PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA20711

Project Name	Burundi Coffee Sector Competitiveness Support Project (P151869)
Region	AFRICA
Country	Burundi
Sector(s)	Crops (35%), Agro-industry, marketing, and trade (30%), Agricultural extension and research (20%), Public administration-Agricultur e, fishing and forestry (10%), General finance sector (5%)
Theme(s)	Rural services and infrastructure (30%), Export development and competitiveness (30%), Rural policies and institutions (25%), Other environment and natural resources management (15%)
Lending Instrument	Investment Project Financing
Project ID	P151869
Borrower(s)	Ministry of Agriculture and Livestock
Implementing Agency	INTERCAFE
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	24-Mar-2015
Date PID Approved/Disclosed	25-Mar-2015
Estimated Date of Appraisal Completion	31-Mar-2015
Estimated Date of Board Approval	29-May-2015
Appraisal Review Decision (from Decision Note)	The DM authorized the Project team to go to appraisal subject to the clearances and disclosure of all safeguards documents triggered. The 4 safeguards have been publicly disclosed in-country and at Infoshop on March 20, 2015

I. Project Context

Country Context

Burundi is a post-conflict, landlocked, small country with an estimated population of nearly 10.20 million increasing at a rate of 3 percent annually (2013). After more than 13 years of conflict, Burundi is now showing positive signs of economic recovery. Over the last 5 years, the annual GDP growth in Burundi has consistently remained around 4percent. Despite these positive signs, the country is unlikely to meet the Millennium Development Goals 2015: (a) the human capital base is weak due to limited access to social services; (b) a large majority of youths is under-employed because of lack of opportunities; (c) less than 3 percent of the population has access to electricity; (d) 52 per cent of children under five are chronically malnourished; and (e) 67 percent of Burundians are living below the poverty line. Poverty is overwhelmingly rural and most of the country’s poor are small-scale farmers. These data explain why Burundi finds itself at the bottom of the list of countries for most development indicators. According to the Human Development Index, Burundi is ranked 178 out of 186 countries.

Following substantial improvement in security and peace consolidation, the Government focused its resources to expand basic social services in the country and initiated the modernization of existing economic infrastructure and institutions. The Government launched also key reforms addressing improved governance, public finance management system, business environment and investment climate, etc., which led to the country achieving considerable progress towards macro-economic stabilization. These efforts have been recognized by the World Bank which in its reports “Ease of Doing Business, 2013”, ranked Burundi as one of the world’s top economic reformers for streamlining business and attracting foreign investment. Nonetheless, Burundi has still to address major challenges in terms of good governance, vulnerability to external shocks, diversifying the economy, and generating productive employment for its largely young population.

In consultation with its development partners, the Government of Burundi has designed policies and strategies to guide its poverty reduction strategy and long-term development. The country Outlook 2025 and the second Poverty Reduction Strategy Paper (PRSP II, 2012-2015) identified potential growth sectors with the highest potential impact on promoting sustainable and equitable economic growth. The document rightly focuses on modernizing the agricultural sector since it accounts for 41 percent of the GDP and about 90 percent of current labor force.

Burundi’s main traditional export crop - coffee has been identified as a key sub-sector with high growth potential which can contribute to achieving the results of the PRSP - Pillar II “Transforming Burundi’s economy to generate sustainable, job-creating growth”. Coffee production constitutes the key source of income for more than 600,000 rural households (about 30 percent of the population). The country has the potential for exporting more than 50,000 tons annually of high quality Arabica during peak production years. However, that potential has not been yet fully realized (current production averages about 15,000 tons only).

Sectoral and institutional Context

Burundi has all of the factors which make agricultural investment essential. The sector plays a key role in economic growth, poverty reduction, food security and employment. It contributes most to gross domestic product, using 90 per cent of Burundi's labor force and earning 90 percent of export revenues - primarily from coffee production. Despite the country's dependence on the primary sector, agriculture has not been modernized and continues to depend essentially on subsistence agriculture (1.2 million rural households) using unreliable and inefficient technology. Over the past decade the growth rate of agricultural production (2 percent) has been less than the growth rate of the population (3.0 percent); which aggravates the country's food security situation. The farms in Burundi are highly fragmented with an average size of less than 0.5 hectare and the pressure on the land is increasing due to demographic pressure. A comparison of crop yields in the country with those in neighboring regions shows that Burundi’s agriculture faces major productivity challenges. Various interlinked factors contribute to the low agriculture productivity, including: degradation of natural ecosystems and declining soil fertility, low use of improved inputs (quality seeds, fertilizers, pesticides, etc.), low use of modern technologies, inadequate access to agriculture extension services, poor physical infrastructure affecting market access and limited access to credit. With the continued fragmentation and scarcity of agricultural land, future growth in agricultural production can only be generated from intensification and productivity gains. In addition, only market-oriented agriculture will allow rural households an adequate livelihood from their small plots, abundant labor, and relatively ample water resources.

Burundi's agricultural sector policy is articulated in its national agricultural strategy document adopted in 2008. The latter is based on the priorities identified in the country's basic strategic documents, primarily Outlook 2025 and the PRSP. Furthermore, with the support of the Comprehensive Africa Agriculture Development Program (CAADP), the Government of Burundi put forward a National Agricultural Investment Plan (NAIP), covering the period 2012-2017, which was fully integrated with the PRSP II. A top priority sub-sector identified within the NAIP for investment is coffee which plays a strategic role in the national economy as a source of foreign exchange earnings and incomes for a large number of rural households. The Burundi coffee value chain presents considerable potential for growth. Its impact extends to several other sectors through backward and forward linkages (inputs, processing, transport, financial services, and taxes) and therefore plays a key role in the country for jobs creation, food security and poverty reduction.

The NAIP main focus are on: (a) the increase in crop and livestock production by raising productivity and ensuring optimal management of soil and water resources; and (b) the strengthening of human resources capacities of national institutions and farmers organizations. Other important elements of the NAIP address common issues such as land tenure and natural resources preservation, the development of infrastructure and measures related to agribusiness promotion and market access, including an improved investment climate and access to rural finance. For the coffee sub-sector, the focus is on increasing productivity associated with actions to promote quality, such as rejuvenating orchards, periodic field maintenance, farmers' organization and restructuring and/or modernizing washing facilities through privatization and a niche marketing strategy.

Burundi has a long history of coffee production dating from the colonial period. It is currently the 13th largest producer of Arabica coffee in the world (ICO, 2013). The sector is of strategic importance to Burundi's national economy. Over the past three decades, it has generated an average of US$40-50 million per year of export earnings. The total coffee area is about 70,000 hectares with around 122 million coffee trees (2007 Coffee Census). The current average production of green coffee is around 15,000 tons of which about 50-60 percent are fully washed. The production has been trending downward in the past three decades from over 40,000 tons at the beginning of the 1980s. Average coffee yields are only about 0.8 - 1 kg of cherries per tree. This is far below the yields of 3.0 to 5.0 kg observed in other coffee growing regions of Asia and Central America. The production fluctuates greatly. The cyclical swings of coffee production across years sometimes leave the country with very limited export quantities (5,700 tons in 2003/4).

Despite the current low and declining productivity level of the coffee sector in Burundi, it continues to play a vital role in the country's economy. In addition to being the main industry and export product for the country, during the harvest of raw and green coffee, the sector plays a key role in stimulating the rural economy. The associat ed industry (de-pulping and washing stations) and traders inject an important sum of cash into rural areas which increases spending in purchase of goods for rural households, manufactured products, payment of social expenses, and reimbursement of credit. Furthermore, the construction of washing stations in rural areas led to a modest first stage of industrialization, off-farm jobs for local labor during the coffee campaign and, most importantly, the development of rural access roads to the washing stations which are also used for other purposes.

While several steps have been taken toward improving the performance of the Burundi coffee sector, it is currently experiencing serious instability and decline which cannot be explained by chance or climatic conditions alone. Some of the causes behind this situation: (a) Persistence of structural deficiencies, such as inefficiencies in the governance of the value chain. The institutions and the actors involved in the value chain are facing several constraints (incomplete reform and privatization process, lack of technical and managerial capacity for emerging farmers' association, non-transparent pricing mechanisms, etc.) that hamper their operations and, consequently, limit the development of the coffee sector in Burundi; (b) Low productivity due to insufficient technical and financial support to farmers. Many washing stations have experienced low profitability due to high operational costs (partly related to capacity underutilization) and management limitations.

Despite these weaknesses, the coffee value chain in Burundi is not entirely without its strengths and therefore presents some advantages which justify transformative investments in reversing current trends: (a) climate and altitude to produce specialty Arabica coffee that attracts premium world market prices; (b) opening of the sector to private investors; (c) local producers interested and experienced in growing coffee; (d) emerging farmer associations and private-led governance structures; (e) well-established processing infrastructure - washing stations and dry milling capacity to support increased production of high quality coffee; (f) increasing worldwide consumption with an average annual growth rate of 1.9 percent during the last 50 years and a high demand for specialty coffee in developed markets ; and (g) in term of the macro-economic situation of the country, Burundi is heavily depending on coffee export proceeds that failure is not an option.

II. Proposed Development Objectives

The project development objective (PDO) is to increase coffee productivity and improve its quality among small-scale coffee growers in Burundi.

III. Project Description

Component Name

Component 1 – Institutional strengthening and value chain governance

Comments (optional)

This component will streamline the sector's governance structure by: (i) reviewing and adapting the current institutional framework to improve its effectiveness and efficiency; (ii) improving the dialogue among the main public and private actors so that they resolve value chain bottlenecks; (iii) strengthening the capacity of the key organizations overseeing the sector so that they can provide the needed services to their members and promote an enabling business environment; (iv) enhancing the position of women and youth in the coffee sector value chain; and (v) geo-mapping the sector.

Component Name

Component 2 – Small coffee growers productive capacity enhancement

Comments (optional)

This component will fund activities to enhance, on an economic and sustainable basis, the productive capacity of small coffee growers to increase coffee production, reduce the cyclical swings of production and improve cherry quality. These programs will be implemented through Public Private Partnerships (PPPs) under the Project's coordination. The Project will make use of InterCafé's current contractual system for provision of extension services and supply of inputs, as well as MINAGRIE's technical services including its decentralized extension network, special programs (such as the national fertilization program) and specialized entities such as the Burundi Ag Research Institute (ISABU).

Component Name

Component 3 – Coffee quality improvement and expanded markets and trade capacity

Comments (optional)

This component will support investments to promote the adoption of good agricultural practices (GAPs) for coffee production, including sustainable land management (SLM) practices, nutrition and fertilizer management, pest and disease control (notably Integrated Pest Management - IPM), pruning, harvesting, quality assessment and improvement, best practices for intercropping and coffee under shade. It will also support capacity-building of the staff of agricultural extension and research services (public and private).

Component Name

Component 4 – Coordination, monitoring and knowledge management

Comments (optional)

This component will support: (i) the project administrative, technical, and financial management; (ii) coordination among all institutional partners to ensure an efficient flow of information and support to all value chain actors, in particular the small coffee growers; (iii) effective contractual arrangements with key official implementing partners and private sector operators; (iv) monitoring and evaluation of the performance and the project financial, environmental, and social impact management; and (v) development of communication activities to publicize and disseminate the project results, best practices and success stories.

IV. Financing *(in USD Million)*

Total Project Cost:	72.25	Total Bank Financing:	55.00
Financing Gap:	0.00		
For Loans/Credits/Others			**Amount**
BORROWER/RECIPIENT			0.00
IDA Grant			55.00
LOCAL BENEFICIARIES			17.25
Total			72.25

V. Implementation

The Ministry of Agriculture and Livestock (MINAGRIE) would be the executing agency of the Project. It will be organized around the following bodies: (i) the Project Steering Committee - PSC; (ii) the Project Coordination Unit – PCU; and (iii) the Project Implementing Agencies – PIAs.

Project Steering Committee. Given the nature and complexity of such a program in managing activities that involve a number of different actors in the value chain (government agencies, coffee growers, industry, traders/exporters and others) and the need to expand collaboration and cooperation amongst them − a PSC will be established. It will be chaired by the Minister of Agriculture and Livestock or his/her representative (MINAGRIE). Its main functions and responsibilities will be to: (i) advise the project on strategic directions and support activities to be provided; (ii) approve the project annual work plan and budget (PAWP&B); (iii) ensure the effective collaboration and cooperation between all key stakeholders; and (iv) review the PCU's

Implementation Progress Reports (IPRs).

Project Coordination Unit. The PCU established by the MINAGRIE will have the overall management responsibility of the financial management of the project including the daily management of the designated account and coordination of project activities and value chain actors. It will be in charge of executing the approved annual work plan and budget and will be accountable to produce the annual project accounts.

Project Implementing Agencies. As some of the project's activities would be executed in partnership with InterCafé, CNAC and ARFIC, the PCU will sign Memoranda of Understandings (MoU) with those entities as PIAs.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	**Yes**	**No**
Environmental Assessment OP/BP 4.01	×	
Natural Habitats OP/BP 4.04		×
Forests OP/BP 4.36		×
Pest Management OP 4.09	×	
Physical Cultural Resources OP/BP 4.11		×
Indigenous Peoples OP/BP 4.10	×	
Involuntary Resettlement OP/BP 4.12	×	
Safety of Dams OP/BP 4.37		×
Projects on International Waterways OP/BP 7.50		×
Projects in Disputed Areas OP/BP 7.60		×

Comments (optional)

VII. Contact point

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