in agriculture (well below 2%), but this reflects the nature of a fast-growing and nascent portfolio, as well as a risk-averse lending pattern with concentration in large clients with strong repayment capacity. Agriculture has recently been reclassified as a distinct risk category to allow more tailored risk analysis and controls that are yet to be formalized and operationalized. The gradual shift toward underserved borrowers will likely alter the portfolio risk profile over time, requiring enhanced monitoring, risk-sharing, and policy flexibility. BK reported strong repayment performance for clients supported by blended finance mechanisms (e.g., DFC, Aceli, CDAT). In these cases, the effective derisking appears to enable more concessional pricing and higher tolerance for client onboarding. However, the bank remains cautious about broadening eligibility without external guarantees or complementary support structures.
11. **Digital Readiness and MIS:** Bank of Kigali has made notable investments in digital infrastructure targeting agricultural finance. Digital channels, including the SMU app for SMEs and a new online retail loan application platform scheduled to go live later this year, are central to BK's diversification and client outreach strategy. These tools aim to improve access to finance, particularly for SMEs and underbanked populations. Operational challenges were noted with some existing platforms, and procurement for any new tools will need to be competitive and transparent. E.g., the Veefin Loan Origination System, launching in August 2025, will introduce cash-flow- and crop-specific scorecards, seasonal repayment models, and real-time portfolio dashboards. While these tools promise to improve access for SMEs and underbanked populations, due diligence identified uneven performance of legacy platforms (e.g., IKOFI) and gaps in platform adoption and integration into lending workflows. The bank is also developing a "Mobi Loan" product for smallholders under the SNS and SKS schemes, alongside digital payment and collection solutions for value-chain actors. To mitigate these risks, BK has committed to competitive procurement for IFAD-financed digital tools, ongoing enhancement of SMU, vendor partnerships for technology delivery, and explicit user-centered design and gender/youth inclusion in product development. Evidence of platform readiness, vendor selection records, and user research should be provided prior to major digital deployments to ensure operational effectiveness and inclusion goals are met.
12. **Data and Reporting Weaknesses:** The diligence mission flagged inconsistent and delayed information flows from BK, indicating an execution capacity risk that could impede timely project delivery. In particular, current systems do not track gender and youth indicators, constraining monitoring of key FOF-P-R targets. BK management has recognized these weaknesses and committed to strengthen execution by hiring dedicated full-time staff for IFAD-supported activities, clarifying internal reporting lines, and improving internal accountability and turnaround times for data requests. Implementing these changes, together with a clear project management framework and regular progress reporting, will be essential to reduce implementation delays and ensure credible monitoring of results.
13. **Conclusion:** BK's agri portfolio is a high-potential but early-stage operation. The bank's scale, digital reach, and leadership commitment provide a strong foundation, but institutional systems are still evolving to match the complexity of smallholder and FO lending. IFAD's engagement can play a catalytic role in accelerating this transition, while also demonstrating that commercial banks can viably serve the base of the pyramid in African agriculture. The agricultural lending program proposed by

IFAD aligns well with BK's strategy to diversify its client base, reach cooperatives and rural entrepreneurs, and test new models of inclusive value chain finance. The bank's willingness to earmark loan products, adopt program-specific eligibility criteria, and co-finance with IFAD-backed guarantees indicates strong operational readiness. BK's collaboration with IFAD will be critical to deepen its capacity, embed learning within institutional systems, and refine tools for scalable agri-lending. The proposed structure—combining senior debt, risk-sharing, and technical assistance—offers a balanced approach to build on early successes while managing downside risk. With close supervision and adaptive management, BK could evolve into a regional leader in inclusive agricultural finance.

## Bank of Kigali: Financial analysis

- 1. Historic financial information and key ratios:** Rwanda's economy remained robust from 2020–2024, with strong GDP growth, falling unemployment, stabilized inflation, and expanding private sector credit, creating a favorable environment for the banking sector. In this context, Bank of Kigali outperformed the market, posting double-digit growth in assets, loans, and deposits, while strengthening profitability (ROA 3.6%, ROE 23.8% in 2024). Asset quality improved sharply, with NPLs reduced to 3.2%, backed by rising collateral guarantees, and a CAR of 19% well above regulatory requirements. The bank disciplined risk management and solid financial performance as a credible partner for development-oriented lending, including IFAD-supported initiatives.
- 2. Capital Structure:** Bank of Kigali maintains a strong and compliant capital position, with CAR and Tier 1 ratios consistently above national regulatory thresholds despite a gradual decline linked to rapid portfolio growth. The bank has expanded its capital base, including Tier 2 instruments, while keeping leverage within sector norms. Although loan concentration remains high, BK has significantly increased collateral and guarantees, strengthening credit risk coverage. Regular stress testing confirms sufficient buffers to withstand shocks. Overall, BK's capital structure is resilient, well-managed, and supportive of continued growth in strategic sectors such as agriculture.
- 3. Asset Quality:** Bank of Kigali's asset quality improved markedly between 2020 and 2024. The NPL ratio fell from 6.7% to 3.2%, despite a temporary deterioration in 2023 linked to a large energy-sector client, which was written off in 2024. PAR30 also declined sharply, from 19.7% to 7.4% over the same period. Provisioning remained adequate and asset quality gains were supported by increased collateralization and a rapid rise in off-balance sheet guarantees. The bank's ROE continued to rise from 17.2% to 23.8%, showing that the one-off write-off did not weaken overall performance. However, borrower concentration remains a structural risk: 50–55% of the loan book is tied to 20 borrowers, offset in part by stronger collateral coverage. The agricultural portfolio—core to the proposed IFAD investment—has expanded since 2022 and remains sound: 4,712 borrowers, FRW 60.5 billion (US\$ 43.7m) exposure, with NPLs at 2.0%, below both the regulatory ceiling (5%) and the bank-wide average. Lending is concentrated in coffee (35%), maize (30%), and dairy (10%), with smallholders representing 13% of exposure. Segment-level NPLs stand at 2% for companies/off-taker-linked FOs, 1% for directly financed FOs, and 3% for individual smallholders. Risk is further reduced by sector-specific guarantees that cover up to 25% of staple crop lending. Overall, asset quality trends demonstrate disciplined credit risk management, reinforced collateral, and effective handling of isolated portfolio shocks.
- 4. Earnings and Profitability:** Bank of Kigali has delivered strong and consistent profitability over 2020–2024, with net earnings growing at 24.6% annually, supported by rising assets and loan growth. Profitability ratios strengthened, with ROA increasing from 2.9% to 3.6% and ROE from 17.2% to 23.8%, while margins improved across all levels, including a rise in net interest margin from 51.7% to 61.3%. The bank also diversified revenue streams, with fee and commission income growing at 33.5% annually. Profitability has been supported by long-term concessional funding, including a EUR 100m EIB loan, a US\$ 20m AFD line, and US\$ 34m from the BRD–KfW facility. Cost efficiency improved as the cost-income ratio fell from 43.4% to 42.6%, despite higher temporary costs linked to digital expansion. While some margin pressure may arise in the future, profitability remains strong, and the growing agricultural portfolio—expected to lend at 14–15% under FOF-P-R—offers further development-aligned growth potential.
- 5. Liquidity and Funding:** Bank of Kigali maintains a strong liquidity position, supported by high-quality liquid assets and a stable deposit base. The Liquidity

Coverage Ratio stood at a very comfortable 389% in 2024—far above the 100% Basel III minimum—while the Net Stable Funding Ratio, though declining from 187% to 127% between 2022 and 2024, remains well above regulatory requirements. Customer deposits, which make up over 80% of liabilities, grew at 20.2% annually, reflecting strong market confidence, though concentration risk persists, with the top 20 depositors holding 36% of total deposits. This risk is partly mitigated by the high share of term deposits and the low-risk profile of the largest depositor, who is also a shareholder. Liquidity buffers have strengthened, evidenced by a drop in the loan-to-assets ratio (72.6% → 61.7%) and a rise in liquid assets-to-total assets (29.3% → 38.5%). Overall, disciplined liquidity management, strong funding capacity, and active risk mitigation ensure BK is well positioned to expand long-term lending, including into agriculture.

### **Bank of Kigali – Summary of Financial Ratios 2020-2024 (%)**

<b>RATIOS CALCULATED IN LOCAL CURRENCY (FRW)</b>						
<b>FINANCIAL ANALYSIS</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>CAGR (20-24)</b>
<b>GROWTH</b>						
Interest Income Growth	N/A	21,3%	6,1%	14,5%	16,3%	14,4%
Fee and Commissions Growth	N/A	55,3%	31,9%	51,2%	2,7%	33,5%
Earnings Growth	N/A	31,3%	22,7%	22,9%	21,8%	24,6%
Total Assets Growth	N/A	21,8%	16,0%	14,3%	19,5%	17,9%
Gross Loans Growth	N/A	15,7%	13,1%	10,1%	13,9%	13,2%
Customer Deposits Growth	N/A	23,6%	10,6%	27,9%	19,4%	20,2%
<b>MARGINS</b>						
Net Interest Margin	51,7%	56,9%	67,2%	67,4%	61,3%	9,6%
Operational Profit Margin	33,0%	34,6%	38,4%	38,6%	39,7%	6,6%
Net Earnings Margin	22,2%	23,6%	26,6%	27,0%	29,0%	6,8%
<b>EARNINGS &amp; PROFITABILITY</b>						
Return-on-Assets Ratio (ROA)	2,9%	3,1%	3,3%	3,6%	3,6%	0,7%
Return-on-Equity Ratio (ROE)	17,2%	20,3%	22,1%	23,4%	23,8%	6,6%
Cost Efficiency (Cost-Income Ratio) **	43,4%	45,5%	47,4%	48,3%	42,6%	(0,8%)
<b>CAPITAL ADEQUACY</b>						
Capital Adequacy Ratio (CAR)*	21,2%	19,1%	23,0%	19,4%	19,0%	N/A
Tier 1 Capital Ratio*	21,0%	19,0%	21,8%	18,1%	17,7%	N/A
Tier 2 Capital Ratio*	0,2%	0,2%	1,3%	1,3%	1,2%	N/A
Debt-to-Equity Ratio (Leverage)	4,9	5,5	5,7	5,5	5,5	N/A
Asset-to-Equity Ratio (Equity Multiplier)	5,9	6,5	6,7	6,5	6,5	N/A
Debt-to-Assets Ratio (Debt Ratio)	83,1%	84,5%	85,0%	84,7%	84,7%	1,7%
<b>ASSET QUALITY (BRL '000)</b>						
Gross Loans-to-Deposits Ratio	117,0%	109,4%	112,0%	96,3%	92,0%	(25,0%)
Write-offs-to-Gross Loans Ratio	1,1%	2,9%	1,3%	0,3%	4,0%	2,9%
PAR30	19,7%	21,6%	12,7%	11,5%	7,4%	(12,3%)
PAR90	7,6%	6,2%	3,2%	6,4%	4,6%	(3,0%)
NPL Ratio*	6,7%	5,4%	2,5%	4,5%	3,2%	(3,4%)
<b>LIQUIDITY &amp; FUNDING</b>						
Current Ratio (12-months)	71,4%	56,7%	52,9%	54,7%	72,4%	1,0%
Loan-to-Assets Ratio	72,6%	69,0%	67,3%	64,8%	61,7%	(10,9%)
Liquid Assets-to-Total Assets Ratio	29,3%	32,1%	34,0%	37,5%	38,5%	9,2%
Customer Deposits-to-Current Liabilities	81,5%	80,3%	76,6%	84,5%	82,3%	0,8%
Liquidity Coverage Ratio (LCR)*	N/A	222,1%	141,0%	452,0%	389,0%	N/A
Net Stable Funding Ratio (NSFR)*	N/A	160,0%	187,0%	128,9%	127,0%	N/A

\* Value provided by the bank, in compliance with regulatory requirements.

\*\* Defined as Operating Costs / Operating Income.

### **Bank of Kigali – Summary of Prudential Ratios 2020-2024 (%)**

<b>LOCAL CURRENCY (FRW Million)</b>						
<b>ASSET QUALITY</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>CAGR (20-24)</b>
<b>Total Commitments</b>	<b>1.058.595</b>	<b>1.227.901</b>	<b>1.561.984</b>	<b>1.919.572</b>	<b>2.191.115</b>	19,9%
Off-Balance items (Collateral and Guarantees)	131.059	154.801	347.847	583.115	668.598	50,3%
<b>Total Loans</b>	<b>927.536</b>	<b>1.073.100</b>	<b>1.214.137</b>	<b>1.336.457</b>	<b>1.522.517</b>	13,2%
Provisions	76.436	82.833	79.625	91.614	68.533	(2,7%)
<b>Net Loans</b>	<b>851.100</b>	<b>990.267</b>	<b>1.134.512</b>	<b>1.244.843</b>	<b>1.453.984</b>	14,3%
PAR30	182.593	231.332	154.503	154.283	112.067	(11,5%)
PAR90	70.464	66.916	39.038	86.197	70.730	0,1%
Write-offs	<b>10.577</b>	<b>30.788</b>	<b>15.696</b>	<b>4.460</b>	<b>61.590</b>	55,3%
<b>LOCAL CURRENCY (FRW Million)</b>						
<b>CAPITAL ADEQUACY</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>CAGR (20-24)</b>
Capital Adequacy Ratio (CAR)*	21,2%	19,1%	23,0%	19,4%	19,0%	
Tier 1 Capital Ratio*	21,0%	19,0%	21,8%	18,1%	17,7%	
Tier 2 Capital Ratio*	0,2%	0,2%	1,3%	1,3%	1,2%	
<b>Total Capital (EoP)</b>	<b>195</b>	<b>212</b>	<b>255</b>	<b>309</b>	<b>364</b>	16,9%
Tier 1 Capital (EoP)	194	210	241	289	340	15,1%
Tier 2 Capital (EoP)	2	2	14	20	24	97,9%
<b>RWA (EoP)</b>	<b>922</b>	<b>1.106</b>	<b>1.107</b>	<b>1.595</b>	<b>1.920</b>	20,1%

6. **Financial forecast, scenarios and risks:** The financial forecast to 2032, developed by IFAD alongside BK's own projections, confirms that the bank remains resilient even under a conservative stress scenario. While BK expects continued growth in assets, earnings, and lending, the stress case assumes slower earnings growth (falling from 21.8% in 2024 to 5% by 2032), rising NPLs (3.2% → 4.1%), and flat profit margins due to higher funding costs and competition. As asset quality weakens, provisions rise and profitability softens, with ROA projected to decline from 3.6% to 2.4% and ROE from 23.8% to 15.8% by 2032. Despite this, capital buffers remain strong: CAR only falls from 19.0% to 17.3%, still comfortably above the 15% regulatory minimum, and Tier 1 stays above 16%. Macroeconomic conditions remain generally supportive, though FX depreciation poses a risk for foreign currency borrowing. Overall, the analysis shows that even under stress, BK can absorb shocks through provisioning, liquidity buffers, and portfolio adjustments, while the baseline scenario reflects a credible and sustainable growth trajectory.
7. **Conclusion:** The review of Bank of Kigali's (BK) financial performance over 2020–2024 confirms a robust and prudently managed institution. Even amid economic challenges, BK delivered steady expansion while upholding strong capital buffers, healthy liquidity levels, and solid earnings. Emerging pressures in loan quality were contained through conservative provisioning and reinforced risk controls. Dealings with related parties were limited, fully disclosed, and conducted on commercial terms, reflecting BK's commitment to transparent governance. Overall, BK stands as a key actor in Rwanda's financial sector, with practices that align well with IFAD's expectations on sound management, accountability, and long-term financial inclusion.

## IFAD loan proceeds target groups

The following table contains potential criteria that will be applied for each of the target groups, to be discussed further with BK and other stakeholders.

<b>Farmer Organization/ Cooperatives</b>	<ul style="list-style-type: none"> <li>• Legally registered as a cooperative/ FO for a minimum of 3 years.</li> <li>• Demonstrated experience in collective marketing, input purchases or other business activities.</li> <li>• and per assessment proven record of compliance with the by-laws and good governance practices.</li> <li>• Commitment to share data and interest or experience in accessing finance with banks.</li> <li>• Demonstrated some level of digital proficiency (e.g. bookkeeping software, web-based productivity tools or adoption of corporate mobile money accounts)</li> <li>• Participating FOs will need to be engaged in pre-selected food crop VCs and be legally registered entities.</li> </ul>
<b>Smallholders</b>	<ul style="list-style-type: none"> <li>• Be a member of a registered FO or Cooperative.</li> <li>• Produce crops that are part of targeted VCs.</li> <li>• Significant portion of household income from agriculture activity.</li> <li>• Commitment to apply for and utilize the FOF Program lending products with limited ticket sizes.</li> <li>• Commitment to adopt sustainable agricultural practices.</li> <li>• Demonstrated some level of digital readiness (e.g. most members have a device, know how to use it, and have tried mobile money) OR a willingness to build digital and financial literacy and try digital services.</li> </ul>
<b>Agri SMEs</b>	<ul style="list-style-type: none"> <li>• Legally registered as a business entity in the agricultural sector.</li> <li>• Engaged in the production, processing, and/or distribution of agricultural products in targeted VCs.</li> <li>• Must have been in operation for at least 2 years with a positive financial history in the last year of operations.</li> <li>• As key component of the SME business model, commercial relationship with FOs, including sourcing of raw materials and/or supply of inputs and services.</li> </ul>
<b>MFI SACCOS</b>	<ul style="list-style-type: none"> <li>• Legally registered and compliant with national regulations.</li> <li>• Have a demonstrated track record of lending to agricultural businesses or farmer groups.</li> <li>• Must have been operational for at least 3 years with a focus on rural or agricultural financing.</li> <li>• Maximum NPL share of portfolio to be decided.</li> <li>• Commitment to collaborate with the Program to design financial products tailored to the needs of farmers and agri-SMEs.</li> </ul>
<b>VC lead companies</b>	<ul style="list-style-type: none"> <li>• Legally registered and operating within a targeted agricultural VC.</li> <li>• Already has established business relationship with borrower.</li> <li>• Engaged in large-scale buying, processing, or distribution of agricultural products.</li> <li>• Must have established relationships with FOs and smallholders.</li> <li>• Demonstrated commitment to fair trade practices and inclusive VCs.</li> <li>• Commitment to partner with the Program to facilitate access to finance for smaller actors within the VC.</li> <li>• Commitment to corporate social responsibility and sustainable practices.</li> </ul>

## Grant design document for technical assistance

<b>Amount of the IFAD grant (US\$):</b> <b>US\$ 1.2M</b>	<b>Cofinancing (US\$) TBD</b> <ul style="list-style-type: none"> <li>• In cash:</li> <li>• In kind:</li> <li>• Total:</li> </ul>
<b>Project Title:</b> Farmers' Organizations Financing Program Rwanda	<b>GRIPS ID:</b> 2000005481
<b>Grant scope</b> Global/Regional <input type="checkbox"/> Country-specific <input checked="" type="checkbox"/>	<b>Region(s) or country/countries</b> Rwanda
<b>Recipient selection method:</b> Competitive selection at OSC stage <input type="checkbox"/> Direct selection <input checked="" type="checkbox"/>	
<b>Name of Technical Grant Manager:</b> IFAD project coordinator (working with BK TA manager).	
<b>Full legal name of Recipient:</b> Bank of Kigali Bank Plc	
<b>Contact details of recipient (address, fax, email):</b> KN 4 Ave, No. 12 Plot No 790, Nyarugenge District, Kigali City, Rwanda.	
<b>Name and title of authorized person who will sign grant agreement on behalf of the Recipient:</b> Alexis BIZIMANA, Head, Agribusiness	
<b>Legal Status of the Recipient:</b> Private commercial bank.	
<b>Implementation period (months):</b> First 3 years of the 7-year loan life. Any unused grant portions have to be returned to IFAD.	

## **I. Project description**

### **A. Goal and objectives**

FOFP-R includes a technical assistance component addresses both supply- and demand-side constraints in FO financing. The TA is designed therefore to achieve the goals and objectives of the program. That is to: improve the access to finance and professionalize the operations of an estimated 215 FOs (172 of which are expected to be accessing loans from BK) within selected food crop value chains (VCs), alongside other linked VC actors, through focused capacity building, digitalization, and catalysed funds for agriculture lending.

The description below outlines the key areas upon which the Technical Assistance grant will focus. The specific set of activities to be implemented through this component are to be negotiated with BK in the context of the TA grant agreement to ensure full alignment with BK operational needs and IFAD terms and conditions.

### **B. Target country(ies) and target group**

The programme targets FOs and their member smallholders operating in priority value chains across Rwanda, with a specific focus on women- and youth-led groups that are currently underserved by formal financial institutions. In addition, the programme also builds BK capacities to provide more inclusive finance.

### **C. Components, outcomes and activities**

Complementing the catalytic funding under Component 1, this component tackles both supply- and demand-side constraints by providing a technical assistance (TA) grant to BK. BK has been chosen to manage the TA facility and will take on the responsibility to hire local service providers in alignment with IFAD procurement requirements. The objective is twofold: (i) to strengthen BK's ability to deploy the funding effectively and build their long-term capacity to serve FOs and value-chain actors with appropriate products and systems; and (ii) to enhance the governance, bankability, and digital capabilities of FOs to prepare them to access FOFP-R loans and manage finance more effectively. To maximise inter-component complementarity, the two TA sub-components will be rolled out in parallel, so while the FO pipeline is being developed and trained, support to BK on areas including product development, digitalization, and process improvement will be coordinated simultaneously to allow BK to align new product offerings and digital tools with the evolving capacity of FOs, accelerating the transition from training to active participation in BK's agribusiness loan portfolio.

On the demand side, FOs will undergo a structured capacity-building process, beginning with a market mapping and assessment, likely in collaboration with IFC using their ALP FO capacity assessment and Financial Needs Assessment (FNA) tools. These tools—akin to credit scoring—evaluate FO size, governance, financial performance, gender and youth participation, and technology readiness. FOs classified as "advanced" will be prioritised for the FOFP-R financing pipeline, receiving support in cooperative financial management and digitalisation, while those at earlier stages will receive basic capacity building through complementary IFAD programmes. BK will integrate FNA outputs into its own credit assessment processes, enabling more refined loan appraisals and product tailoring.

### **D. Theory of Change**

The Technical Assistance component is an integral part of the overall strategy for achieving sustainable and appropriate finance for FOs. The project combines targeted investment with TA to increase loans to FOs and key VC actors. By improving access to finance and strengthening borrowers' capacity to effectively utilize funds, FOs can increase profitability, maintain strong repayment rates, and demonstrate readiness for additional financing. This

progression enables FOs to become bankable, long-term clients, while generating broader impacts such as higher rural incomes, improved food security, and reduced poverty, particularly for women, youth, and low-income smallholders. BK, in parallel, uses this program to expand its lending scope toward these previously underserved FOs by leveraging concessional finance, capacity-building support, and digital tools, gradually scaling its agribusiness portfolio while enhancing its ability to manage risks and serve a wider range of rural clients sustainably. By enhancing FO profitability, governance, and financial literacy, the program supports broader access to finance across the sector, enabling replication and scaling of successful models. This systemic approach has the potential to contribute to lasting improvements in rural incomes, food security, and inclusion of women, youth, and low-income smallholders, while allowing BK to expand its agribusiness portfolio responsibly.

## **II. Implementation and supervision arrangements**

### **A. Implementation procedures and project management**

The TA grant will be implemented by the Bank of Kigali (BK) as the primary recipient, with implementation oversight provided by IFAD and technical quality assurance supported by an independent TA advisor. BK will manage the day-to-day execution of activities, contract and supervise local service providers in line with IFAD procurement standards and coordinate internal actors through a designated TA Manager. IFAD will retain overall supervisory responsibility, approve annual workplans and budgets, and conduct results and compliance reviews through supervision missions and semi-annual reporting. The TA advisor will act as an external assurance mechanism, validating deliverables, advising on course corrections, and ensuring that both supply- and demand-side interventions remain aligned with the programme's objectives. Sub-recipients, including technical partners such as IFC or specialised local providers, will deliver targeted capacity-building services to BK staff, FOs, and SMEs under contractual arrangements with BK. This three-tier structure—BK implementation, IFAD oversight, and independent advisory review—ensures clear accountability, quality control, and effective coordination across all TA components.

### **B. Implementation period and workplan**

The Technical Assistance (TA) grant will be implemented over the first three years of the seven-year loan life, front-loading institutional strengthening and capacity-building activities to ensure that BK and the targeted FOs are fully prepared to absorb and deploy the loan resources under Component 1. Year 1 will focus on diagnostics, product design, baseline assessments and system upgrades; Year 2 on rollout of lending tools, training delivery and FO capacity building; and Year 3 on consolidation, midline assessments and transition to fully commercial operations. The implementation will follow an adaptive, demand-driven approach, with annual workplans agreed between IFAD and BK and reviewed during supervision missions.

### **C. Planning, Monitoring and evaluation, and reporting**

The TA programme will be monitored through a joint IFAD–BK results tracking system, overseen operationally by a designated TA Manager within BK, who will coordinate service providers, consolidate reporting, and ensure compliance with agreed milestones. An independent TA advisor will provide external oversight, reviewing progress against the TA workplan, validating deliverables, and advising both IFAD and BK on course-corrections where needed. Monitoring will draw on multiple data sources, including ALP baseline–midline–endline assessments, Household surveys for results measurement, FO capacity and bankability scores, staff training records, product deployment milestones, and digital system upgrades. IFAD will provide technical supervision and verification through semi-annual reporting, supervision missions, and joint reviews under the programme's results framework. This layered monitoring structure—BK management, independent advisory

oversight, and IFAD supervision—ensures transparency, adaptive management, and accountability throughout TA implementation.

#### **D. Supervision arrangements**

Supervision of the TA grant will be integrated into IFAD’s annual supervision mission for FOFP-R, with no separate supervision process or budget line. Each mission will review TA progress against the approved workplan, validate deliverables, and agree on adjustments with BK and the independent TA advisor. Key outputs will include the supervision aide-mémoire, an updated TA results dashboard, and a revised annual workplan. Supervision costs will be covered under IFAD’s regular project supervision budget, and no financial contribution from BK or co-sponsoring divisions is required.

#### **E. Risks and mitigation measures**

The main risks identified for the TA programme relate to (i) limited capacity of FOs to meet lending requirements within the expected timeframe, (ii) delays in BK’s internal system upgrades and product rollout, (iii) insufficient uptake of TA services by FOs or SMEs, (iv) staff turnover within BK affecting continuity of FO lending capacity, and (v) weak coordination between TA implementation and loan deployment under Component 1. These risks will be mitigated through early pipeline identification, front-loaded capacity building, clear performance milestones in BK’s TA workplan, the appointment of a dedicated TA Manager, and the use of standardised tools (e.g. ALP assessments) to track FO readiness. Digital tools, institutional “champions,” and ongoing staff training are included to reduce institutional dependency on individuals and ensure long-term adoption of systems and practices.

### **III. Knowledge management, innovation, scaling up and sustainability**

#### **A. Knowledge management and learning**

The grant’s Knowledge Management (KM) approach focuses on capturing and sharing practical lessons on FO bankability, product innovation and institutional readiness for inclusive rural finance, fully aligned with IFAD’s KM Strategy and Action Plan. Learning will be generated through routine implementation processes—especially ALP assessments, TA progress reviews and supervision missions—and used to adjust the workplan in real time. Key knowledge products will include short learning notes, a final case study on BK’s FO lending model, and a concise “FO Bankability Toolkit” for replication by other banks and IFAD country programmes. BK’s TA Manager will lead data collection, the independent TA advisor will support synthesis, and IFAD will oversee validation and dissemination through its corporate KM channels. KM costs are embedded within the TA budget, with no additional resources required.

#### **B. Scaling up/uptake and sustainability of grant results**

The grant is designed to create a scalable and commercially viable model for lending to FOs that can continue beyond the life of the project and be replicated through IFAD’s Programme of Loans and Grants (PoLG) in other countries. By front-loading TA in the first three years, the programme aims to ensure that BK internalises new products, systems, and risk-appraisal tools so that FO lending becomes part of its core agribusiness portfolio rather than a donor-dependent pilot. Sustainability rests on three pillars: (i) institutionalisation of FO lending systems within BK (digital tools, risk models, staff capacity, and incentive structures); (ii) transition of FOs from grant-supported capacity building to commercially bankable borrowers; and (iii) the gradual substitution of concessionality with market-based finance as portfolio performance de-risks the segment.

The scaling pathway includes replication within BK branches, uptake by other Rwandan financial institutions through peer exchange, and integration of the FO Bankability Toolkit and ALP methodology into future IFAD private-sector operations. The exit strategy foresees a phased handover in Year 3, with BK assuming full responsibility for product delivery and monitoring, while IFAD retains a light-touch learning and policy role. Assumptions on sustainability—such as portfolio quality, FO-support phase out rates, and cost-recovery of lending—will be reviewed during supervision missions and revised if needed, ensuring adaptive management toward a durable transition beyond grant support.

### **C. Communication and visibility plan**

Communication activities will be kept light and fully integrated into existing project processes, with no separate budget line beyond standard TA and supervision costs. Visibility for IFAD will be ensured through co-branding of TA materials, inclusion of IFAD in BK outreach campaigns, and joint announcements at key milestones (e.g. loan signing, product launch, mid-term review). Short results updates and beneficiary stories will be shared through IFAD’s regular communication channels, rather than a standalone communication programme. Any reputational risks will be managed through IFAD’s review and clearance of external messaging.

## **IV. Costs and financing**

### **A. Financing plan**

The TA budget of US\$ 1.2 million is detailed in the table below, with 60% allocated to institutional strengthening of BK (Component A) and 40% to direct capacity support for FOs and MSMEs (Component B), front-loaded over the first three years in line with the design strategy.

**B. Project costs**

Activities	Expenditure Type	Implementer	Estimated Budget by Year (US\$)							TOTAL
			Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y1
<b>A. TA to BK</b>										
A.1: Market Mapping and assessment to identify potential beneficiaries and their financing needs	Consultancies, Travel & Allowances	Consultant/Service provider	20,000	10,000	-	-	-	-	-	30,000
A.2: Design and pilot tailored Agribusiness products for FOs and MSMEs	Consultancies , Travel & Allowances, Workshops	Consultant/Service provider	40,000	22,500	-	-	-	-	-	62,500
A.3: Development/ adoption of digital tools/ infra./analytics to upgrade internal core banking system, loan origination system, credit scoring, tracking, mobile-based repayments, and reporting	Equipment/Materials, Training, Workshops, Consultancies, Travel & Allowances	BK internal/Consultant/Service Provider	100,000	85,000	45,000	-	-	-	-	230,000
A.4: Staff capacity building in FO risk appraisal, climate-smart agriculture lending, and ESG compliance.	Training	BK internal/Consultant/Service Provider	70,000	45,000	-	-	-	-	-	115,000
A.5 : Product Marketing , outreach and communication	Consultancies, Goods/Services/ Inputs, Travel & Allowances	Consultant/Service Provider	10,000	10,000	5,000	-	-	-	-	25,000
A.6: Surveys for ALP FO assessment	Goods/Services/Inputs	Service Provider	30,000	30,000	-	37,500	-	-	-	97,500
A.7: Household surveys for results measurement	Goods/Services/Inputs	Service Provider	45,000	-	-	45,000	-	-	45,000	135,000
A.8: Mid-Term Review	Consultancies	Consultant	-	-	-	20,000	-	-	-	20,000
<b>Sub-Total</b>			<b>315,000</b>	<b>202,500</b>	<b>50,000</b>	<b>102,500</b>	-	-	<b>45,000</b>	<b>715,000</b>

<b>B. TA to FOs and MSMES</b>										
B.1 FO Capacity building (BDS, Business plan development, Governance and FO management, value chain linkages, mentorship, other ALP topics, etc)	Training	Service Provider	130,000	120,000	75,000	-	-	-	-	325,000
B.2: MSME BDS and support to link with FOs	Training	Consultant/Service Provider	80,000	60,000	20,000	-	-	-	-	160,000
<b>Sub-Total</b>			<b>80,000</b>	<b>60,000</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>485,000</b>
<b>OVERALL TOTAL</b>			<b>395,000</b>	<b>262,500</b>	<b>70,000</b>	<b>102,500</b>	<b>-</b>	<b>-</b>	<b>45,000</b>	<b>1,200,000</b>

## V. Fiduciary aspects

### A. Procurement procedures for goods, services and human resources

- B.** Procurement will be following the Bank of Kigali's procurement policies and procedures. Financial management and accounting arrangements BK is subject to reporting.

Bank of Kigali will submit semi-annual reports showing the expenditures for the period. The Annual workplan and budget will be submitted to IFAD in November of every year in order to receive a No Objection. IFAD will provide the reporting templates.

### C. Audit arrangements

Annual Audit on TA facility will be submitted to IFAD on an annual basis, within 6 months after the end of the fiscal year. Terms of Reference of the Audit are specified in a separate document. The audit also includes analysis on the co-financing component.

### D. Disbursement arrangements

IFAD will disburse 90% of the subsequent AWPB. Once Bank of Kigali submits the semi-annual reports and shows expenditure of 75% of the funds, then they may request an additional disbursement. Further conditions will be defined in the grant agreement.

## Grant design document for first loss

<b>Amount of the IFAD grant (US\$):</b> <b>US\$ 1.8 million</b>	<b>Cofinancing (US\$)</b> <ul style="list-style-type: none"> <li>• In cash: 25%</li> <li>• In kind:</li> <li>• Total: 25%</li> </ul>
<b>Project Title:</b> Farmers' Organizations Financing Program Rwanda	<b>GRIPS ID:</b>
<b>Grant scope</b> Global/Regional <input type="checkbox"/> Country-specific <input checked="" type="checkbox"/>	<b>Region(s) or country/countries</b> Rwanda
<b>Recipient selection method:</b> Competitive selection at OSC stage <input type="checkbox"/> Direct selection <input checked="" type="checkbox"/>	
<b>Name of Technical Grant Manager:</b> IFAD Program Coordinator in collaboration with Aceli and BK.	
<b>Full legal name of Recipient:</b> Aceli Africa Inc	
<b>Contact details of recipient (address, fax, email):</b> bmilder@aceliafrica.org	
<b>Name and title of authorized person who will sign grant agreement on behalf of the Recipient:</b> Brian Milder, Founder & CEO of Aceli Africa	
<b>Legal Status of the Recipient:</b> Non-governmental Organization.	
<b>Implementation period (months):</b> Services to be provided throughout the seven-year FOFP-R project implementation periods and for up to five years post-project to administer coverage for long-term loans disbursed near project close.	

## **I. Project Description**

### **A. Goal and objectives**

The use of risk-sharing mechanisms is central to the the FOFP-R objective to improve the access to finance and professionalize the operations of an estimated 215 FOs (172 of which are expected to be accessing loans from BK) within selected food crop value chains (VCs), alongside other linked VC actors, through focused capacity building, digitalization, and catalysed funds for agriculture lending.

### **Target country(ies) and target group**

Rwanda is the target country of this grant for first loss.

### **B. Components, outcomes and activities**

The FOFP partnership with Aceli will centre on the provision of tailored first-loss solutions to BK to expand the banks' lending to high-impact agri-SMEs, FOs and other qualifying agri-SMEs, absorbing part of the incremental risk while ensuring that BK retains substantial "skin in the game". By addressing risk and cost barriers, Aceli's involvement will directly support FOFP objectives of improving access to finance for smallholder farmers, enhancing rural livelihoods, and promoting inclusive agricultural growth.

The percentage of first loss cover is determined based on Aceli's basic criteria. A higher percentage of first loss is received if borrowers did not receive a loan greater than US\$ 10-25k in the last 3 years and are not a returning borrower. Additional first loss percentage can be assigned in the case of alignment with 7 impact criteria of Aceli (economic opportunities for women, women leadership, food security and nutrition, economic opportunities for youth and climate and environment). So, for instance, 9% would be if it's a new borrower that meets all seven impact criteria and 2% would be a returning borrower that meets none of the impact criteria. Aceli will also ensure that IFAD 1.8m first loss grant is only used for loans that are in alignment with IFAD Eligibility requirements (Appendix 3) through a checkbox system.

### **C. Theory of Change**

The project combines targeted investment with Aceli's Risk sharing model to increase loans to FOs and key VC actors. By improving access to finance and strengthening borrowers' capacity to effectively utilize funds, FOs can increase profitability, maintain strong repayment rates, and demonstrate readiness for additional financing. This progression enables FOs to become bankable, long-term clients, while generating broader impacts such as higher rural incomes, improved food security, and reduced poverty, particularly for women, youth, and low-income smallholders. BK, in parallel, uses this program to expand its lending scope toward these previously underserved FOs by leveraging concessional finance, capacity-building support, and digital tools, gradually scaling its agribusiness portfolio while enhancing its ability to manage risks and serve a wider range of rural clients sustainably. By enhancing FO profitability, governance, and financial literacy, the program supports broader access to finance across the sector, enabling replication and scaling of successful models. This systemic approach has the potential to contribute to lasting improvements in rural incomes, food security, and inclusion of women, youth, and low-income smallholders, while allowing BK to expand its agribusiness portfolio responsibly.

#### **D. Linkages and synergies with investment projects, country programmes and other initiatives funded by IFAD**

N/A

#### **E. Partnerships and policy**

The Aceli partnership goes beyond risk-sharing by supporting BK to mainstream agri-SME and FO lending within its core credit policies, helping reduce collateral barriers and expand finance to high-impact rural clients. Evidence generated from the portfolio will be shared with national stakeholders such as the Central Bank of Rwanda and the Cooperative Development Commission to inform dialogue on collateral rules and cooperative finance, positioning the programme as both a market demonstration and a policy learning platform. This work will be funded by other donors.

## **II. Implementation and supervision arrangements**

#### **F. Rationale for recipient selection and recipients' capacities**

Aceli Africa, Inc. (Aceli) is a non-profit registered in October 2019 as a 501(c)(3) in New York. Aceli focuses on improving access to finance for agricultural SMEs and value chain actors by offering first loss solutions services ("financial incentives") to lenders.

Since its launch in 2020, Aceli has mobilised US\$ 392 million in lending to 4,700 agri-SMEs, reaching 2 million smallholder farmers across Kenya, Tanzania, Rwanda, Uganda, and Zambia. Over 60 per cent of these SMEs accessed formal finance for the first time, growing on average at over 20 per cent annually, increasing purchases from farmers, and generating new jobs.

#### **G. Implementation procedures and project management**

**Mechanism FLC:** After IFAD disburses (tranches of the) US\$ 1.8m to Aceli Africa, donor payments get aggregated and sent out<sup>23</sup> to the Aceli-controlled FLC reserve fund ("reserve account")<sup>24</sup> on quarterly basis. The reserve account is housed in BK, but controlled by Aceli.

When BK registers a loan with Aceli it can earn a certain percentage (2-9%) of first loss on the loan that is registered.<sup>25</sup> So, in practice a US\$100,000 loan, qualifying for 5% first loss ("financial incentives") would then mean Aceli pays US\$5,000 gradually as the loan disburses into BKs reserve account. It is expected that with most loans in Rwanda averaging 31 months in tenor, most grant funding will be going in the first four years from Aceli to the reserve account.

BK can claim a "financial incentive" after the loan has been outstanding for minimum 90 days, then Aceli ensures the loans meets qualifying criteria and assesses alignment with donor criteria allocating the claimed amount to funders. To assess the defaults, Aceli performs a detailed assessment, assessing comprehensive documentation that may include *a certified notice of default, loan acceleration, and demand for payment sent to the borrower, with proof of delivery and a signed memo from an authorized officer*

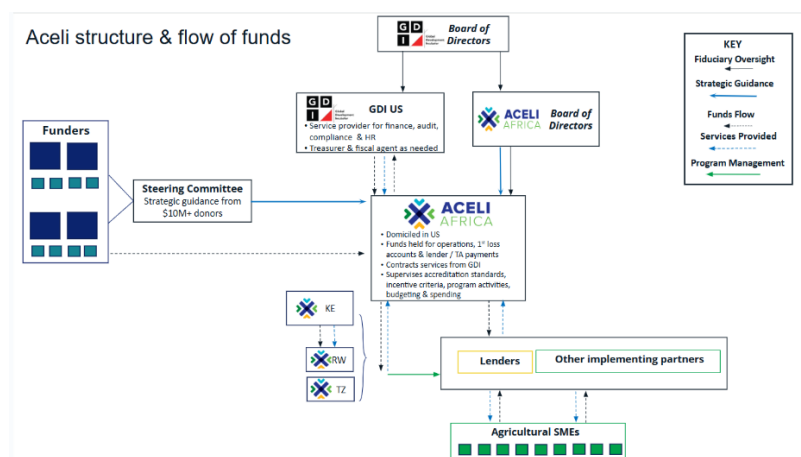
<sup>23</sup> Donor funds disbursed to Aceli are managed by Global Development Incubator (account manager).

<sup>24</sup> Money housed in lenders account/BK to reduce perceived risk of investing in agri SMEs adding a level of confidence and becoming part of their risk profile.

<sup>25</sup> Registered loans have to meet the eligibility criteria (Appendix 3) geographic, and thematic focus of the FOFP-R.

confirming the acceleration event, plus supporting evidence that the lender made commercially reasonable recovery efforts and sought relief from any legal restrictions (unless prohibited by law or insolvency proceedings). If applicable, documentation will be required showing liquidation of collateral, proceeds received, and how those were applied to the loan balance (unless legally restricted). This serves to ensure that Aceli has full information to determine with accuracy that the default has occurred and BK has done everything possible to reclaim funding.

Within 15 days of receipt Aceli validates and respond to claims requests. In case of a favourable response, Aceli ensures that losses are distributed proportionally across all donors that have contributed to the reserve account in BK, rather than being absorbed solely by the donor originally linked to the individual loan. Aceli controls the reserve account and ensures eligibility by matching individual claims with donor criteria. In case of eligibility, money is proportionately reduced from the reserve account through a direct payment in US dollars from Aceli to an account that BK elects, which BK then can account as lending revenue. Any unobligated funds at the end of the 7 years would be repaid back by Aceli to IFAD. At the end of a recycling period of 10 years, Aceli would then repay back to IFAD any portion of remaining IFAD first-loss grants from the reserve account.



Graph: Aceli structure and flow of funds

## H. Implementation period and workplan

The risk-sharing component will be utilized over the 7-year life of the project. An additional 3 years will be needed for recycling of any proportional balance still in the reserve account. Any unobligated first-loss funds remaining after the ten years will be returned by Aceli to IFAD for onward repayment to GAFSP BIFT. To ensure orderly completion of reporting, audit, and close-out of the risk-sharing facility, IFAD will require up to one additional year beyond the disbursement period to finalise financial reporting and submit the final report to GAFSP BIFT.

## I. Planning, Monitoring and evaluation, and reporting

Aceli will be responsible for regular narrative and financial reporting to IFAD, aligned with IFAD financial reporting practices<sup>26</sup> on an agreed set of indicators, covering:

- Fund utilisation and balance of first-loss funds.
- Portfolio supported (number/value of loans, PFIs covered).
- Loan characteristics (size, sector, geography, client type, share meeting FOPF targeting).
- Risk and loss data (PAR, losses paid, recoveries).
- Additionality and leverage metrics (new clients/segments reached, total lending enabled).
- Narrative and compliance statement (aligned with eligibility criteria).

Disaggregated reporting by gender and youth where feasible; IFAD, Aceli, and the banks will agree on a practical data collection protocol to progressively strengthen this capacity.

Gender & Youth Tracking: BK will progressively strengthen reporting systems to track gender and youth in loan outreach; initial reporting may be aggregate with a plan for improved granularity over time.

**Eligibility Criteria:** Eligible entities under the FOPF-R have been outlined in Appendix 3.

## J. Supervision arrangements

**Coordination:** Aceli will coordinate directly with IFAD and BK on portfolio eligibility, reserve account management, reporting schedules, and audit/compliance as needed. Aceli has a data disclosure agreement which allows the lender to share with Aceli data required. They also perform a due diligence on the lender and sign a Financial Incentives Master Agreement with the lender (BK) which makes them an accredited entity and can start registering loans on their portal. The agreement also includes reference on donor requirements.

## K. Risks and mitigation measures

For BK, the Portfolio First Loss Cover acts as a credit enhancement that reduces its exposure to potential losses from agricultural SME loans, which are typically seen as higher risk. By having a reserve (cash at the bank for regulated lenders like BK), the lender knows that in the event of a borrower default, a portion of the loss will be absorbed by the First Loss Cover. This protection incentivizes lenders to originate more loans to SMEs that align with donor priorities, while maintaining confidence that their balance sheet will not be disproportionately exposed to credit risk.

A key risk is that BK could accelerate defaults or weaken recovery efforts to take advantage of the guarantee mechanism, rather than exhausting normal debt management and follow-up processes. Additional risks include delays or inaccuracies in loan registration, cash management, and data reporting—especially as Aceli expands to FOs that may struggle

<sup>26</sup> **Annual Financial Statements** – within 150 days of fiscal year-end, including: audited financial statements and agreed-upon procedures report (IFRS-compliant); auditors' management letter on internal controls; audit report on covenant compliance.

**Quarterly Reports** – within 60 days of each quarter, including: IFRS financial statements certified by an authorised officer; CEO/CFO covenant compliance statement; operational and development performance update. **Semi-Annual TA Expenditure Statement** – within 45 days of each six-month period.

with eligibility and reporting—which could undermine transparency and timely disbursement.

Aceli’s standardized reporting framework, segregated cash management, and strict alignment with IFAD’s eligibility criteria reduce these risks. In addition, all loans backed by the Aceli guarantee must demonstrate that rigorous recovery efforts were undertaken before the first loss is paid. By tying coverage to compliance standards of Aceli, the structure directly addresses moral hazard, strengthens incentives for prudent loan management, and ensures the facility remains aligned with programme objectives.

### **III. Knowledge management, innovation, scaling up and sustainability**

#### **D. Innovation**

Aceli delivers Portfolio First Loss Cover funding (“FCL”, “Financial Incentives”) in a way that maximizes agricultural SME lending while aligning with each donor’s strategic priorities, including IFAD’s mandate to reach smallholder farmers and strengthen rural markets.

#### **E. Knowledge management and learning**

Aceli is uniquely positioned to conduct loan- and portfolio-level analysis on the economics of agri-SME lending and contextualize in broader agri-SME lending trends across five countries (Kenya, Tanzania, Rwanda, Uganda, Zambia) where Aceli is partnering with 50 commercial banks and non-bank financial institutions.

Technical assistance. Aceli will draw on funding from other sources to offer pre- and post-investment TA in business and financial management to qualifying FOs. FOF-P-R does not include externally funded origination incentives (OIs). This reflects a transition out phase rather than a continuation of the pilot approach. In IFAD’s assessment, BK is already sufficiently incentivised to expand lending to FOs and other targeted clients as demonstrated by its strong track record under Aceli (eight-fold portfolio growth, 55% new borrowers, <3% PAR) and its ambitious agri-business and smallholder lending targets for the coming years.

#### **F. Scaling up/uptake and sustainability of grant results**

Consistent with IFAD’s principles on financial discipline and market sustainability, the FOF-P-R design deliberately avoids over-subsidisation. The approach ensures meaningful “skin in the game” for BK, reinforcing ownership and accountability while preserving concessionality for the ultimate target group. Incremental lending and additionality will be measured through dedicated FOF-P-R portfolio tracking, ensuring clear differentiation from BK’s existing Aceli-supported operations and avoiding double counting.

20X leverage. US\$1.8M in grant for first-loss funded by IFAD will be matched by US\$1.8M in origination incentives from other donors<sup>27</sup> and then leverage up to US\$36M in agri-SME lending (over 20x leverage relative to IFAD’s contribution).

Industry Standards: This risk sharing service by Aceli is aligned with industry standards, e.g., credit guarantees by BDF and UNCDF<sup>28</sup> cover 50–75% of an individual loan allowing

<sup>27</sup> These are already budgeted and paid for by other donors.

<sup>28</sup> [BDF Link](#). [UNCDF Link](#).

benefitting FIs to recover a substantial share of principal even after default, whereas without such a guarantee, they would absorb the full write-off with limited recovery prospects given weak collateral enforcement in agri-SME lending.

**Value Added:** This risk-sharing approach allows IFAD's contributions to support more loans without needing to reserve excess funds for potential defaults that could otherwise exceed its individual commitments. It also ensures transparent reporting, as IFAD can track which loans its resources are linked to at origination, while benefiting from streamlined accounting and balanced portfolio risk management. Ultimately, this mechanism safeguards IFAD's resources, provides clarity on utilization, and enhances the overall impact of its contribution by enabling Aceli to extend more financing to agricultural SMEs in focus countries.

Consistent with IFAD's principles on financial discipline and market sustainability, the FOFP-R design deliberately avoids over-subsidisation. The approach ensures meaningful "skin in the game" for BK, reinforcing ownership and accountability while preserving concessionality for the ultimate target group. Incremental lending and additionality will be measured through dedicated FOFP-R portfolio tracking, ensuring clear differentiation from BK's existing Aceli-supported operations and avoiding double counting.

## **G. Communication and visibility plan**

N/A

## **IV. Costs and financing**

### **C. Financing plan**

Data analysis, origination incentives, and capacity-building/advisory services will be funded by Aceli's other donors (Dutch MFA, Gates Foundation, Global Affairs Canada, IKEA Foundation, Norad, SDC, FCDO, among others). IFAD will not be paying into Aceli's origination incentives.

### **D. Project costs**

US\$ 1.8 million grant will be used as first-loss capital to support the risk-sharing mechanism. Additional US\$ 200,000 will cover Aceli's direct implementation costs.

The US\$ 200,000<sup>29</sup> will be front-loaded to establish core systems and eligibility criteria for SACCO/AMCOS lending, pilot the aggregated smallholder approach, and set up reporting. After these foundations are in place, ongoing reporting costs in later years will be financed through other sources. Planned budget is as follows:

- **Year 1:** US\$ 100,000
- **Year 2:** US\$ 50,000
- **Year 3:** US\$ 50,000

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<sup>29</sup> This amount is going to be finalised in the IFAD-Aceli grant agreement negotiations.

## **V. Fiduciary aspects**

### **E. Procurement procedures for goods, services and human resources**

Not applicable

### **F. Financial management and accounting arrangements**

**Financial Reporting:** Expenditures will be reported for loans that have gone into default in accordance with the Aceli Accounting and Funding Pathways. As First Loss Cover funds are recorded as expenses for loans that have gone into default, First Loss Cover Obligation will correspondingly decrease. Aceli will submit to IFAD agreed upon reports on a semi-annual basis showing the funds moved to the Reserve account as well as any defaulted loans.

**Accounting treatment for Portfolio first loss cover:** The mechanism of the guarantee is managed through Aceli's Reserve and Settlement Mechanism (*RSM*), which ensures that Portfolio First Loss Cover obligations are tracked and administered consistently under GAAP. When a loan is registered with Aceli, the maximum potential First Loss Cover is calculated and reported as an unliquidated obligation, even if disbursement has not yet occurred. For regulated lenders, cash is placed in a dedicated reserve account maintained by the lender. In both cases, these amounts are recorded as assets on Aceli's books until a loan goes into default. At that point, the obligation crystallizes, and Aceli records the payment as an expense.

If loans are repaid in full or otherwise removed from the program, related unliquidated obligations are released and may be reallocated to future loans. Through the *RSM*, Aceli maintains visibility over earned and maximum first loss cover, ensuring proper reporting, timely allocation of reserves, and efficient recycling of funds once obligations are released.

**Cash Management:** Aceli reports First Loss Cover as an expense only when a loan goes into default, which in turn reduces the related obligation on its books. For first loss cover to regulated lenders (like BK), the earned first loss cover is transferred by Aceli and held in a dedicated reserve account at the lender's bank; and for unearned first loss cover, funds are held in a segregated account at Aceli to secure obligations linked to future loan disbursements on loans already registered but not fully drawn.

### **G. Audit arrangements**

An Annual Audit Report will be submitted to IFAD 6 months after the financial year closure as outlined in the agreed upon Audit Terms of References which will be submitted to IFAD for a No Objection. TORs

### **H. Disbursement arrangements**

Aceli will sign a formal agreement with IFAD to deliver these services during project implementation and the wind-down period, ensuring continuity of risk coverage, compliance, and reporting beyond project close. IFAD will send disbursements to Aceli based on a disbursement schedule to be agreed upon by IFAD and Aceli.

## Approval notice GAFSP BIFT



November 3, 2025

***Re: Outcome of the Business Investment Financing Track (BIFT) initial proposal submission to the Global Agriculture and Food Security Program***

***BIFT Pilot Call for Proposals***

Dear applicant,

On behalf of the Global Agriculture and Food Security Program (GAFSP) Steering Committee (SC), it is my distinct pleasure to inform you that the initial proposal titled "Farmers' Organisation Financing Programme - Rwanda" (FOFP-R), which was presented by the International Fund for Agricultural Development (IFAD) as a Supervising Entity (SE) under the BIFT, has achieved a high score under the GAFSP BIFT Pilot Call for Proposals. We are thrilled to announce that as a result of this commendable achievement, the GAFSP SC has allocated USD 3.0 million for a senior loan, USD 1.8 million for a first loss facility, and USD 1.2 million for technical assistance to implement activities as outlined in the initial proposal. Approval of the final proposal by the GAFSP Steering Committee will include an assessment of whether the recommendations for improvement provided by the Independent Technical Advisory Committee (TAC) and endorsed by the Steering Committee and listed below have been sufficiently incorporated or addressed:

**Strengths:**

- Clear and coherent design linking finance, risk sharing, and technical assistance.
- Operational realism and replication potential.
- Well-defined consortium and partnerships.

**Areas of Improvement:**

- Limited additionality and overlap with existing concessional instruments.
- Sustainability beyond BIFT concessional financing.
- Modest Mobilisation and Ambition.

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Recommendations for Improvement:

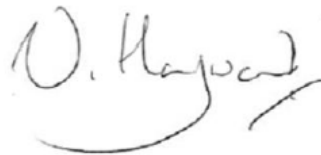
- Clarify additionality of the senior loan and Aceli risk-sharing facility.
- Provide a sustainability plan outlining how FO lending and capacity building will continue beyond concessional funding and explore options for engaging additional financial institutions to mitigate concentration risk and foster systemic market development.
- Strengthen the M&E framework and impact measurement in line with guidance outlined in the TAC-BIFT Recommendation Report in regards indicators, performance covenants and accountability, attribution and additionality measurement, youth and women's empowerment metrics, as well as climate adaptation, resilience, and nutrition outcomes.
- Introduce a joint or third-party mechanism to ensure transparency and accountability in managing TA and concessional resources, clearly defining the respective roles of IFAD, BK, and Aceli.
- Provide a breakdown of the USD 200,000 management allocation to Aceli over seven years, demonstrating its adequacy.

Please note that GAFSP requires the SE to submit the final proposal design document to the GAFSP Steering Committee for final approval.

Once again, please accept my heartfelt congratulations for crafting an outstanding initial proposal that demonstrates your dedication to advancing agriculture and food security. We are eager to witness the positive impact your proposal will have on the global community and look forward to supporting your efforts.

If you have any questions or require additional information, please feel free to contact the Coordination Unit at [gafsp-info@gafspfund.org](mailto:gafsp-info@gafspfund.org).

Sincerely,



Natasha Hayward  
Program Manager  
Global Agriculture and Food Security Program

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## Matrix of responses to BIFT Steering Committee (SC) and Technical Advisory Committee Feedback (TAC)

**DATE:** November 3, 2025

**PROJECT TITLE:** Farmers' Organisation Financing Program – Rwanda (FOFP-R)

<b>BIFT SC Feedback</b>	<b>IFAD Responses</b>
<p>Firstly, it is essential to clarify how lending to farm organizations is incremental to existing concessional lines and to demonstrate portfolio separation to avoid double counting or limited catalytic impact. Furthermore, it would be appropriate to reinforce the BK's priority in this initiative, given its size relative to their overall portfolio and the need for their strong commitment and resource allocation.</p>	<ul style="list-style-type: none"> <li>• Lending to farmers' organizations (FOs) under the FOFP-R is incremental to existing concessional lines as it targets a distinct and underserved segments: smallholders, cooperatives, and MFIs/SACCOs engaged in agricultural lending—that falls outside the scope of existing facilities such as the EIB's SME credit line. The FOFP-R introduces blended finance features (risk-sharing, concessional pricing, and technical assistance) specifically designed to de-risk agricultural lending and expand outreach to higher-risk rural clients.</li> <li>• FOFP-R resources will be managed through a dedicated Agri-finance portfolio with tailored eligibility criteria, reporting templates, and monitoring indicators. All loans financed under FOFP-R will be tagged and monitored separately, with compliance supervised and audited regularly. As an additional layer of tracking, Aceli will monitor all FOFP-R-financed loans above the USD 10,000 threshold—covering those delivered to cooperatives, Agri-SMEs, and SACCOs—while smaller loans to smallholder members of cooperatives will also be tracked by Bank of Kigali (BK) to ensure full portfolio transparency.</li> <li>• BK views the IFAD-funded FOFP-R project as strategic to advancing its business plan toward more inclusive finance. As Rwanda's largest commercial bank, holding over 30% of market share in deposits and lending, BK has committed approximately USD 150 million to agriculture by 2030 under its Agricultural Finance Strategy, focusing on (i) digitalisation of Agri-loan processes, (ii) access to long-term affordable funding, and (iii) technical assistance for both value-chain actors and internal staff.</li> <li>• The IFAD and BIFT resources are expected to play a catalytic role in accelerating BK's transition toward inclusive rural finance by de-risking entry into underserved segments and demonstrating the viability of sustainable Agri-lending models. While BK's scale, digital infrastructure, and concessional partnerships provide a strong foundation, it remains a relatively new entrant to the sector and continues to build capacity in product design, risk management, and engagement with FOs.</li> </ul>

<p>Improving leverage through the financial structure to commit to concessionality and environmental/social standards is critical. These elements should be implemented and tracked through the entire financial chain to the end beneficiaries.</p>	<ul style="list-style-type: none"> <li>• The above points are included in the updated BIFT proposal.</li> <li>• In the context of the FOFP-R project, the financial structure already demonstrates effective leverage by mobilizing commercial co-financing while maintaining concessional terms for smallholder-focused lending. Continued attention will be given to ensuring that environmental, social, and concessionality commitments are reflected and tracked throughout the credit chain — from the wholesale facility to the end borrowers — through clear ESG criteria, reporting requirements, and monitoring indicators.</li> <li>• On concessional pricing, IFAD has established a structured reporting framework—aligned with the DFI Enhanced Principles for Blended Concessional Finance (Principles 2 and 3)—to monitor transparency, targeting, and transmission of concessionality during supervision missions. On ESG standards, technical assistance will strengthen BK’s capacity to align fully with IFAD’s SECAP guidelines and international best practices, while loan applications from borrowers will incorporate environmental and social screening criteria and apply an exclusion list consistent with IFC Performance Standards to ensure compliance throughout the financial chain. These points are included in the updated BIFT proposal.</li> </ul>
<p>The project’s success depends heavily on the BK’s continued interest in post-concessional support. Therefore, I support TAC recommendations for a clear exit and replication strategy, as well as diversification of partners.</p>	<ul style="list-style-type: none"> <li>• FOFP-R is designed to ensure that lending to FOs continues beyond the concessional period through institutional integration, digitalisation, and gradual risk transfer.</li> <li>• On the supply side, the BK business plan for the coming 5 years emphasizes expansion of inclusive finance to FOs value chain partners, and small holders. BK will embed Agri-lending into its core operations by internalising incentive mechanisms, adopting digital credit scoring and portfolio monitoring tools, and progressively replacing concessional risk-sharing with its own reserves, in line with the DFI Enhanced Principles. On the demand side, technical assistance will strengthen FO governance, financial management, and digital literacy, improve creditworthiness and reduce transaction costs, while digital platforms for onboarding and repayment will lower operating costs and risk premiums, enabling BK to sustain lending on commercial terms. By project completion, concessional elements will phase out, leaving a commercially viable, digitally enabled FO-lending model that BK can continue using its internal capital and risk-management capacity.</li> <li>• The programme also features a clear replication and diversification strategy: results and lessons learned will inform subsequent FOFP operations, with a second phase already in preparation with a local bank in Tanzania, and indirect lending</li> </ul>

	<p>through SACCOs and MFIs planned to broaden outreach within Rwanda. Together, these measures ensure sustainability, regional scalability, and long-term market reinforcement beyond the project's duration.</p>
<p>Strengthening outcome indicators, such as access to finance, performance, portfolio quality, gender/youth/climate resilience, and ensuring transparent attribution to BIFT funding is also crucial.</p>	<ul style="list-style-type: none"> <li>• The FOFP-R already includes a comprehensive M&amp;E system embedded within the loan, grant, and risk-sharing agreements, ensuring regular reporting by BK and close oversight by IFAD. BK will report according to IFAD templates, providing data on loan disbursements, repayments, defaults, and losses covered under the risk-sharing facility, alongside progress on risk mitigation. During IFAD's annual supervision missions, the programme's results and impact on food crop value chains, financial inclusion for FOs, and the level of concessionality will be systematically reviewed.</li> <li>• The current results framework are aligned with IFAD's PSF Impact Framework and already captures several outcome-level indicators, including: (i) jobs created by programme recipients (Outcome 1); (ii) beneficiaries reporting access to higher or more stable market linkages (Outcome 2); (iii) beneficiaries reporting improved productivity (Outcome 3); and (iv) expanded access to finance, reflected in the number and value of loans, percentage growth of BK's agri-portfolio, and number of new financial products (Outcome 4). These indicators measure real changes in employment, income, productivity, and financial inclusion beyond basic outreach. Additionally, mid-term and final targets have been set for these outcome indicators to enhance the monitoring and evaluation of the project's impact, as well as to enable early identification of corrective actions if needed.</li> <li>• In addition, BK is subject to reporting annually on a set of financial indicators including NPLs. Part of the overall monitoring and evaluation system includes establishing a baseline assessment utilizing the IFC Agribusiness Leadership Program (ALP) tools for up to 400 FOs and subsequently monitoring their levels of professionalization over time.</li> <li>• In terms of attribution, the current plan to capture results through baseline, midline and endline household surveys, and FO surveys, allows for strong results measurement given the M&amp;E funds available through the TA grant. However, adding control groups to these surveys in a bid for stronger attribution would require additional TA funds that would need to be moved from other activities. Therefore, we believe the current results measurement and ME systems are effective and proportionate to the scale of the initiative and the funds available.</li> </ul>
<p>Independent oversight for managing TA and concessional resources is recommended, and</p>	<ul style="list-style-type: none"> <li>• A procurement capacity assessment has confirmed that BK has the basic institutional capacity to manage the procurement of local service providers in line</li> </ul>

<p>clarification on the management fee structure and budget adequacy is necessary.</p>	<p>with IFAD’s standards and best international practices. To ensure effective and transparent management of technical assistance (TA) and concessional resources, BK is onboarding a dedicated TA Manager, financed by BK , who will oversee all TA-related procurement and implementation activities. The TA Manager will ensure transparent, competitive, and compliant procurement processes and provide regular reporting on progress, risks, and financial performance.</p> <ul style="list-style-type: none"> <li>• Independent oversight of TA and concessional resource management will also be provided by IFAD through a dedicated Project Coordinator based in-country, who will monitor the implementation of the TA Facility, loan performance, and fiduciary compliance, ensuring full alignment with IFAD’s procedures and environmental and social standards. This dual structure—BK managing operational delivery under the TA Manager and IFAD providing strategic and fiduciary oversight through the Project Coordinator—ensures accountability, transparency, and adherence to international standards. The TA budget and management fee structure have been reviewed and deemed adequate to achieve the intended results with proper fiduciary control.</li> </ul>
<p>Lastly, please clarify whether the project and BIFT resources will be five or seven years to align with the pilot period for BIFT.</p>	<ul style="list-style-type: none"> <li>• The implementation period of this proposal is fully aligned with BIFT pilot guidelines: all resources under the senior loan, first-loss grant, and technical assistance grant are expected to be disbursed within 36-month period, consistent with the maximum allowed five-year implementation period.</li> <li>• The senior loan will have a total maturity of up to seven years.</li> <li>• The risk-sharing component will be utilized over the 7-year life of the project. An additional 3 years will needed for recycling of any proportional balance still in the reserve account. Any unobligated first-loss funds remaining after the ten years will be returned by Aceli to IFAD for onward repayment to GAFSP BIFT. To ensure orderly completion of reporting, audit, and close-out of the risk-sharing facility, IFAD requests up to one additional year beyond the disbursement period to finalise financial reporting and submit the final report to GAFSP BIFT.</li> </ul>

<b>BIFT TAC Feedback</b>	<b>IFAD Responses</b>
<p>1. Additionality of the senior loan (EIB overlap): Clarify how the USD 9 million FOFP-R loan will generate incremental lending beyond the EUR 100 million EIB facility already accessible to the BK, specifying differentiation in target groups, instruments, or risk levels, and how double counting will be avoided.</p>	<ul style="list-style-type: none"> <li>• The FOFP-R and EIB operations are complementary but distinct in both design and target outcomes. The 2024 EIB EUR 100 million facility is a general-purpose credit line aimed at supporting SME financing across sectors, with no specific focus smallholder segments. In contrast, the FOFP-R USD 9 million senior loan is fully dedicated to agricultural food crop value chains and targets cooperatives, FOs, Agri SMEs small holders, as well as refinancing to support MFIs /SACCOs that lending to agriculture sector that typically fall outside the EIB’s eligible client base.</li> <li>• The FOFP-R loan introduces blended finance features — including risk-sharing mechanisms, concessional pricing, and embedded technical assistance — to enable BK to expand lending to higher-risk agri-MSMEs and producer groups. This segment is not currently reached through the EIB facility, which primarily serves established SMEs with collateral and credit history.</li> <li>• To ensure clear differentiation and avoid double counting, FOFP-R resources will be tracked through a dedicated agri-finance portfolio, supported by specific eligibility criteria, reporting templates, and monitoring indicators focused on outreach to FOs and smallholder-linked value chains.</li> </ul>
<p>2. Additionality and differentiation of the Aceli risk-sharing facility: The proposal confirms that BK’s existing 50% pari passu DFC guarantee is active and will apply to FOFP-R loans. Other facilities (SIDA, BDF, FAGACE, FSA) are referenced as part of BK’s broader access to concessional mechanisms but are not confirmed as active for this portfolio. Clarifying which facilities will be applied in practice, how the Aceli facility complements them and how guarantee layering will be monitored within the 70% overall coverage ceiling, would strengthen transparency and ensure additionality. The proposal highlights BK’s strong track record under Aceli’s incentive programme, including eight-fold loan growth, 55% new borrowers, and portfolio-at-risk below 3%. However, FOFP-R introduces no dedicated budget line for origination incentives (OIs), which in Aceli’s model complements the first-loss cover to drive lending behaviour and reach new client segments.</p>	<ul style="list-style-type: none"> <li>• The DFC 50% pari passu guarantee remains the only confirmed complementary mechanism applicable to FOFP-R loans. The Aceli risk-sharing facility will provide an additional first-loss layer of up to 9%, operating within a maximum combined coverage ceiling of 70-80% to ensure prudent guarantee layering and transparency. BK retains at least 30% of loan-level risk, ensuring prudent lending and alignment with program objectives. Monitoring of cumulative coverage ratios will be carried out jointly by BK and IFAD through regular portfolio reporting.</li> <li>• Unlike Aceli’s earlier blended structure, FOFP-R does not include externally funded origination incentives (OIs). This reflects a transition out phase rather than a continuation of the pilot approach. In IFAD’s assessment, BK is already sufficiently incentivised to expand lending to FOs and other targeted clients as demonstrated by its strong track record under Aceli (eight-fold portfolio growth, 55% new borrowers, &lt;3% PAR) and its ambitious agri-business and smallholder lending targets for the coming years.</li> <li>• Consistent with IFAD’s principles on financial discipline and market sustainability, the FOFP-R design deliberately avoids over-subsidisation. The</li> </ul>

<p>The document refers to “incentivising bank branches and loan officers to originate agri-FO deals by linking performance metrics to disbursement volumes and portfolio quality,” but this is framed as an internal BK performance tool rather than a funded, performance-based incentive programme. It remains unclear whether FOFP-R is intended as a “graduation” phase from Aceli’s blended OI + FLC structure or a new standalone facility relying solely on first-loss coverage. The TAC recommends clarification on (i) how pipeline origination will be maintained without externally funded incentives, and (iii) how incremental lending beyond BK’s current Aceli portfolio will be measured and reported to avoid double counting and ensure genuine additionality.</p>	<p>approach ensures meaningful “skin in the game” for BK, reinforcing ownership and accountability while preserving concessionality for the ultimate beneficiaries. Incremental lending and additionality will be measured through dedicated FOFP-R portfolio tracking, ensuring clear differentiation from BK’s existing Aceli-supported operations and avoiding double counting.</p>
<p>3. Exit and replication strategy: Provide a sustainability plan outlining how FO lending and capacity building will continue beyond concessional funding.</p>	<ul style="list-style-type: none"> <li>• Project text has been enhanced to strengthen these aspects. FOFP-R is structured for sustainability through institutional integration, digitalization, and progressive risk transfer. On the supply side, the BK will mainstream Agri-lending into its core operations by internalizing incentives, deploying digital credit-scoring and portfolio-monitoring tools, and gradually replacing the concessional first-loss layer with internal risk reserves. Given BK’s strong performance under Aceli and defined agribusiness growth targets, IFAD expects continued FO lending post-project. On the demand side, technical assistance will strengthen FO governance, financial management, and digital literacy, enhance bankability and reduce transaction costs. Digital onboarding and repayment platforms will further optimize unit economics and risk pricing. By project closure, concessional elements will phase out, leaving a commercially viable, data-driven FO-lending model integrated within BK’s systems and supported by internal capital and risk-management frameworks—allowing replication across value chains and national markets.</li> </ul>
<p>4. Diversification beyond a single implementing partner: Explore options for engaging additional financial institutions to mitigate concentration risk and foster systemic market development.</p>	<ul style="list-style-type: none"> <li>• The FOFP has been intentionally designed around providing appropriate incentives for leading commercial banks to extend direct financing to a client segment—FOs and smallholders—that has historically been underserved due to high-risk perceptions and low profitability. The program’s blended structure (concessional senior loan, first-loss coverage, and TA) is specifically intended to demonstrate the commercial viability of this market segment when coupled with the right mix of risk-sharing and capacity support.</li> </ul>

	<ul style="list-style-type: none"> <li>• In the specific case of Rwanda, BK, as Rwanda’s largest and most systemically important financial institution, represents the optimal first mover for this approach, given its national reach, digital infrastructure, and capacity to integrate agri-lending into mainstream operations. The program’s objectives are already ambitious in targeting a segment that commercial banks have traditionally avoided. Engaging additional institutions at this early stage could dilute focus and increase execution risk. In addition, IFAD’s scoping of the banking sector indicated that no other Bank is currently at the level of BK in terms of commitment and infrastructure in place to service the FOF-P-R target group.</li> <li>• Once the model proves successful with BK—through demonstrated portfolio performance, reduced risk premiums, and sustained FO demand—IFAD will replicate and scale the approach in other markets and with additional partner banks under the broader FOF-P global framework. This phased strategy ensures concentration risk is managed while maximizing learning, demonstration, and eventual system-wide replication across countries and financial institutions.</li> </ul>
<p>Results Framework.</p> <p>5. Sharpening and expanding indicators: Strengthen the M&amp;E framework by including outcome- and (where possible) impact-level indicators on access to finance, FO performance, and portfolio quality, along with clear data validation and learning mechanisms.</p>	<ul style="list-style-type: none"> <li>• The FOF-P-R already includes a comprehensive M&amp;E system embedded within the loan, grant, and risk-sharing agreements, ensuring regular reporting by BK and close oversight by IFAD. BK will report according to IFAD templates, providing data on loan disbursements, repayments, defaults, and losses covered under the risk-sharing facility, alongside progress on risk mitigation. During IFAD’s annual supervision missions, the programme’s results and impact on food crop value chains, financial inclusion for FOs, and the level of concessionality will be systematically reviewed.</li> <li>• The current results framework already captures several outcome-level indicators, including: (i) jobs created by programme recipients (Outcome 1); (ii) beneficiaries reporting access to higher or more stable market linkages (Outcome 2); (iii) beneficiaries reporting improved productivity (Outcome 3); and (iv) expanded access to finance, reflected in the number and value of loans, percentage growth of BK’s agri-portfolio, and number of new financial products (Outcome 4). These indicators measure real changes in employment, income, productivity, and financial inclusion beyond basic outreach. Additionally, mid-term and final targets have been set for these outcome indicators to enhance the monitoring and evaluation of the project’s impact, as well as to enable early identification of corrective actions if needed.</li> </ul>

	<ul style="list-style-type: none"> <li>• As mentioned above, BK is subject to reporting annually on a set of financial indicators including NPLs. Part of the overall monitoring and evaluation system includes establishing a baseline assessment utilizing the IFC Agribusiness Leadership Program (ALP) tools for up to 400 FOs and subsequently monitoring their levels of professionalization over time.</li> <li>• In terms of attribution, the current plan to capture results through baseline, midline and endline household surveys, and FO surveys, allows for strong results measurement given the M&amp;E funds available through the TA grant. However, adding control groups to these surveys in a bid for stronger attribution would require additional TA funds that would need to be moved from other activities. Therefore, we believe the current results measurement and ME systems are effective and proportionate to the scale of the initiative and the funds available.</li> </ul>
<p>6. Performance covenants and accountability: Define measurable covenants linked to outreach, leverage, and NPL ratios, tied where possible to disbursement conditions to enhance accountability.</p>	<ul style="list-style-type: none"> <li>• The loan agreement will include measurable financial and performance covenants to ensure accountability and link disbursements to program results. On the financial side, BK will maintain a Capital Adequacy Ratio <math>\geq 15\%</math>, a Liquidity Coverage Ratio <math>&gt;100\%</math>, and a Non-Performing Loan (NPL) ratio <math>&lt;5\%</math>, or any more stringent thresholds required by regulators.</li> <li>• On the performance side, outreach and leverage covenants will be monitored through the Results Framework. Disbursement of subsequent tranches will be conditional upon: (i) achievement of cumulative outreach targets, including at least 30% women and 15% youth among beneficiaries and 172 FOs and 7,000 smallholder farmers reached by project end; (ii) maintenance of a minimum 1:1 leverage ratio between IFAD and BK financing; and (iii) evidence of Agri-portfolio growth aligned with the agreed pipeline of FO-linked loans.</li> <li>• Verification will be based on BK reporting and IFAD supervision data, ensuring that financial soundness, outreach, and leverage objectives advance in parallel and that concessional resources demonstrably crowd in private capital while delivering inclusive impact.</li> </ul>
<p>7. Attribution and additionality measurement: Establish a transparent methodology for attributing incremental lending and results to BIFT funding, excluding pre-existing Aceli (or other de-risked portfolios) or EIB portfolios to prevent double counting.</p>	<ul style="list-style-type: none"> <li>• We suggest adding the following text to the project document to clarify the project approach: A clear attribution methodology will be applied during implementation to ensure that only incremental lending generated under FOFP-R is reported as BIFT-funded results. BK will track the FOFP-R portfolio through dedicated loan codes and reporting templates, fully segregated from pre-existing Aceli, DFC, or EIB-supported portfolios. Only loans originated after project effectiveness, meeting FOFP-R eligibility criteria and with FOFP-</li> </ul>

	<p>R resources utilized for the loan proceeds will be counted. IFAD supervision and periodic portfolio audits will verify data to ensure transparency and prevent double counting.</p>
<p>8. Youth and women’s empowerment metrics: Clarify the youth age range and provide guidance for consistent gender and youth data disaggregation, linking these metrics to both outreach and empowerment outcomes.</p>	<ul style="list-style-type: none"> <li>The program applies IFAD’s standard age definition for youth (18–35 years) and targets at least 30% women and 15% youth across all outreach indicators. Gender and age will be consistently disaggregated at every results level—beneficiaries reached, loans extended, jobs created, and training delivered—using data from BK’s client system and validated through IFAD supervision. Beyond outreach, empowerment outcomes will be tracked through indicators capturing (i) women’s and youth participation in FO governance and capacity-building activities, (ii) access to financial services (number and value of loans), and (iii) employment generation and income increases among female and young beneficiaries. These metrics will be monitored annually through BK reporting and mid- and endline surveys, ensuring that gender and youth inclusion are systematically integrated into both outreach and empowerment results.</li> </ul>
<p>9. Climate adaptation and resilience outcomes: Strengthen the articulation of climate-smart agriculture objectives and measurable resilience indicators.</p>	<ul style="list-style-type: none"> <li>The project fully aligns with IFAD’s Environmental, Social, and Climate Standards and incorporates climate-smart agriculture (CSA) as a cross-cutting objective. Under the loan agreement, the borrower will comply with all applicable Environmental and Social Laws, the Environmental and Social Action Plan (ESAP), and IFAD’s Social, Environmental, and Climate Standards, including annual reporting through the Environmental and Social Annual Monitoring Report. The Bank also confirmed that it will develop a roadmap to operationalise its updated ESMS, including improved screening, due diligence, and grievance mechanisms. The project’s moderate environmental and climate risk categorisation under SECAP ensures continuous monitoring through BK’s Environmental and Social Management System, with annual review and adaptive updates to the ESAP in coordination with IFAD. These measures ensure that climate adaptation and resilience outcomes are systematically tracked and embedded in project implementation.</li> </ul>
<p>10. Nutrition outcomes: The proposal could reinforce its systemic and developmental impact by integrating measurable nutrition outcomes—differentiated by value chains and crop types to reflect their respective contributions to dietary diversity and food security—drawing on existing guidance from FAO’s framework on</p>	<ul style="list-style-type: none"> <li>The value chains under consideration for this facility—food crops (including maize, rice, wheat, and soybeans), dairy, and fishery—are included in FAO’s framework on nutrition-sensitive value chains and GAIN’s metrics on nutrient-dense food systems. These frameworks emphasize integrating nutrition considerations across value chains to enhance dietary diversity, food security, and the availability of nutrient-dense foods. BK will report on the loans</li> </ul>

<p>nutrition-sensitive value chains and GAIN's metrics on nutrient-dense food systems.</p>	<p>supported per value chain, enabling the facility to monitor and demonstrate its contribution to nutrition-sensitive outcomes in line with FAO's and GAIN's guidance. However, our PSFP Impact Framework does not currently include an indicator tracking such value chain-specific nutrition outcomes, and the measurement of this would exceed the monitoring capacity and mandate of the financial intermediary, which is why it is not formally captured in our reporting. Additional text has been included in the proposal.</p>
<p>11. Governance and Oversight: Independent oversight of TA and concessional resources: Introduce a joint or third-party mechanism to ensure transparency and accountability in managing TA and concessional resources, clearly defining the respective roles of IFAD, BK, and Aceli.</p>	<ul style="list-style-type: none"> <li>• To strengthen governance and transparency, the FOPP-R will propose to adopt a joint oversight structure like that used under the parallel FOPP-T project in Tanzania. A Steering Committee will be proposed, comprising representatives from IFAD, BK, and Aceli, with the following key functions: (i) oversight of TA and concessional resource allocation; (ii) review of portfolio performance and risk-sharing utilisation; (iii) validation of annual work plans and budgets; and (iv) review of results and learning for replication.</li> <li>• To safeguard financial oversight and aligned with IFAD standard financial management practices, BK is providing annual audit notes for the project broken down by the loan and the grant. Aceli will also provide to IFAD an annual Audit Opinion on the reports they submit to IFAD on the use of the funds.</li> </ul>
<p>12. Detailed justification for Aceli's management budget: Provide a breakdown of the USD 200,000 management allocation to Aceli over seven years, demonstrating its adequacy</p>	<ul style="list-style-type: none"> <li>• Aceli will utilise the management fees to support the implementation of its risk-sharing and incentive programs, including operational functions, reporting, system maintenance, and stakeholder coordination. A detailed breakdown will be included in the grant agreement with IFAD.</li> </ul>