

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA730

Project Name	Sustainable Coffee Landscape Project (P127258)
Region	AFRICA
Country	Burundi
Sector(s)	Agricultural extension and research (10%), Crops (10%), Forestry (30%), General public administration sector (20%), General water, sanitation and flood protection sector (30%)
Lending Instrument	Specific Investment Loan
Project ID	P127258
Focal Area	Multi-focal area
Borrower(s)	Ministry of Agriculture and Livestock
Implementing Agency	
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	08-Feb-2013
Date PID Approved/Disclosed	11-Feb-2013
Estimated Date of Appraisal Completion	22-Jan-2013
Estimated Date of Board Approval	30-Apr-2013
Decision	

I. Project Context

Country Context

Economic development in Burundi has been set back by several years of recurring internal conflict. Burundi is a small, landlocked country that straddles Central and East Africa, with a total land area of 27,834 km², and approximately 8.6 million inhabitants. Of the total population only 10.6 percent live in urban areas. Burundi has emerged from a cycle of political-ethnic conflicts that lasted more than 13 years and claimed the lives of about 300,000 people while displacing about 16 percent of the population. These years of recurring conflict have had a devastating effect on Burundi's economy. A rough estimate of the economic cost indicates that without the conflict Burundi's Gross Domestic Product (GDP) per capita would be about double its current level. As a result of the conflict, Burundi suffers extreme gaps in infrastructure, including roads, power generation, communications, and water and sanitation. The high costs associated with the poor state and coverage of infrastructure discourage domestic and foreign investment and constrain economic growth.

After about 25 years of decline in GDP per capita, Burundi's economy is beginning to recover. Consolidation of the peace process helped start reconstruction and created positive prospects. Also

the country has made significant progress in establishing a more stable macroeconomic environment. However, significant constraints to positive economic performance exist, including infrastructure gaps and a generally poor investment climate. Burundi's growth performance has been weak compared to other EAC countries. Existent structural weaknesses have been compounded by shocks, including several episodes of drought in the northern part of the country. In 2012, the economy remains undiversified and dominated by agriculture, which accounts for about 32 percent of GDP, employs 95% of the active population and provides more than 80% of export earnings. Coffee is the main export crop, accounting for more than 60 percent of export revenues.

Burundi is not likely to meet many of the Millennium Development Goals (MDGs) and it remains very vulnerable to external shocks. Although available social indicators show progress, improvement starts from a low base and Burundi still ranks near the bottom (185th out of 187 countries listed in 2011) of UNDP's 2011 Human Development Index. Burundi also remains the third poorest country in the world. Around 67 percent of the population is poor, which makes it impossible to reach the 2015 MDG target of 18 percent. In addition, about 60 percent of the population suffers from food insecurity.

In the years since the Arusha Agreement, the comprehensive peace and reconciliation agreement that was signed in 2000 after 13 years of civil war, Burundi has experienced both great strides and major setbacks on the road to lasting peace. In these years, the country has advanced towards a return to peace and stability with sufficient security for economic and social activities, although still experiencing bouts of violence and insecurity.

II. Sectoral and Institutional Context

In Burundi, the greatest environmental problems are linked to deforestation. Deforestation is linked to high population pressure on natural resources, agricultural land clearing aggravated by the scarcity of fertile lands, bush fires, exploitation of marshes and other wetlands, and poor management of agricultural lands (largely due to inappropriate farming practices) and protected areas. Between 1990 and 2005, Burundi lost 47.4 percent of its forest cover, or around 137,000 hectares. Currently, only some 152,000 forested hectares remain in the country—most of which has been modified to some degree. The annual deforestation rate from 2000 to 2010 was 1.31%.

Unsustainable and unregulated coffee production in Burundi has contributed to the environmental issues of land degradation and poor water management. The use of marginal lands on steep slopes by coffee farmers and the elimination of tree cover on hillsides has contributed to land degradation, biodiversity loss, and expansion of the agricultural frontier into protected areas. In addition, solid and liquid organic waste from the de-pulping of coffee cherries at coffee washing stations (CWSs) is a major source of water pollution.

Coffee is the country's primary export crop, accounting for more than 60 percent of all of Burundi's export earnings, depending on the year. Coffee export revenues accounted for 3.3 percent of GDP in 2011. Around 2.3 percent of the total land area in Burundi is under coffee cultivation, and around 600,000 Burundi households (out of the total 1.2 million households) depend on coffee farming for their livelihood. These rural families are among the poorest in the country. Coffee washing, drying, grading, storage, and other processing steps are a significant source of employment. Typical farms have between 50 and 250 coffee trees. Most of the coffee farmers reside at higher elevations of 1,500 to 2,000 meters (5,000 to 6,600 feet). Arabica trees, mainly of the Bourbon variety, account for 98 percent of the total production.

The country's potential in commercializing its coffee has not fully developed. Despite a market structure that allows direct contracting with international coffee buyers, and the fact that Burundi's climate is ideal for cultivating high quality Arabica coffee, most of the production is sold on the commodity market at relatively low prices. Burundi has the potential for exporting 60,000 tons annually of high quality Arabica during peak production years (compared to 15,000 tons in 2011), but that potential has not been fully developed. Some advances, however, have been achieved including the participation in the 2012 Cup of Excellence® program which is a highly esteemed award for top quality coffees.

In 1992, the government launched a reform to restructure the coffee sector, but implementation only began in 2008. The reform was supported by the World Bank's Third Economic Reform Support Grant (ERSG III), designed in 2009 to help the GoB transition the country's economy from a post-conflict context and to design and implement policies to accelerate growth and promote human development. The purpose of the reform was privatization of the industrial units, especially washing (de-pulping) stations and hulling units; liberalization of government control among the production and export agencies; and reform of the state coffee institutions. The reform created new organizations that will play a key role in the project: (i) the Autorité de Régulation de la Filière Café (ARFIC) is a public enterprise that serves as regulatory authority for the coffee sector and, together with the Coffee Reform Committee and the Service Chargé des Entreprises Publiques (SCEP), represents the government in the sector; (ii) InterCafé, is an autonomous agency comprising the private actors in the sector including farmers, processors and exporters. It is responsible for co-guaranteeing marketing financing, for providing support to farmers on production related issues, and for promoting and marketing Burundian coffee internationally.

The World Bank funded in 2010 a Rapid-Strategic Environment Assessment (R-SEA) that analyzed the environmental and socioeconomic impacts along the entire coffee value chain of the reform process. The R-SEA identified that the potential of the coffee reform to generate benefits for the farmers and the country is high. However, to sustain the benefits generated throughout the coffee value chain and mitigate potential environmental risks, an Action Plan was prepared with a set of recommendations and strategic directions. At the production phase, the Action Plan suggested the implementation of a training program on shade-grown coffee and sustainable land and water management (including integrated pest management). This program would address the risk of increased land degradation due to agri-chemical pollution from the uncontrolled use of pesticides, the use of coffee farmers of marginal lands on steep slopes and the elimination of shade cover on many hillsides. At the processing phase, the R-SEA suggested the need to promote the issuance of environmentally sound standards, and regulations for the coffee washing stations (CWSs) and the development of studies about the potential for recycling water economically in the CWSs. An increase in coffee production without any efficient technology or specific regulations may lead to an increase in the demand for water as well as increased water pollution from coffee dumped into the rivers. In addition, at the marketing phase, the R-SEA recommended the development of a coffee certification program and a marketing study for the potential of coffee to access niche markets and diversification strategies. Finally, the Action Plan suggested the need to work in Protected Areas (PAs) in order to adequately manage the possibility that some farmers could expand their plantations to the remaining pockets of forest within protected areas. The implementation of such recommendations of the Action Plan will facilitate an enabling environment for a long-term sustainable coffee sector that will contribute to the development of the agriculture sector, the reduction of poverty levels, the improvement of ecosystem management.

The proposed GEF project will contribute to the action plan suggested by the R-SEA in order to assist Burundi to improve the sustainability of selected coffee landscapes.

III. Global Environmental Objective(s)

The project development objective is to pilot sustainable land and water management practices in the coffee landscape of Burundi.

IV. Project Description

Component Name

Component 1: Sustainable Coffee Landscape Management

Component 2: Addressing Pollution Point Sources in Coffee Washing Stations

Component 3: Diversification of Livelihoods

Component 4: Knowledge and Learning

V. Financing (*in USD Million*)

For Loans/Credits/Others	Amount
BORROWER/RECIPIENT	0.00
Global Environment Facility (GEF)	4.20
Total	4.20

VI. Implementation

Institutional and Implementation Arrangements

The Ministry of Agriculture and Livestock (MINAGRIE) has overall responsibility for project implementation. Implementation will be carried out through the project coordination unit (PCU) already established for PRODEMA. The proposed project will strengthen the existing PCU, composed of a small management team of experienced technicians, by adding a new accountant and a sustainable land management specialist.

Through Memoranda of Understanding (MoU), certain specialized functions will be provided by partner organizations in collaboration with MINAGRIE:

- The Ministry of Water, Environment, Land and Urban Planning (MEEATU) will be in charge of the activities to promote regulatory aspects towards environmentally friendly coffee processing.
- InterCafe, an autonomous professional organization created for consultation and decision-making regarding the coffee sector, will be directly involved in the implementation of the sustainable shade-grown coffee production program, the activities related to coffee certification and marketing, SLWM practices, the piloting of agri-tourism initiatives in coffee farms and the communication strategy.
- ISABU, a key research and development agency for the agricultural sector, will support the research activities towards the development of the Manual for Shade-Grown Coffee cultivation.
- INECN, the agency responsible for the management of national parks and nature reserves, will be in charge of the activities involving the Bururi Forest Nature Reserve.
- ARFIC, the public enterprise that represents the GoB in the coffee sector, will support the training program regarding environmental and social standards at the coffee washing stations.

The project will build on PRODEMA's decentralized structure. The activities at the local levels would be implemented through the three decentralized Inter-Provincial Coordination Units (IPCUs) established for PRODEMA and located in each of the provinces. The IPCUs would be in charge of field coordination, guidance, and supervision of project activities.

Implementation arrangements for subprojects.

Private Sector Providers (PSPs) will be recruited on a competitive basis to help Producer Organizations (POs) choose their priority investments and prepare sub-project plans and financing requests for the SLWM, shade coffee and agri-tourism subprojects. In addition, the committees already utilized by PRODEMA, the Communal Approval Committees (CACs) and the Provincial Approval Committees (PACs), will support the proposed GEF project by approving the subprojects. These committees are composed of government officials and representatives of professional and non-governmental organizations (NGOs). Training will be offered to these committees in order to become familiar with the characteristics of the new project and the criteria for the SLWM, shade coffee and agri-tourism subprojects. At provincial and communal levels, DPAEs (Provincial Department of Agriculture and Livestock - decentralized units of MINAGRIE) will work closely with the PSPs to follow sub-project implementation.

Governance and advisory arrangements.

To ensure intersectoral coordination, sharing of lessons and experiences, a Technical Monitoring Committee was created in November 2012 with members from all the implementation partners, farmers' organizations and NGOs. In addition, the project will receive guidance from the Project Steering Committee (PSC) established for PRODEMA project and headed by MINAGRIE. The technical committee will meet twice a year to: (i) review the proposed Annual Work plans and budgets, the draft annual implementation and audit reports, as well as the Procurement Plan; and, (ii) identify necessary project adjustments based on monitoring and evaluation results. In addition, the project will receive guidance from the Project Steering Committee (PSC) established for PRODEMA project, with high-ranking officials from MINAGRIE, MEEATU, MDDC, MINICOMT and other related agencies. It is headed by MINAGRIE, meets at least once a year and will be in charge of overseeing overall implementation and performance of the Project and providing policy guidance.

Results Monitoring and Evaluation

The project will utilize PRODEMA's existing Management Information System (MIS), which incorporates technical and financial data to measure progress. It will support day-to-day implementation management and ensure results indicators are updated on a regular basis. The MIS will incorporate new information and data related to biodiversity, SLWM, and other topics that are relevant for the proposed project; training will be extended to cover these topics.

At provincial and communal levels, DPAEs will collect and transmit data to the Inter-Provincial Coordination Units (IPCUs) who will consolidate and analyze the data, before transmission to the M&E specialist.

Monitoring and evaluation reports, including environmental and social indicators, will be prepared

quarterly at the provincial and communal levels and semi-annually at the central level. The semi-annual reports will be circulated to sector ministries and development partners.

Joint Bank- GOB semi-annual implementation support missions will be complemented by a Mid-Term Review two years after Effectiveness and coordinated with a PRODEMA support mission. An impact evaluation (IE) will be conducted to assess achievement of expected key project results. The IE will address impacts of shade coffee on biodiversity, coffee productivity the economic returns from the coffee farm. The ToRs for the IE will be prepared by the GoB with the WB's support following the project's negotiations.

Upon completion of the GEF operation, the Bank will review the results and prepare the Implementation Completion Report (ICR). This will be submitted no later than six months after project closure. The project will also need to report at GEF endorsement, mid-term, and closure, using the GEF tracking tools for biodiversity, land degradation, and sustainable forest management.

Sustainability

The GoB is highly committed to the project as it addresses key issues of sustainability and value addition for the coffee sector. The project is part of the process regarding the coffee sector reform that has been subject to consultation with all key stakeholders.

The project aims to provide long-lasting benefits for the farmers and their families in terms of improved natural resources conditions and increased food security. Also, the specific field investments made under the project should be sustainable, due to the improvement in incomes from higher harvests and prices. However, as a demonstration project, the long-term impact will rely on the ability to provide data to convince the GoB, farmers and private sector of the advantages of shade coffee, the application of SLWM practices and the diversification of livelihood alternatives. A strong MIS will facilitate this purpose.

The project will promote an effective marketing and certification process that will contribute towards extending the duration of the processes initiated. Partnerships with private coffee companies will allow for the benefits to go beyond the project's scope. That said, competitiveness will be contingent upon consistent production of fully traceable quality coffee that provide maximum economic benefit to coffee farmers.

VII. Safeguard Policies (including public consultation)

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

VIII. Contact point**World Bank**

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