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Enabling poor rural people
to overcome poverty

President's memorandum

Proposed supplementary financing to the Republic of Burundi for the

Value Chain Development Programme

Note to Executive Board representatives

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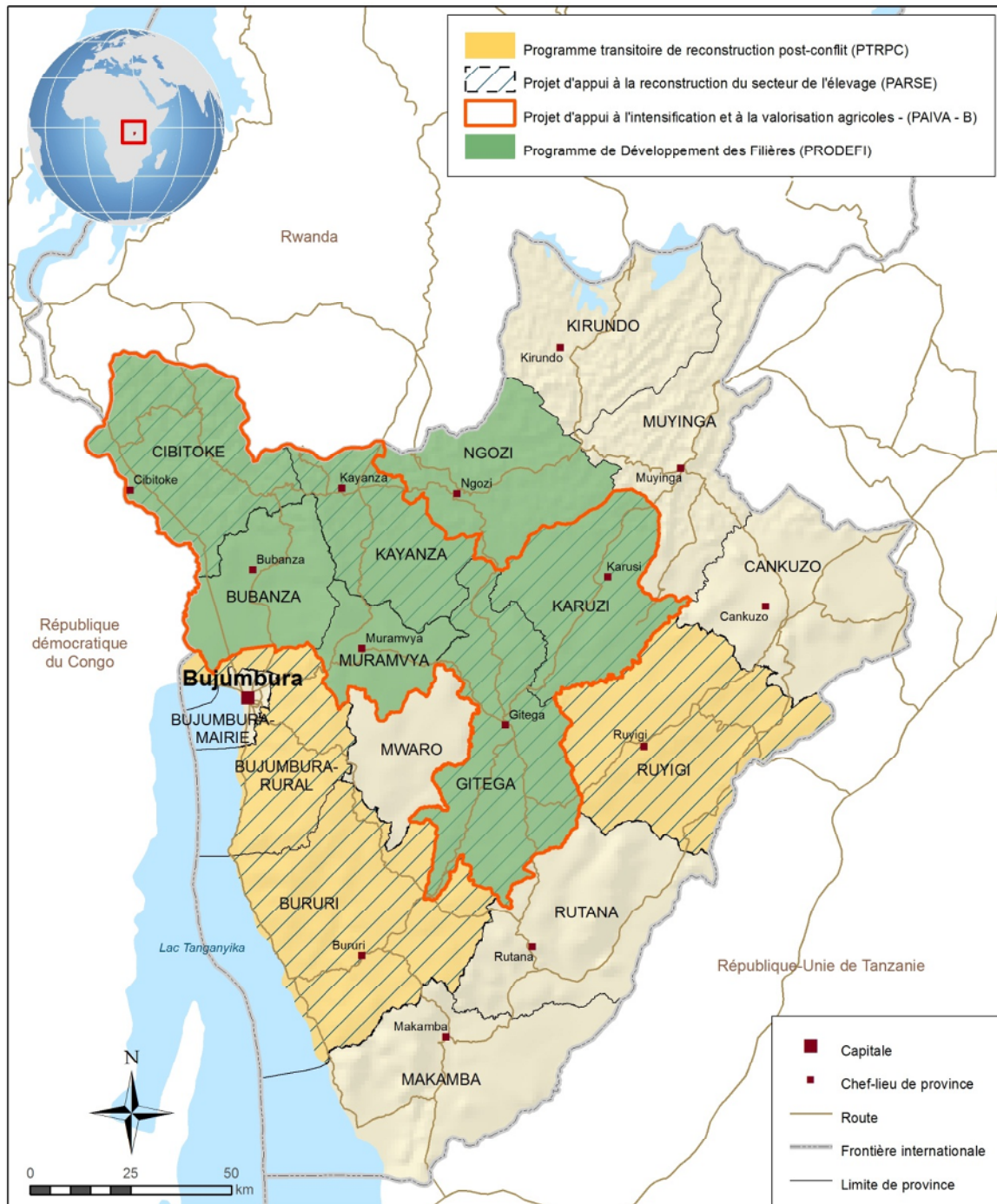
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For: Approval

Map of the programme area

Burundi

Zone de couverture des activités du FIDA



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing in the form of a grant to the Republic of Burundi for the Value Chain Development Programme, as contained in paragraph 16, and the modifications to the financing agreement, as contained in paragraph 13.

President's memorandum

Proposed supplementary financing to the Republic of Burundi for the Value Chain Development Programme

I. Introduction

1. With an estimated population of 8.3 million inhabitants, Burundi is one of the most densely populated countries in Africa and one of the poorest in the world. In 2011, the United Nations Development Programme (UNDP) ranked Burundi 185th out of the 187 countries in the Human Development Index (HDI). Burundi's economic activities revolve around agriculture as over 89 per cent of the population, representing 7.4 million inhabitants, live in rural areas. Food crops, mainly for subsistence, represent 87 per cent of total crop production. Cash crops account for the remainder, as follows: with 8 per cent for coffee, 1.7 per cent for tea and sugarcane, and 3.3 per cent for other crops. According to the International Food Policy Research Institute (IFPRI), the Global Hunger Index of the country is 37.9, placing Burundi among the 26 countries in the world that experience an extremely alarming food insecurity situation.
2. Given the above situation, unemployment is very high in Burundi, particularly among young people living in urban and rural areas. The formal sector – public sector, enterprises and the private sector – provides only 6.2 per cent of employment (2007). The rate of poverty stands at 65 per cent and food insecurity affects nearly 75 per cent of the population.
3. To address this situation, an additional component dealing with youth and rural employment is planned for implementation as a pilot activity in two provinces covered by PRODEFI: Bubanza and Ngozi.

II. Background

4. This memorandum seeks approval for supplementary financing in the form of a grant of approximately US\$6.6 million to finance an additional component on rural youth and employment in the Bubanza and Ngozi provinces of Burundi. This amount represents additional resources allocated to Burundi as a post-conflict country under the 2010-2012 cycle of the performance-based allocation system (PBAS).
5. The Value Chain Development Programme¹ is currently financed by an IFAD grant of SDR 25.9 million (equivalent to US\$39.59 million), and is cofinanced by a contribution from the OPEC Fund for International Development (OFID) of US\$11.92 million and a grant from the World Food Programme (WFP) of approximately US\$9.08 million for food and cash for work activities. The Government of the Republic of Burundi is contributing US\$10.06 million. The beneficiaries are providing US\$3.14 million towards their own revenue-generating

¹ Programme de développement des filières (PRODEFI).

activities. The supplementary funding will increase the resources available to the programme, enabling it to reach unemployed rural youth in the provinces of Bubanza and Ngozi. This new component will be implemented under the same methodology and approach that the programme is currently using. In adding this grant, the total cost of the programme will increase to US\$80.4 million, as compared with the initial total cost of US\$73.8 million.

6. The target group of the component is composed of young people between 16 and 30 years of age who will be added to PRODEFI target group; they will have various levels of education (graduated with diploma, attended school or without any schooling) and should be interested in engaging in agricultural and non-agricultural activities directly linked to: (i) agricultural value chain development, (ii) other non-agricultural rural activities, and (iii) new opportunities in agricultural and sylvo-pastoral value chains that need little or no farming land. Of the overall young population of approximately 85,000 in the two provinces, the component will have a direct impact on 20,000. The targeting approach followed for PRODEFI and other IFAD-funded projects in Burundi will be followed in implementing the component. The targeting and gender approaches are fully consistent with IFAD best practices and have already been used successfully in Burundi.

III. Justification and rationale for implementation

7. The general objective of the programme under which this component will be implemented is to reduce poverty and improve food security in rural areas. This is being achieved through the development of agricultural value chains in which smallholder farmers in the targeted areas play a central role and achieve maximum value added in their production, thus improving their income. The specific objectives are to: (i) assist public and private institutions, civil society and organizations of the rural poor in forming quality partnerships for the promotion of two priority chains (rice and milk) and six secondary chains; (ii) build the human, physical and technical capacity of poor small farmers to enable them to protect their productive assets, increase their production of rice and milk and raise their incomes in a sustainable manner; and (iii) allow producers' organizations to make the most of value added to their produce through better market access. In view of the dire unemployment situation in Burundi's rural areas and a request from the Government of Burundi, IFAD has agreed that it would be opportune to include unemployed rural young people among the beneficiaries of PRODEFI.
8. The new component will pursue activities aimed at promoting employment for rural youth in the provinces of Bubanza and Ngozi. It is a pilot component targeting 20,000 young men and women to help them set up or develop microenterprises or small business both upstream and downstream of the value chains promoted by PRODEFI and provide them with off-farm employment opportunities that need little or no farming land in order to be viable.
9. The specific objectives of this component are: (i) promote employment creation around the investment and value chain activities promoted by PRODEFI and other IFAD operations, both ongoing and planned. This will be done in collaboration with professional bodies for youth employment, farmers' organizations and agricultural producers, (ii) provide job training including literacy through existing training institutions, (iii) promote training, technical support and innovative approaches to expand income-generating activities requiring little or no farming land, and (iv) set up, in partnership with local microfinance institutions and banks, a sustainable financing mechanism to enable young people who are eligible for the component to access financial services suited to their activities.
10. Financial management and disbursement for expenditures under this supplementary financing will adopt the procedures already being followed by PRODEFI. Consolidated audited financial statements will be required annually, while expenditures under this financing will be reported separately.

IV. Component costs

11. The total cost of the new component is US\$7.43 million financed by an IFAD grant in special drawing rights equivalent to approximately US\$6.6 million (89.1 per cent); a contribution by the Government of Burundi of US\$709,000 (9.5 per cent) in the form of tax and custom duty exemptions; and a contribution from the International Labour Organization (ILO) of US\$103,000 (1.4 per cent) in the form of ILO staff time dedicated to assisting with the implementation of the component. The duration of the component is four years. PRODEFI has a nine-year implementation period and has been under way for two years.
12. The expected benefits from the implementation of this additional component of PRODEFI are:
 - (i) Training of 20,000 rural young women and men and their insertion into the country's economy, in particular in Bubanza and Ngozi provinces, and the creation of sustainable and decent jobs;
 - (ii) Development of production and service provision activities in the agricultural and non-agricultural sectors, through which 18,000 young people will become microentrepreneurs, 250 unemployed graduates will create small businesses, and 1,750 young people will be involved in collective enterprises (solidarity groups or cooperatives);
 - (iii) Strengthening of young people's associations and professional partner associations; and
 - (iv) Creation of an efficient and sustainable mechanism to promote rural youth employment through advocacy, training, support and financing, resulting in the scaling up of activities in the pilot provinces and other provinces in Burundi.

V. Proposed modifications to the financing agreement

13. Upon approval of the Executive Board, the financing agreement of PRODEFI will be amended to reflect the proposed addition of the component on youth and rural employment and the supplementary IFAD financing in the programme budget. This supplementary financing complements the financing plan initially agreed at design.
14. The Republic of Burundi is empowered under its laws to receive financing from IFAD.
15. I am satisfied that the proposed supplementary financing will comply with the Agreement establishing IFAD and the Lending Policies and Criteria.

VI. Recommendation

16. I recommend that the Executive Board approve the proposed supplementary financing in terms of the following resolution:

RESOLVED: that the Fund shall provide a supplementary grant to the Republic of Burundi in an amount equivalent to four million three hundred thousand special drawing rights (SDR 4,300,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President