

SPILL OVER EFFECTS OF NYARUGURU GREENFIELD - DEVELOPMENT OF NYARUGURU PHASE II

This brief highlights the positive unintended results derived from the ongoing Sustainable Inclusive Livelihoods through Tea Production in Rwanda (SILTPR) project. These results are additional and therefore not captured in the overall SILTPR results framework and project proposal documents.

NYARUGURU PHASE 1 and RUGABANO PROJECTS

In 2016 and 2017, the Government of Rwanda (GoR) awarded two different greenfield tea development projects to Unilever Tea Rwanda (Unilever) and Luxmi Tea Company Pvt Limited (Luxmi) in partnership with The Wood Foundation Africa (TWFA) and the Gatsby Foundation (Gatsby).

In Munini, Kibeho, Cyahinda and Mata Sectors of Nyaruguru District, Southern Province, TWFA established the Services Company Outgrowers Nyaruguru North (SCON-North) through which around 6,000 smallholder farmers (SHFs) are being supported to plant approximately 3,400 hectares (Ha) of tea in the next 15 years, while Unilever will build a new tea processing factory and plant a core estate of 817 Ha. In Rugabano Sector of Karongi District, Western Province, TWFA established the Rugabano Outgrowers Services Company (ROS) through which around 10,000 SHFs are being supported to plant approximately 4,000 Ha of tea in the next 15 years, while Luxmi through its subsidiary, the Rugabano Tea Company (RTC), has already built a new tea processing factory and is planting a core estate on 438 Ha.

By December 2020, approximately to 15, 232 cumulative direct jobs (4,886 permanent and 10,346 casual jobs) had been generated in the Rugabano and Nyaruguru greenfield project. This is expected to grow to more than 17,000 jobs (more than 9,000 permanent and more than 8,000 casual jobs) by December 2023 when FCDO funding is expected to end. When the project is fully developed, it will create employment for 50,000 people directly and indirectly. FCDO's investment of \$15.1M (£11.68M) at Nyaruguru and Rugabano has helped leverage \$105M of FDI from Unilever and Luxmi as well as philanthropy capital from Gatsby and TWFA.

In addition, the centres around the projects' catchment areas have witnessed rapid development. For example, new modern buildings, restaurants, mobile cash points and small/medium workshops have sprouted in the centers of Rugabano, Ngoma IDP model village, Mugina, Town and Rutovu centers. Emergence of youth groups/cooperatives that supply goods and services (nurseries establishment and management, supply of building materials mainly bunt bricks, logistics services mainly transport of seedlings, greenleaf plucking and farms management labour provision) is another positive spillover. The government is also rehabilitating four priority roads out of the twelve earmarked in Rugabano catchment area. The communities around the catchment areas also have increased their access to clean water and electricity.

As a result of the success of Phase 1 above, Nyaruguru Phase II was conceptualised and has now been realised. The results expected from the project are summarised below.

NYARUGURU PHASE II PROJECT

TWFA, Unilever and GOR have committed to invest a further **USD 30M** in a new greenfield tea project in Nyaruguru, raising the total public, private and philanthropic capital leveraged to **USD 135M** and confirming the replicability and scalability of the model. The GOR will provide patient capital of **USD 10M**, while TWFA and Unilever will each provide **USD 5M** to support an additional 6,000 SHFs to plant new tea in Nyaruguru South. Further, Unilever will invest **USD 10M** to construct a second factory in Kibeho with an annual capacity of processing 6 MT of made tea.

The project will work with **6,000** farmer households in the sectors of Busanza, Cyahinda, Munini, Kibeho and Mata who will be supported to grow tea and will be formally linked to Unilever's global supply chain. It is projected that **30,000 people** will directly benefit from the project while **50,000** people in Nyaruguru District will benefit from the economic spill over of the rural economic transformation.

The government also committed to provide 1500 KVA of power and water to the factory, to extend the catchment area by 3,000 Ha to 20,455.5 Ha. About 20.8 km of new feeder roads to and from the tea catchment areas will be built at approximately USD 31.2M while a further 108 km of roads will be rehabilitated in the area. The government will also construct a health centre and school in the catchment.

Farmers' annual income is expected to increase from the current USD 300 per Ha to USD 2,100 by year 13 of project, translating into to USD 5.4M per annum for all the 3,000 Hectares to be planted. The new phase will lead to the creation of 18,500 direct jobs out of which 12,132 will be permanent jobs while 6,362 will be seasonal jobs.