1. Key development issues and rationale for Bank involvement

Country context
1. Burundi is a small landlocked and densely populated country. It suffered from civil crisis and ethnic conflict in the 1990s which took a heavy toll on its socio-economic and environmental development. Burundi is also one of the poorest countries in the world, with about 67 percent of its population living below the poverty line. Poverty is most acute in rural areas where at least 90 percent of Burundi’s population lives. About 72 percent of the population is food insecure and the country has the second highest malnutrition rate in the world. Current population is estimated at 8 million inhabitants and is increasing at 3 percent rate annually. With the refugees returning from Tanzania, Burundi would continue to be chronically food insecure. Nearly all social indicators sharply deteriorated as a result of the conflict, and are now among the worst in the world. Burundi ranks 167 out of 177 countries in the 2007-2008 Human Development Index of the United Nations Development Program (UNDP). The country is unlikely to achieve the Millennium Development Goals by 2015.

Issues, challenges, and opportunities
2. Economic growth in Burundi depends mainly on the volatile agriculture sector which accounts for about half of GDP. Agriculture also accounts for 94 percent of employment but is dependent on climatic conditions; and is characterized by fragmented land ownership, declining soil fertility and insufficient inputs, poor linkage to markets, and is barely diversified. Commercial agriculture production primarily coffee contributes to less than 5% of GDP but generates more than 60% of export revenues.
3. Growth of Burundi’s agriculture sector is further constrained by several factors, among others: (i) limited capacity of public institutions, particularly of the Minister of Agriculture and Livestock to design, implement, and monitor rural development policies and programs, partly due to poor statistical data; (ii) low capacity for research and extension; (iii) dysfunctional professional organizations and weak service delivery which makes farmers access to inputs almost impossible; and (v) poor access to rural finance for long term investments on land and technology.

4. Food security in Burundi remains a matter of great concern and the global rise in food prices will worsen the welfare of the population, especially the poorest as farmland per inhabitant is decreasing due to rapid population growth resulting from a high birth rate and the return of refugees. Food crops and livestock supply 91 percent of agricultural GDP and constitute the major livelihood for most households. However, both sub-sectors have performed poorly. Currently, food demand is increasing by 3 to 6 percent annually exceeding population growth.

5. Commercial agriculture, mainly coffee, contributes less than 5 percent to GDP but generates more than 70 percent of export revenues and provides employment for 600,000 households. Coffee production has been particularly volatile, falling by 84 percent in 2006 and rising by 386 percent in 2007 and falling again by 120 percent in 2008. This is partly due to the over-aged trees that cannot carry two consecutive years of high production. The sector also suffers from its absence on specialty coffee market and poor governance.

6. Non-traditional exports have the potential to generate additional export earnings and contribute to increase diversification, and create employment. However, the subsector is weak and was also affected significantly by the conflict. Thus, until now Burundi has not been able to take advantage of niche markets.

7. Increase in agriculture production is critical to consolidate peace and stability. Thus, it is essential for Burundi to improve agricultural policies and investments aiming at increasing food production, promoting domestic market linkages, and enhancing competitiveness of the coffee sector (to penetrate the specialty coffee market), while considering prudently the revitalization of its horticulture sector for the growing urban centers in Burundi and Rwanda.

8. Burundi can meet this challenge for the following reasons: First, from an agro-ecological point of view Burundi is well suited for food production and horticulture, in addition to traditional export crops (coffee and tea). Second, a wide range of microclimates and abundant water are found from the shorelines of Lake Tanganyika up to the highland of Gitega. Third, from a logistics and supply chain point of view the small size of Burundi, in contrast to Tanzania and Kenya, offers a comparative advantage both in terms of time and costs for accessing domestic markets.

Lessons learned

9. The proposed project would draw on lessons learned during the implementation of the Agricultural Rehabilitation and Sustainable Land Project (PRASAB) which has started addressing some of the above mentioned issues. PRASAB’s objective is to improve food security by revitalizing and diversifying agricultural production and establishing sustainable land management. PRASAB’s implementation progress toward its development objective is rated satisfactory since most of its key indicators are being met. As a result of its good performance,
additional financing amounting to 15 US$ million was approved in June 2009 to scale up PRASAB activities to further increase its impact.

10. A recent beneficiary assessment carried out in April 2009 and several supervision missions have reported strong commitment and a significant appreciation of the project by the beneficiaries and the government. The assessment revealed that increasing productivity through recapitalizing small scale assets and developing irrigation had a significant impact on beneficiaries in terms of revenues increase and nutrition status improvement. Specifically, the assessment found that (i) rice, cassava, and milk yields have substantially increased compared to the baseline; and (ii) the need to link producers to markets to continue increasing agriculture productivity and fostering food accessibility. This approach seems particularly relevant where market opportunities exist for off season vegetables. Moreover, the study found that: (i) producers adequately supported by appropriate agricultural services can formulate and implement micro-projects exceeding expectations; (ii) matching grants approach could be effective if appropriately designed and associated with a prudent approach to avoid financial market and (iii) environmental and social management capacity needs to be reinforced at the community, provincial, and national level in implementing new project.

11. **Government strategy** In July 2008, the Government of Burundi formulated a coherent strategy for the sector: “Strategie Nationale Agricole-SAN-2008-2015” supported by the World Bank and other donors. The strategy addresses the above mentioned issues and called for, among others: (i) an increase in agricultural productivity and development of a sustainable production system and stimulation of market-driven agriculture to ensure food security, (ii) a strengthening of producer organizations and promoting private initiatives in technology transfer, and (iii) the promotion of value chains and agri-business sector to diversify the sources of growth. The strategy also emphasized the need to deepen reforms in the traditional exports and diversify toward high value horticulture crops, especially where Burundi has a proven comparative and competitive advantage.

**Rationale for Bank Involvement**

12. The Bank should support this project for three main reasons:

(i) The proposed project is in line with the Bank’s Country Assistance Strategy (CAS) 2008-2012 and the National Agriculture Strategy (NAS) and would contribute to their implementation. Both strategies stress the critical importance of food and livestock productivity for domestic consumption, benefiting the most vulnerable, and for potential job creation. This would contribute to consolidate peace and stability and to achieve one of the Millennium Development Goals with respect to malnutrition and hunger.

(ii) The Bank in collaboration with other development partners\(^1\) should contribute to the on-going policy dialogue seeking to enhance coffee sector competitiveness. Continued Bank support to the Government’s reform program is crucial in achieving and maintaining this momentum.

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\(^1\) USAID and the EU have already responded positively to the government request to that end. However, it remains critical to scale up their activities to leverage possible outcomes on rural growth and employment.
(iii) The proposed project would contribute to create a new platform for harmonizing donor interventions in agriculture sector (see annex 2) by ensuring proper resource allocations. Using a holistic approach, the proposed project would contribute to foster and benefit from synergy from Bank’s on-going and planned investments.

13. The Government of Burundi’s interest in World Bank support for such an important operation was confirmed during the identification mission (April 20 to May 4, 2009). This mission was a continuation of a two-year dialogue with the government supplemented by the Sources of Rural Growth Study. The in-depth dialogue is a strong indicator for government’s preparedness and readiness to begin project preparation. In this perspective the government has initiated steps including: (i) officially establishing a multi-sectoral project preparation steering committee of experts, including a social scientist and an environmentalist; (ii) launching the recruitment process for key positions in the preparation team; and (iii) initiating a request for a PPF (US$ 567,000).

Proposed project development objective(s)

13. The project development objective is to increase productivity, production, and value of selected crops and livestock. The objective will be achieved by (i) scaling up agricultural technology transfer and dissemination, (ii) strengthening the capacities of stakeholders to manage the variability of food supply at local and national level, and (iii) improving the provision and efficiency of core public and private services and a better knowledge of the market context. The possible outcomes indicators are:

   (i) Incremental volumes of food production marketed proportion of selected products in the target zones;

   (ii) Irrigated hectares developed, rehabilitated or secured due to project intervention.

Preliminary project description

14. The proposed project would cover the same geographic areas as PRASAB. However, the possibility of selecting additional areas would be explored during project preparation in accordance with the government development strategy and in collaboration with other development partners to avoid duplication of interventions. The selection criteria would be based on food and livestock and horticulture growth potentials, access to domestic market, natural resource endowment, institutional capacity, and beneficiary engagement. Similarly, the project would select crops and livestock with good performance during PRASAB implementation.

15. During the identification, rice, off season vegetables, livestock, and milk consumed domestically, coffee and targeted high value products with strong export potential were considered. Selection and interventions would be specified during the preparation process. The project would support beneficiaries: (i) in strengthening their ability to plan and implement a sound production, processing, and marketing strategies on demand-driven basis; and (ii) in improving the provision and efficiency of core support services. Matching grants will be provided to finance beneficiaries' micro-projects.

2 Producers and their organizations, commodity trade associations, small and medium scale crop business enterprises, public/private service providers
16. The project will be implemented through government and non-government institutions and community-led initiatives. Key government institutions will be the Ministry of Agriculture and Livestock (MINAGRIE) and the Ministry of Finance (MINIFIN). Other ministries or agencies will be involved. Given its decentralized approach, producers and their organizations, NGOs, private sector and their organizations, financial and microfinance institutions will also be involved. The project design and implementation approaches will be participatory to ensure strong ownership.

Component 1: Improving on farm activities and Markets accessibility.

17. The component’s objective would be to increase agricultural and livestock productivity and quality by expanding the outreach and relevance of the advisory system (strengthening research-extension links), improve access to technologies, foster the use of high-quality seed and fertilizer, and improve the management of livestock. It would also support producers and their organizations, build capacity of public and private institutions and service providers, develop efficient linkage and contractual relationship between producers, processors, and to facilitate market access through identified activities. It would also finance grants program.

Component 2: Development of irrigation and marketing infrastructure.

18. This component would support “on farm activities”. It would aim at improving irrigation and watershed management and provide market infrastructure. Through its sub-components, this component would: (i) consolidate and scale up two irrigation-scheme approaches supported by the Agricultural Rehabilitation and Sustainable Land Management Project (PRASAB) consisting of supporting small scale private irrigation schemes, the rehabilitation of marshlands, build capacity of water user associations, and assist government in updating the sustainable national irrigation investment plan to facilitate future investments; and (ii) upgrade and/or rehabilitate feeder roads identified as critical and vital to access markets.

Component 3: Project Coordination and Management (PCMU)

19. This component would finance the operations of the project. The project will be implemented by a small coordinating unit located in the Ministry of Agriculture and Livestock. The PCMU would coordinate project interventions and be responsible for monitoring and evaluation, procurement, financial management, environment and social safeguards, and communication. Based on the acknowledged excellent performance of the PRASAB team and given that PRASAB closes in October 2010 (its activities expected to be completed by March 2010), this team will coordinate project preparation and possibly implement the proposed project. PRASAB staffs are currently in place and are well qualified and subject to regular performance evaluation. However, the team will be reinforced with additional skills as needed. Their roles will be adjusted to take into consideration the mandates conferred to them by public and private institutions and organizations involved in agriculture and livestock production, commerce and export of agriculture products, and environmental management.
Safeguard policies that might apply

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<tbody>
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20. As indicated above, the project is expected to trigger several safeguard policies. Accordingly, the project will prepare:

(i) An Environmental and Social Impact Assessment (ESIA), including an Environmental and Social Management Plan (ESMP), for irrigation investments, marshland management as well as agricultural and livestock production as per OP 4.01; the ESIA will also indicate whether or not OP 4.04, OP 4.36 and OP 4.11 will be triggered and make appropriate recommendations;

(ii) An Environmental and Social Management Framework (ESMF) for market infrastructure sub-projects where the locations are unknown prior to appraisal as per OP 4.01; the ESMF will also include minimum procedures and measures to be taken in the event of chance finds as per OP 4.11; and will indicate whether or not OP 4.04 and OP 4.36 will be triggered and propose mitigation measures;

(iii) A Pest Management Plan (PMP) as per OP 4.09; the PMP will be part of the ESIA report;

(iv) A Generic Dam Safety Analysis as per OP 4.37; this analysis will be included in the ESIA report;

(v) An Indigenous Peoples Development Plan as per OP 4.10 drawn from a comprehensive Social Assessment which will include a gender analysis to further assess the extent and level of the project impacts on these vulnerable communities;

(vi) A Resettlement Policy Framework (RPF) as per OP 4.12 to mitigate adverse social impacts due to land acquisition for market infrastructure sub-projects and other investments where the actual locations could not be determined prior to appraisal; resettlement action plans will be prepared as necessary for first-year investments as well as during project implementation as outlined in the RPF; and

(vii) A riparian notifications as per OP 7.50.
All safeguard documents will be disclosed in Burundi and at the Bank’s Infoshop prior to appraisal.

2. Tentative financing

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<td><strong>Total</strong></td>
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3. Contact point

Contact: Nicaise Ehoué
Title: Sr. Agricultural Economist.
Tel: (257) 22-206-218
T-Line: 5399-218
Email: nehoue@worldbank.org
Location: Bujumbura, Burundi (IBRD)