

MEMO

TO: Donal Brown
Associate Vice President, PMD

THROUGH: Sara Mbago-Bhunu
Regional Director, ESA

FROM: Francesco Rispoli
Country Director, ESA

DATE: 16 September 2021

SUBJECT: Restructuring of “Using the e-Granary innovative mobile platform to deliver economic services to farmers in East Africa Project”, IFAD Grant No: 2000001801 – East Africa (Rwanda, Uganda and Tanzania) and additional funding by GAFSP for Covid-19 response

Issue:

The Grant Agreement (IFAD Grant No: 2000001801) (the “Agreement”) for the regional project titled, “Using the e-Granary innovative mobile platform to deliver economic services to farmers in East Africa” (the “Project”) became effective on 7 May 2018. The Project is financed in the amount of US\$2.61 million as part of the Missing Middle Initiative (MMI) pilot under the Global Agriculture and Food Security Program (the “GAFSP”). In response to the negative impacts brought by the Covid-19 pandemic, GAFSP granted a one-year extension and additional financing to all MMI projects Project in question. Both requests were approved by the President on 30 June 2021 and thus, the new completion date of the Project is 30 June 2022 with the Grant financing closing date on 31 December 2022 with a total of USD 478,240 as additional financing.

From the beginning of the Project implementation, the development of the e-Granary digital platform has had multiple shortfalls mainly attributed to: (i) unrealistic assumptions at the design stage with ambitious target indicators; (ii) unexpected hurdles in operationalizing the mobile platform in Rwanda and Tanzania; (iii) difficulties on solidifying partnerships with financial institutions to cater for smallholder farmers, and (iv) limited technical and financial management capacity among the grant recipient and its implementing partners. Based on the recommendations from the last supervision mission, the Project has implemented the project improvement plan (PIP) as well as frequent implementation support from ESA Procurement and FMD, the Project has slowly improved its performance, notably on financial management, despite the added challenges posed by Covid-19.

The proposed restructuring will not significantly change the Project design as approved by the GAFSP and IFAD Executive Board. There will be no change in the Project development objective and no need for fund reallocation. The proposed changes are: (i) reducing direct Project activities to only the two countries – Rwanda and Uganda and removal of Tanzania as a target country, (ii) revision of logframe to reflect the changes, (iii) strengthening of procurement; and (iv) strengthening of financial management. These changes do not require GAFSP Steering Committee’s approval, and they have already been reviewed and accepted by the GAFSP Coordination Unit.

Upon the approval of the restructuring, the Agreement will be amended to reflect both the one-year extension together with the GAFSP additional financing and the proposed restructuring measures.

Background & Project Description:

The Project's initial overall goal at design was to improve the income and living standards of participating e-Granary smallholder farmers in Uganda, Rwanda, and Tanzania, while the development objective is to increase productivity and profitability of participating e-Granary farmers.

At design, anticipated outcomes included: (i) e-Granary platform would be working with 90,000 smallholder farmers registered onto the e-Granary; (ii) Smallholders would have increased market access – 108,500 MT of product worth US\$ 80 million sold on the market by smallholder farmers; (iii) Smallholders would have increased access to financial services – 31,500 smallholder farmers receive credit on their mobile phones; and (iv) Smallholders would have increased access to extension services – 10,000 smallholder farmers access agriculture extension services via mobile phones.

The Project consists of two components: (i) access to services, which focuses on setting up the mobile platform, registration of farmers, partnership development and roll-out of products; and (ii) capacity building and knowledge management, which aims to enhance the financial literacy among the beneficiaries and raise public awareness and knowledge of e-Granary. The target number of farmers by country is (Uganda) 50,000 farmers (50% women); (Rwanda) 20,000 (50% women) and (Tanzania) 20,000 (50% women).

The supervision mission in December 2019 found some critical challenges the Project is facing, and recommended several restructuring measures including: (i) focus on two target countries: Rwanda and Uganda and removal of Tanzania as a target country (rationale provided below); (ii) review and revise the logframe targets to reflect the change in the target countries; (iii) review and strengthening of the original e-Granary business model developed in Kenya (funded by AGRA: 2016-2020); and (iv) strengthening of procurement and financial management.

The first cases of Covid-19 were found in East Africa including the Project target countries in March 2020, only a few months after the Project started implementing some of the recommendations. With the strict government lockdowns and other measures to prevent the spread of the disease, the Project experienced many challenges in implementing project activities. In response to the negative impacts of Covid-19, GAFSP provided additional financing and one-year extension to all MMI projects including the e-Granary project.

The supervision mission in January 2021 found some positive progress in the e-Granary Uganda with the digital platform being fully operational, while the e-Granary Rwanda still struggles to develop partnerships with financial institutions, agro-input dealers, and potential buyers to be part of the platform. The Project developed a project improvement plan (PIP) for the first six months of 2021 with a monthly monitoring meeting with IFAD. In addition, it was agreed to review the fiduciary aspects (procurement and FM) every quarter. As of June 2021, the PIP achievement level was above 80% with the FM review rated as 'moderately satisfactory' which is a clear indication of the Project's positive progress. As a result, the additional financing together with the one-year extension granted by GAFSP were formally approved by IFAD. In addition to the additional financing activities, the final/extended year will focus on: (i) identifying core business proposition of e-Granary, especially in Rwanda; (ii) revision of the exit strategy to improve the prospect of sustainability for the project activities; and (iii) compilation of knowledge products (e.g., lessons learned).

Justification for the Restructuring:

- At design, the Project was intended to be a scale-up of the e-Granary pilot initiative funded by AGRA and started in 2016 in Kenya. IFAD was not involved at the time. However, the supervision mission in 2019 found that after four years of piloting, the e-Granary Kenya was not yet commercially viable, with only about 600 smallholders per season out of 50,000 registered farmers receiving agro-input supply and credit services. It is important to note that the GAFSP's MMI e-Granary project was designed only after one and a half season of piloting in Kenya when the mobile platform was not fully operational. The Project design was too ambitious to scale up the pilot in three countries in the region with different political, socio-

economic, and agricultural environment when the original pilot was not yet to be considered commercially viable.

- While the Project design assumed that the e-Granary mobile platform would have been operational within the first few months of project implementation in three target countries, at its mid-term (1.5 out of 3 years), e-Granary was only partially operational in two countries: Rwanda and Uganda. Since there had been no activity in Tanzania at the time of the supervision mission in December 2019, the mission recommended to focus on only Rwanda and Uganda while removing Tanzania as a target country. The Tanzanian counterparts, Mtandao wa Vikundi vya Wakulima Tanzania (MVIWATA) and Tanzania Federation of Co-operatives (TFC), subsequently agreed to this recommendation in July 2020, and the change, together with the revised logframe, was submitted to GAFSP Coordination Unit (CU), which reviewed and accepted it in October 2020.
- IFAD partnered with FAO Investment Centre (CFIA) to provide technical support to the Project. CFIA assessed the business competitiveness of e-Granary in Kenya, in response to the recommendation from the first supervision mission. In parallel, the Project also carried out a study on e-Granary's service delivery model. Based on the two studies, the Project is expected to revise its exit strategy to improve the prospect of sustainability for the project activities. In addition, the Project will update its PIP to continue close monitoring by IFAD.
- Since early 2020, the e-Granary Uganda operationalized all four services: (i) access to financial services; (ii) access to quality agro-inputs; (iii) linkage to potential buyers; and (iv) e-extension. As of July 2021, 5,454 farmers received agro-inputs through financial loans worth US\$627,186 while 570 MT of maize worth US\$110,833, soya beans (350 MT; US\$194,111) and beans (115 MT; US\$89,441) were sold because of using the e-Granary digital platform by registered smallholder farmers. The outreach activities are expected to continue during the extension.
- The e-Granary Rwanda so far has 13,216 farmers registered on the platform. Although the users (farmers) can receive e-extension services via SMS, the Project has struggled to bring in partners such as financial institutions and agro-input dealers onto the platform. The final year of the Project needs to focus on identifying the core business proposition of e-Granary in the Rwandan context while documenting the lessons learned.
- **Procurement.** A review of ongoing/completed procurement activities and documentation revealed that there is need for improvement on EAFF's handling of procurement. The main issues found by the recent implementation support mission were the lack of dedicated procurement staff on the e-Granary project at EAFF and the inadequacy of the EAFF procurement manual to ensure consistency with IFAD's procurement principles. In order to improve its procurement performance, EAFF has agreed to implement the following actions: 1) either hire a procurement officer for the Project or recruit an IFAD procurement consultant to provide technical assistance for the remaining duration of the Project; 2) follow IFAD's procurement framework (i.e. Project Procurement Guidelines and Procurement Handbook) during the extension; and 3) introduce a US\$ 10,000 threshold for prior review, above which IFAD's No Objection will be required for procurement activities.
- **Financial Management.** The recent implementation support mission in May 2021 found most of the agreed actions from prior missions being actioned and an improvement in the overall FM performance. Furthermore, EAFF has complied with IFAD audit requirements for the most recent period and deliverables were rated as satisfactory (with unqualified opinions, documentation submitted on time). Cumulative expenditure as at 31 April 2021 is approximately 60% of the original grant and indicates that a restructuring can support the recipient to improve absorption of funds (original and additional grant) to the extended project completion date of 30 June 2022. IFAD will continue to monitor the financial management aspects of EAFF, both in relation to the e-Granary grant and other grants implemented by EAFF. A proposed supervision mission in the last quarter of 2021 will include a review of financial management and provide implementation support related to submission of withdrawal applications, measuring in-kind contribution as applicable and assessing progress on migration to new accounting software (EAFF has indicated that it has plans to implement new accounting software to be able to

access enhanced features, currently Quickbooks is utilised and meets IFAD minimum requirements).

Summary of Proposed Changes:

- (i) **Remove Tanzania from the target countries.** When the IFAD Project was officially launched in Kigali, Rwanda in November 2018, it was decided that the Project should take a phased approach, starting in Uganda first, and then Rwanda and Tanzania. As the operationalization of e-Granary in Uganda and Rwanda took much longer than originally anticipated, the only activity conducted in Tanzania so far is the initial study on legal and regulatory environment for implementing the mobile platform. No Project fund has been transferred to the implementing partners in Tanzania for in-country activities. Considering the experiences in Uganda and Rwanda, even with the extension, Tanzania would not have sufficient time to successfully operationalize the mobile platform in Tanzania. With the acceptance of removal by MVIWATA and TFC (attachment 1) and approval by GAFSP CU, it is recommended for IFAD to officially drop Tanzania from target countries.
- (ii) **Revise the logframe and establish realistic targets for the remaining project duration.** To reflect the overwhelming challenges, the Project has faced, the logframe was reviewed and revised as shown in the attachment 2. While the Project goal and development objective remain unchanged, the target values were reduced to be more realistic for Years 2, 3, and 4. In addition, there were two sets of indicators that were consolidated for their redundancy: (1) the “volume of traded product on e-Granary platform” and the “volume of product delivered to aggregation centres and sold as premium grade”; and (2) the “value of loans extended by amount” and the “amount of credit secured”.
- (iii) **Strengthen procurement processes.** This is to be achieved by (i) the Project to follow IFAD’s procurement framework during the extension; (ii) recruit a procurement specialist dedicated to the Project’s procurement activities; and (iii) introduce a prior review threshold for procurement activities estimated to cost US\$10,000 and above, for which IFAD’s No Objection will be required at each stage of the procurement process.

Impact of COVID-19 and additional funding from GAFSP. The Project has been impacted by these measures as the field operations involve meetings with farmers, training sessions and transport of goods between districts. Given the challenges the Project is already facing, Covid-19’s impacts are further delaying the progress of the Project by missing an entire crop season. Against this background, GAFSP agreed to (i) one year extension of the Project and (ii) additional funding with the total amount of US\$478,240, which has also been approved by IFAD President on 30 June 2021 (attachment 3).

Summary of GAFSP Additional Funding Activities:

- (i) **Component 1. Access to services (Total: US\$232,000).** This component focuses on increasing the access to the e-Granary services among smallholder farmers: (i) increase access to the e-Granary platform; (ii) increase access to market through support to grain aggregation centres by equipping them with hematic bags, moisture meters, weighing scales and pallets; and (iii) increase access to financial services and certified agro-inputs through providing a 20% part-purchase by the project. The activities will be implemented in Rwanda and Uganda.
- (ii) **Component 2. Capacity building and knowledge management (Total: US\$105,000).** This component will mainly support the field operations in Uganda and Rwanda through capacity development of the call centre staff and strengthening of the monitoring and evaluation (M&E) capacity. As EAFF is based in Nairobi, Kenya, some activities such as M&E support will take place in Kenya.
- (iii) **Component 3. Project management (Total: US\$65,800).** The project plans to strengthen its implementation capacity by adding more resources in human resources (HR) and administration and logistics functions in Rwanda and Uganda. Under this component, the project will recruit two HR and two admin officers and two logistics officers to support the project

management in the two countries. While the project works with its local partners, there is only one project staff (Out-growers Manager) directly recruited under EAFF. Considering the limited capacity and resources of local partners and the need to manage growing field operations through farmer mobilizers, the additional staff would be able to support smooth implementation of proposed activities as well as the ongoing project activities.

- (iv) **Procurement of Personal Protective Equipment (PPE) (US\$24,200).** As farmer groups and producer organizations do not have adequate measures in place to prevent the spread of COVID-19, the Project plans to support them by providing PPE such as masks and gloves.

Project financing. The current Project budget allocation remains unchanged (initial funding of USD 2.61 million total). The requested additional funding of USD 427,000 will be allocated as per below; subsequently the Agreement will have to be amended. It is noted that no additional overhead costs will be allocated from the additional funding. Overheads is 5% of the revised total budget and project management fees are 24% which is an overall reduction from 25% of the original budget.

Category of Expenditure	Current budget (USD)	Additional Funding (USD)	Total revised budget (USD)
Consultancies	389 000	62 500	451 500
Training	755 000	-	755 000
Equipment and Materials	54 000	64 390	118 390
Salaries and Allowances	1 066 000	60 800	1 126 800
Operating Costs	198 000	47 500	245 500
Goods, services and inputs		191 810	191 810
Overhead/MGMT. Fees	148 000		148 000
TOTAL	2 610 000	427 000	3 037 000

Conclusion and Recommendations:

The proposed changes are intended to re-focus the Project to further improve the Project's implementation progress. The Project goal, development objective and the outcome indicators will remain unchanged from the original design but with more realistic targets. The GAFSP additional financing will help the Project address some of the negative impacts it has been experiencing since the pandemic began. With the one-year extension, the Project will be able to meet the objective.

In view of the above, approval is sought for:

- i. Removal of Tanzania from the target countries, while noting that the project goal and the project development objective remain unchanged.
- ii. The revision of the logistical framework with project outcome targets reflecting the activities in the remaining project duration involving Rwanda and Uganda including the extension period (Years 2, 3 and 4).
- iii. GAFSP additional financing activities
- iv. The Large Grant Agreement be amended based on the above by IFAD.

DECISION BY

Approved:
Not approved:
Discuss with me:
Date:

Clearance by LEG

Name: Aspasia Tsekere, Legal Officer Signature: *Aspasia Tsekere* Date: 16/09/2021

Clearance by FMD

Name: Virginia Cameron Signature: *V. Cameron* Date: 23/09/2021

Attachments:

1. Support letters from Tanzania implementing partners (MVIWATA and TFC)
2. eGranary results-based logical framework
3. DM on accepting additional financing, approved by the President (30 June 2021)
4. GAFSP additional funding proposal
5. Supervision mission aide-memoire (December 2019 and January 2021)
6. Large Grant Agreement