

# INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC1025

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## I. BASIC INFORMATION

### A. Basic Project Data

<b>Country:</b>	Burundi	<b>Project ID:</b>	P151869
<b>Project Name:</b>	Burundi Coffee Sector Competitiveness Support Project (P151869)		
<b>Task Team Leader:</b>	Stephen D. Mink		
<b>Estimated Appraisal Date:</b>	27-Feb-2015	<b>Estimated Board Date:</b>	29-May-2015
<b>Managing Unit:</b>	GFADR	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Crops (30%), Agro-industry, marketing, and trade (25%), Agricultural extension and research (20%), General finance sector (15%), Public administration-Agriculture, fishing and forestry (10%)		
<b>Theme(s):</b>	Rural services and infrastructure (30%), Rural policies and institutions (25%), Other environment and natural resources management (15%), Export development and competitiveness (30%)		
<b>Financing (In USD Million)</b>			
Total Project Cost:	50.00	Total Bank Financing:	45.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			45.00
LOCAL BENEFICIARIES			5.00
Total			50.00
<b>Environmental Category:</b>	B - Partial Assessment		
<b>Is this a Repeater project?</b>	No		

### B. Project Objectives

17. The project development objective (PDO) is to increase the production of coffee in Burundi

and enhance its quality. This will contribute to: (a) improving the sector competitiveness and market access, and (b) the country's strategic goals of poverty reduction and enhanced exports revenues.

### **C. Project Description**

20. Burundi is a small player in international coffee markets and is operating in an environment of aggressive competitors. The area where the best results may be realized in terms of the sector productivity and competitiveness is not only limited to production increase, but most importantly, quality improvement along the value chain and a focus on the lucrative specialty coffee markets. Such efforts would certainly allow differentiating the country's products and also provide a better buffer for the inevitable periods of low prices. However, the business principle driving improvements needs to be that quality starts at the farm level and can be maintained only through proper processing and storage.

21. In this respect, the proposed project will operate through multiple interventions, along different segments of the coffee value chain, to address productivity and quality bottlenecks and to open new market opportunities to Burundi— the specialty coffee markets. The proposed project would reinforce the private sector role in leading and structuring the sector, namely the coffee producers and the industry. More specifically, the following key areas of the value chain will be addressed: (a) Governing structure of the value chain and institutional strengthening; (b) increasing production and productivity; (c) improving quality and market access. A particular focus would be put on greater organization and integration of smallholders into the chain and on more equitable sharing of the benefits from improved quality and market access.

22. Component 1 – Institutional strengthening and value chain governance: An essential property of the chain is its governance structure, which determines to a considerable extent how resources and gains are allocated and flow within the chain. In the case of Burundi, this structure is developing but constrained by lack of capacity to implement concerted specific sector policies; weak coordination; limited information exchange and non-transparent price mechanisms. The project will support streamlining the governance structure of the sector by: (a) reviewing and adapting the current institutional framework to improve its level of effectiveness and efficiency with a particular focus on transparency in the decision-making process and on quality and pricing mechanism; (b) upgrading the capacities of existing institutions/organizations overseeing the sector; and (c) improving the dialogue among the key public and private actors of the chain to arrive at a consensus on solving value chain bottlenecks.

23. More specifically, the institutional architecture for coffee sector management that the project would support strengthening comprises: (a) INTERCAFE -- a stakeholder-driven coordinating body that has the mandate for most sector management decisions; (b) ARFIC-- a public regulatory authority that ensures that the basic “rules of the game” for managing the sector are adequately defined, transparently implemented, and where necessary, enforced by Government authority. This intervention will aim also at upgrading the capacities of ARFIC to provide quality, inspection and certification services to the coffee industry. The project will support both the modernization of existing labs in line with international standards (and possibly their expansion within the producing regions) and developing ARFIC human resources capacities for managing regulatory areas and for coffee testing; (c) CNAC-- a coffee grower organization largely represented in all coffee growing region; and (d) other stakeholder organizations for each of the main sector constituencies, to provide representation into the INTERCAFE's collective decision making on sector management. This architecture is broadly similar to successful agriculture value chain management elsewhere in Sub-Saharan Africa and many other producing countries as well, with strong public-private sector

participation.

24. The project will also support increased consultations among the chain stakeholders; for instance, through regular forums to: (a) discuss the various problems and constraints of the sector within a “value chain approach”; (b) elaborate (or update) a comprehensive strategy for the coffee sector aiming at the general interest of the sector; (c) find harmonized and shared solutions to the various challenges facing the sector; (d) eliminate or minimize potential conflicts among the various actors in view of the general and common interest; and eventually (e) coordinating donors, government and private sector investments to avoid overlap, scale-up impacts, etc.

25. Furthermore, under this component the project will support the development of a Data Base on the sector which would provide reliable data on the number of producers, number of trees, production, quality, washing stations performance and other ecological and socio-economic factors. This Data Base to be initially placed within ARFIC and linked to INTERCAFE, can be further expanded to include a formal GIS module that can capture more of the agro-ecological variables such as soil types, water sources and other variables that affect coffee quality. This investment will constitute an important tool for the value chain actors in terms of planning, monitoring and evaluation of their activities and return on investments. It can also be used as an export promotion tool (see component 3 below).

26. Component 2 – Support to increased production and productivity: Under this component, the project will support investments aimed at increasing production and productivity with a focus on: (a) the adoption of good agricultural practices - sustainable land management, planting trees, nutrition and fertilizer management, pests and diseases control, pruning, rejuvenation (25 percent of existing trees), harvesting, quality assessment and improvement, etc.; (b) improving production technology and soil fertility; (c) the dissemination of improved varieties to renew old plantations (20 percent of existing trees); (d) supporting specific research topics (coffee under shade, variety improvement and germplasm enhancement, etc.); and (e) a support fund to facilitate access to inputs.

27. In addition special emphasis will be on: (a) linking coffee growers to national agricultural research bodies and extension services (public and private) and promoting a two-way flow of information between these entities; (b) expanding the tested models for productivity enhancement implemented as part of the PRODEMA project (community based mechanisms); (c) disseminating sustainable water and land management (SWLM) best practices and more diversified plantations, with fruit trees, inter-cropping with food crops, etc.; and (d) encouraging south-south exchange for coffee production, for instance, with coffee growing countries including Rwanda, Ethiopia and Colombia. This exchange will aim at various learning programs: production techniques, extension methodologies, coffee under shade, etc., and will build on cooperation already established between the PAZDOC project (Sustainable Landscape Coffee Project – GEF) and Columbia coffee growers.

28. For the implementation of the productivity investments, the proposed project will make use of INTERCAFE’s current contractual system provision for extension services and supply of inputs, and extend these to a larger share of coffee farmers as well as to coffee-specific agronomic and processing research. INTERCAFE has a cess revenue mechanism already in place to finance such activities but, at current levels of national coffee production, the cess revenues only permit activities at a modest scale.

29. Component 3 – Support to improved quality and market access: The management of quality in the coffee value chain is the most immediate instrument growers can use to improve their

upgrading opportunities and it is a critical element of the current trend toward coffee differentiation. Furthermore, it is specifically vital in Burundi where the existence of “potato taste”, a strong off-flavor resulting from the interaction between agro-climatic conditions and antestia bug infiltration, is endemic . Currently, cherry washing stations have only limited capacity to evaluate their coffee and do not have the experience or the cupping infrastructure to evaluate their production. In this respect, the project will promote quality enhancement activities along the value chain which would require changes in the field, at the washing station and at the dry mill. Applying good agricultural practices, flotation of cherries at the washing stations reception, meticulous hand sorting during pre-drying and several other technical improvements are needed before Burundi can be recognized as a reliable supplier of coffee specialty markets. Under this component, the project will build on successes of recently closed USAID project in the country and will in particular support the following investments:

#### Sub-component 3.1- Improving quality:

30. Developing cupping capacity: A main focus of this activity will be on educating all value chains actors on quality and cupping and establishing cupping labs in main producing areas. This will be achieved by: (a) selecting a number of “leader” coffee washing stations to serve as an initial focus for specialty coffee value chain development and as models for other stations to learn from; and (b) the selection of a set of second tier washing stations to serve as “training hubs” aimed at maximizing the dissemination of production, processing and marketing best practices that will help in improving the quality and market access throughout all coffee producing regions in Burundi.

31. Improving washing stations technical, operational and managerial capacities: Under this sub-component, assistance will be provided to the managerial staff of the washing stations to develop and implement customized Quality Improvement Plans (QIPs), including infrastructure improvement, best practices and Quality Control (QC) systems. The production and processing of high quality coffees requires sound technical and business management skills and systems. Currently the management (and governance) capacity of most private and cooperatively owned washing stations needs improvement. This element is critical to obtaining the highest returns, continued access to financing and sustainability. Furthermore, selected strategic supplier certification programs offer substantial price premiums to growers but require the implementation of detailed and transparent financial reporting systems. In the particular cases of cooperatives where the governance can be problematic, it is also important to maintain a fully transparent financial management system to ensure cooperative cohesion.

32. For highly performing washing stations, traceability systems from the plantations to the destination market may be introduced. Such systems will enable buyers and sellers to track each lot from the time it enters the washing station (or even the field) until it is delivered to its final destination. This feature is also an essential element that distinguishes specialty coffee production from the production of standard grade coffee. The ITC component described below (parag. 34) will be integral to the development of the coffee traceability system and to using this system to its full potential.

33. Improving existing processing infrastructure to meet environmental concerns: As pulping coffee can be the source of significant environmental problems (pollution of water table and the soil surrounding the washing stations, etc.), the project proposes integrating environmental mitigation measures in existing (and new) washing stations. These investments (water treatment and recycling) can lead to substantial cost reduction of production (reduction of water quantities used for de-pulping) and, most importantly, responsible environmental stewardship is not only a best practice,

but is an obligation for certification to several preferred supplier programs such as the Neumann Kaffee Gruppe (NKG) and the Starbucks' C.A.F.E. Practices Program.

34. Developing an information technology and communication system specific to the sector: Wireless internet access is now available in much of Burundi, presenting an exciting opportunity for washing stations to broaden their horizon in terms of technology access, learning opportunities and direct communications with buyers. The Data Base described in parag. 26 above can also be expanded to track and report on key performance characteristics of all washing stations for purposes of monitoring and planning and assessing the impacts of investments in quality improvement. Similarly, the Data Base can serve as an important tool for export promotion, accessible to buyers interested in visiting and buying Burundi's coffee. Hot-links to individual washing stations sites will allow buyers to download fact sheets, learn about the coffee characteristics, and communicate directly with the stations that interest them most. From a basic training point of view, access to the internet by washing stations staff will be a powerful tool for the dissemination of training materials across the country. Other countries, particularly in Latin America and more recently in Rwanda have benefited greatly from the development of information and communications technologies. Burundi will be no different in this regard.

Sub-component 3.2- Marketing and promoting the Burundi Coffee brand:

35. Burundi must learn to market its coffee to the new consumers and also minimize the risk and uncertainties associated with coffee production, processing and marketing. In addition to the investments made on increasing production and productivity, profiling of coffee quality for more focused marketing, upgrading the processing infrastructure, etc., this component of the project will support investments in: (a) building a recognizable image for Burundi's coffee, including, a country logo, brochures, standardized washing station fact sheets, coffee maps and other information that may be useful to coffee markets; (b) developing a reliable coffee industry intelligence and forecasting system; (c) establishing direct sales relationships with roasters and buyers; and (d) introducing other innovative promotional activities such as buyer tours, certifications strategies, competitions such as the "cup of excellence", and many other features that will place Burundi's coffees in some of the very best markets in the world. These activities will focus on cultivating appropriate contacts and potential coffee relationships in North America, Europe, Japan and other emerging markets such as China and Russia.

36. This component of the program will require the full coordination of investments and activities at multiple levels, including growers, washing stations, mills and other supporting institutions. A key player in this process will be INTERCAFE which would be reinforced to take a lead role in coordinating these activities and promoting the Burundi coffee brand.

37. International Finance Corporation (IFC): The IFC Advisory Services Department has been supporting the 3rd phase of the coffee sector privatization. A main focus of IFC assistance was to advice on financing options for the coffee growers to buy shares of washing stations and to develop a target list of experienced international investors in the coffee sector who may be interested in the opportunity offered by the privatization. Further support will be sought from IFC, in particular for developing industry partnership and linkages with potential international specialty coffee buyers.

38. Component 4 – Program coordination, monitoring and knowledge management: This component will facilitate: (a) administrative, technical, and financial management of the program; (b) coordination among all institutional partners to ensure efficient flow of information and support to all

value chain actors, in particular the small coffee growers; (c) effective contractual arrangements with key implementing partners (INTERCAFE, CNAC, ARFIC, etc.) and other private sector operators; (d) monitoring and evaluation of the performance and the financial, environmental, and social impact of the program; and (e) development of communication activities to publicize and disseminate the project results, best practices and success stories.

39. Inclusion of youth and women: This population already active in the coffee value chain (trees maintenance, harvesting, grading, etc.) will be systematically considered in all project's interventions. In line with the PRSP-2 and the National Gender Policy, a special focus will be given to promoting increased youth employment (both women and men) in all segments of the value chain by involving them in technical and entrepreneurial training programs and other planned developments actions. The project will aim at a target of 50 percent of youth and women directly benefiting from the project supported activities.

40. Project costs: The indicative cost for the Coffee Competitiveness Support Project is US \$50.00 million. The proposed Bank-financed support would cost about US\$45.00 million. It is expected that the beneficiaries (INTERCAFE, ARFIC and CNAC) will contribute up to US\$5.00 million. Furthermore, a GEF project is being considered for potential co-financing of selected productivity enhancement activities (PAZDOC: Sustainable Landscape Coffee Project - US\$ 4.2 million). Finally, USAID and the French Development Agency (Afd) are preparing parallel financing for the sector with a focus on productivity and trade issues. The exact amount for this financing is not yet defined, but is expected to be made available in the 2015 fiscal year. Coordination with these projects is foreseen to ensure complementarities and cost effectiveness.

41. Categories of expenditures: For all project's components, there will be various categories of expenditures including: (a) civil and rural works – case of upgrading the processing infrastructure (CWSs); (b) materials and equipment; (c) technical assistance and studies; (d) training and information; (e) support fund; (f) provision of services; and (i) operation and maintenance.

#### **D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The project will be implemented in the main coffee growing areas of Burundi with a focus on the provinces of: Kayanza, Ngozi, Karuzi, Muyinga, Gitega, Kirundo, Bubanza and Bururi.

#### **E. Borrowers Institutional Capacity for Safeguard Policies**

The Borrower has established an environmental and social management capacity under PRASAB and PRODEMA. These projects provided (i) extensive training to producer organizations, community-based organizations and private sector service providers in the areas of pest management; agro-forestry/soil conservation; environmental and social screening of sub-projects; marshland and irrigation management as well as watershed and irrigation parameter management; and (ii) as necessary, they hired qualified environmental consultants to carry out, among other things, EAs for sub-projects dealing with marshland management and small-scale irrigation infrastructure.

The proposed project will continue strengthening the environmental and social management capacity of borrower, especially the main coffee value chain stakeholders (INTERCAFE, AFRIC and CNAC). These beneficiaries will be provided with environmental and social safeguards training, including safe pest management, waste management in coffee washing stations, implementation of the environmental and social screening process outlined in the ESMF, and implementation of ESIA recommendations. Capacity building within the sector will also address strategic environmental

issues related to development of the coffee sector, building on the Rapid SEA prepared earlier, and linked to the selection and implementation of appropriate certification schemes.

## F. Environmental and Social Safeguards Specialists on the Team

Cheikh A. T. Sagna (GSURR)

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## II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	This policy is triggered because physical activities under the project will involve minor civil works – i.e. upgrading a number of existing coffee washing stations (water recycling and waste disposal), labs and potentially other small office or storage infrastructure. Renewal of old coffee plantations and implementation of sustainable land management techniques may also involve some minor works with the potential for small-scale environmental impacts if not properly managed.
Natural Habitats OP/BP 4.04	TBD	The project will work in existing coffee plantations, and it is unlikely that civil works will require conversion of new land. However, a final decision on triggering the policy will be taken when the scope of work is clearer.
Forests OP/BP 4.36	TBD	The project will not be concerned with the management of forests except for activities related to agro-forestry (specifically shade coffee). This policy is TBD, pending further analysis of impacts on existing forests or the need for forest plantations.
Pest Management OP 4.09	Yes	This policy is triggered because the project aims to increase coffee production which will require increased use of inputs, including pesticides.
Physical Cultural Resources OP/ BP 4.11	TBD	Physical Cultural Resources (OP/BP 4.11) is unlikely to be triggered because the project's civil works would be very small scale and would not involve any significant excavation or earth movement. However, a final decision on triggering the policy will be taken when the scope of work is clearer.
Indigenous Peoples OP/BP 4.10	TBD	As the project will cover a broad geographical area, and Batwa communities are represent in several locations in rural Burundi, it is likely that the policy will be triggered. However, a

		final determination will be made during preparation.
Involuntary Resettlement OP/BP 4.12	TBD	The minor nature of civil works and in-field SLM measures expected to be involved in the project mean land taking is unlikely. However, it may be necessary to trigger the policy as a precautionary measure in the event that this cannot be ruled out. Final determination will be made during preparation.
Safety of Dams OP/BP 4.37	No	Safety of Dams (OP/BP 4.37) is not triggered because the project would not support any dam construction, nor does it depend upon existing dams for its physical functioning.
Projects on International Waterways OP/BP 7.50	No	Projects on International Waterways (OP/BP 7.50) is not triggered because the project would not adversely affect the quantity or quality of water available to downstream countries.
Projects in Disputed Areas OP/BP 7.60	No	Projects in Disputed Areas (OP/BP 7.60) is not triggered because all project activities take place within the undisputed territory of Burundi.

### III. SAFEGUARD PREPARATION PLAN

**A. Tentative target date for preparing the PAD Stage ISDS:** 31-Dec-2014

**B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing<sup>1</sup> should be specified in the PAD-stage ISDS:**

Since some of the agricultural production activities implemented under PRASAB and PRODEMA are the same than the proposed project, the existing ESMFs will be updated. The scope of proposed activities are very similar, the project would use the following existing safeguards instruments prepared for the ongoing Agro-Pastoral Productivity and Markets Development Project (PRODEMA) and updated for the Sustainable Coffee Landscape Project: (i) Environmental and Social Impact Assessment (ESIA) (Analyse d'Impact Environnemental et Social du Projet, February 2010), which includes an Environmental Management Plan (Plan de Gestion Environnementale) and Pest Management Plan (Plan de Gestion Integre de Pestes et des Pesticides) (the PMP will be disclosed separately from the ESMF); (ii) [if OP 4.12 is triggered] Resettlement Policy Framework (Cadre de Politique de Reinstallation Involontaire des Populations, December 2009); and (iii) [if OP 4.10 is triggered] Indigenous Peoples Plan (Plan d'Action pour le Developpement des Batwa, December 2009) for the overall project area.

These existing safeguards instruments will be updated for the project with an explanatory Cover Note, endorsed by the GoB and disclosed for the project as new documents. These safeguards instruments would suitably cover this new project as well as the ongoing PRODEMA because (i) the new project's proposed investments in sustainable land management, improved coffee cultivation and processing, and small civil works are a subset of the broader range of agricultural and natural resource management investments which have already been assessed for PRODEMA.

### IV. APPROVALS

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.



Task Team Leader:	Name: Stephen D. Mink	
<b><i>Approved By:</i></b>		
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