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Investing in rural people

President's memorandum

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

Note to Executive Board representatives

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For: Approval

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Map of the programme zone

Burundi

Programme de Développement des Filières (PRODEFI)



Les appellations figurant sur cette carte et sa représentation graphique ne constituent en aucun cas une prise de position de FIDA quant au tracé des frontières ou limites, ou aux autorités de tutelle des territoires considérés.

Carte compilée par le FIDA - octobre 2009



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.

Map compiled by IFAD | 29-08-2017

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing for the Value Chain Development Programme in the Republic of Burundi, as contained in paragraph 40.

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

I. Background

1. Burundi¹ is the world's third poorest country, with almost 64.6 per cent of its population living below the poverty line. Poverty is chiefly a rural phenomenon (69 per cent in rural areas compared to 34 per cent in urban zones), and it mainly affects smallholder farmers. Agriculture generates 45.8 per cent of GDP. Access to water and sanitation is scarce, and fewer than 5 per cent of the total population is connected to the electricity grid.²
2. An analysis of poverty³ shows that: (i) 58.3 per cent of the population are poor; (ii) income poverty affects 64.6 per cent of individuals; and (iii) 72.7 per cent of expenditures go on food, while income sources are sparse and undiversified. Agricultural production from household plots averaging 0.5 hectares (ha) only supplies 65 per cent of the country's food requirements, and less than 50 per cent in the case of cereals and pulses.
3. Burundi faces major challenges: (i) pressure on land and natural resources; (ii) the inefficient use of electricity in remote areas and even in large urban centres, which increasingly face frequent power outages; (iii) the deterioration of the terms of trade, due in particular to the low prices of coffee and tea, Burundi's main export products, and (iv) political instability.
4. Burundi's inherent country risk is rated high. According to Transparency International, its corruption perception index was 2.0 in 2016. The latest public expenditure and financial accountability assessment (PEFA 2011) recommends reforms to financial management and public accounting. Based on this, IFAD projects apply the Fund's rules for administrative and financial management with an efficient use of accounting software.
5. The Value Chain Development Programme (PRODEFI) is the first pilot programme to develop inclusive agricultural value chains in Burundi, specifically by supporting agriculture-sector stakeholders (producer organizations, cooperatives linked to agricultural value chains, mentoring services, etc.). The strategy associated with this has been updated as part of the 2008-2015 National Agricultural Strategy.
6. In the current situation, premature closure of PRODEFI would have negative effects on agricultural production levels, and would undermine the food and nutritional security of the target population.

II. Justification for the additional financing

7. The coverage zone is unchanged. PRODEFI will continue to operate in the seven provinces initially selected, and the activities will be implemented in the 33 targeted municipalities (communes).

¹ Per capita income of about US\$287 (UNDP, 2017). The Human Development Index (HDI) published by the UNDP ranked Burundi 184th out of 188 countries in 2016, with an index of 0.404.

² World Bank, 2016.

³ Established in 2014 by the Institute of Statistics and Economic Studies of Burundi (ISTEEBU).

8. PRODEFI will continue to target the five categories of households⁴ identified in the implementation areas of IFAD-funded projects, under a participatory approach and with the targeting criteria adopted by the country programme. A midterm review was carried out in 2014, and by its completion date – which will be postponed until 31 December 2020 – the programme should have reached 112,048 households.
9. The additional financing will be implemented firstly as part of the programme approach and the search for synergy and geographical and thematic complementarity with IFAD-financed projects in Burundi. The approach is based on lessons learned from experience in the country.
10. The organizational framework remains unchanged. Supervision is provided by the Ministry of Agriculture and Livestock (MINAGRIE). The additional financing will be implemented by the programme facilitation and coordination unit that is currently in place, and will not require additional staffing. Programme steering remains the same and will still be provided by the Steering Committee and the Technical Committee already in place and common to all projects financed or managed by IFAD in Burundi.
11. PRODEFI's objectives are relevant and remain unchanged. The overall objective of the programme is to help increase incomes and "improve food security in rural areas through the development of agricultural value chains in which the small farmers in the targeted areas play a central role and achieve maximum value added in their production and, thus, improve their income and living conditions." The specific objective is to "strengthen the capacities of small-scale, poor farmers to increase their income and food security through the strengthening of priority (rice and dairy) agricultural value chains and the forging of a lasting partnership with public, private and civil-society institutions."
12. The programme is structured around three technical components: (i) upgrading and strengthening of the value chains; (ii) sustainable growth of productive capital and institutional capacity-building among value chain actors; (iii) improvement of sustainable and decent employment for rural youth.
13. The additional financing will not entail any changes to the technical components. Implementation remains unchanged and will be entrusted to the current service provider. The beneficiaries will contribute 10 per cent to the financing of infrastructures and equipment, pursuant to the terms and conditions currently in force. The day-to-day management of the infrastructure will be undertaken by the cooperatives trained by the providers.

Component 1: Upgrading and strengthening of the value chains

14. This component aims to strengthen support actions downstream of production, by integrating them into a value chain. It consists of two subcomponents.
 - Subcomponent 1: Institutional framework and financing of the value chain: remains unchanged and does not include any new activity.
 - Subcomponent 2: Support to priority value chains: This subcomponent targets three value chains: (i) dairy; (ii) rice; and (iii) secondary chains (maize, banana and beans). The proposed activities included are described below.

Dairy value chain

15. The proposed activities are: Improvement of conditions for quality control, collection, processing and marketing of milk; support to cooperatives to improve the transportation of milk under acceptably hygienic conditions from peripheral

⁴ Category 1: landless households with no animals; category 2a: households with limited access to land and no livestock; Category 2b: non-livestock farming households with limited access to land (<0.5-1ha); category 3: poor households with access to land and a few short-cycle animals and small ruminants, but insufficient to supply their basic needs; category 4: households engaged in extensive livestock activities with access to land and pasture; and category 5: households with access to land and animals in permanent stabling.

areas to consumption centres. The expected outcomes are: (i) implementation of two pasteurization units, each with a capacity of 1,500 litres per day, making it possible to process an additional 3,000 litres, for a total of 7,500 litres per day; and (ii) 17,000 tonnes of milk sold per year under contracts with dairy value chain participants.

Rice value chain

16. The proposed activities are: installation of a mini rice mill in the programme's central region (Karusi province), which is remote from major consumption centres and has comparative advantages for rice production. The expected outcomes are: a dehusking unit made operational with a capacity of 5,000 tonnes of paddy rice per year, which helps improve dehusking yields and the quality of the white rice produced.

Maize value chain

17. The proposed activities are: Establishment of a maize collection and processing unit; and support to consolidate the programme's achievements through capacity-building, stakeholder support, platforms, promotion, commercialization and marketing of manufactured products. The expected outcome of these activities is an additional production of 1,500 tonnes of maize flour per year in the target area.

Component 2: Sustainable improvement in productive capital and capacity-building for value chain actors

18. The objective of component 2 is to increase the productive base and to foster value chain development. The component is organized around three subcomponents:
- Subcomponent 1: Hydropower and infrastructure development
19. The additional financing will be provided at the level of subcomponent 1, which has three sets of activities; (a) development and rehabilitation of marshland; (b) watershed management and rehabilitation; and (c) security of land tenure.⁵
- Development and rehabilitation of marshland
20. In this section, the additional financing will support the strengthening of the system of rice intensification (SRI), by consolidating and levelling already developed marshland plots, to ensure very good irrigation water control. The expected outcomes are: (i) 3,359 ha of marshland and irrigation water at least 80 per cent controlled by the end of the programme; (ii) SRI is at least 80 per cent adopted and the rice yield increases from 3 tonnes/ha to 5 tonnes/ha; (iii) the maize yield increases from 2 tonnes/ha to 3 tonnes/ha; and (iv) the incomes of households working the marshes increase by at least 30 per cent.
- Watershed development and rehabilitation
21. The development of the watershed adjoining the marshland, whether developed or to be developed, aims to combat erosion to restore soil fertility, protect the rice fields against flooding and open up production sites by building and/or rehabilitating tracks. The expected outcomes are: (i) 33,061 ha of the watershed erosion-protected; (ii) 760⁶ out of the 1,800 watershed households (42 per cent), 40 per cent of whose members are women, receive income through the highly labour-intensive (HIMO) watershed protection works; and (iii) an increase of at least 30 per cent in watershed household incomes, as a result of increased agricultural production.
- Subcomponent 2: Intensification of farming activity
22. The subcomponent has four sets of activities:⁷
- Cattle and pig farming community solidarity chain

⁵ The additional financing will apply only to the activities under (a) and (b).

⁶ Household categories 1, 2 and 3.

⁷ The additional financing will apply only to two of the sets of activities described.

23. The expected outcomes are: (i) 18,000 households benefit from livestock activities and another 18,000 are provided with training in the animal community solidarity chain, (ii) the number of cattle distributed across the two municipalities straddling the watershed rises from 188 to 588, and the number of pigs increases from 874 to 1,374.
- Farmer field schools
24. The expected outcomes are: (i) at least 600 rice farmers trained in SRI and other innovations, 40 per cent of whom are women; (ii) SRI is at least 80 per cent adopted and the rice yield has increased from 3 tonnes/ha to 5 tonnes/ha; (iii) the maize yield increases from 2 tonnes/ha to 3 tonnes/ha; and (iv) the incomes of households working the marshlands increase by at least 30 per cent.
- Subcomponent 3: Inclusive community structuring and institutional coordination, and the adoption of a gender-inclusive approach
25. This subcomponent was introduced under the 2014 midterm review. It has two components (i) inclusive community-based structuring; and (ii) gender mainstreaming and support for vulnerable groups. The expected outcomes at programme completion are as follows: (i) 50 per cent of literate community members start a remunerative activity; (ii) 60 per cent of those trained in the gender action learning system make a division of labour plan for their household; (iii) at least 240 community intermediaries trained on nutritional education by health-care providers; (iv) at least 70 per cent of 21,000 households will be informed and mobilized on food and nutritional security.
- Component 3: More sustainable and decent employment for rural youth
26. The objective of this component is to promote the employment of young people living in rural areas. It is organized around three subcomponents:
- Subcomponent 1: Institutional capacity strengthening for youth job creation
27. The activities selected are: (i) the creation of local employment observatories; and (ii) the establishment of specialized mechanisms for the supervision and tracking of young people and their support in their provinces.
- Subcomponent 2: Rural youth skill development and stimulation of sustainable job creation
28. The planned activities are: consolidation of the “run your business better” (GERME) programme for unemployed youth, 45 per cent of whom are women. The expected outcomes are: (i) at least a 25 per cent increase in employment in agricultural and non-agricultural activities by the end of the programme; (ii) at least 100 young people with different profiles will have created their own microenterprises and will be employing at least two other young people; and (iii) the microenterprises will increase their turnover by at least 20 per cent and each of them will create at least three new jobs.
- Subcomponent 3: Financing scheme
29. No new activity is planned for this subcomponent, but the programme will ensure that the beneficiaries of the activities implemented under the additional financing have access to credit from microfinance institutions under the new Financial Inclusion in Burundi (PAIFAR-B) project.

III. Programme cost, advantages and financing

30. The total cost of the additional financing is estimated at US\$7,297,000 or 12,769,000,000 Burundi francs (Fbu 12,769,000,000). Basic costs are US\$6,887,000 million (Fbu 12,053,000,000), or 94.5 per cent of total costs. Physical and financial contingencies amount to US\$410,000 (6 per cent of basic

costs).⁸ Capital and operating costs represent 90 per cent and 10 per cent of the total cost of the additional financing, respectively.

Table 1
Programme/project costs by component and financier
(Thousands of United States dollars)

<i>Components</i>	<i>IFAD grant</i>		<i>Beneficiaries</i>		<i>Borrower/counterparty</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
1. Upgrading and strengthening of the value chains	1 470	79.1	119	6.4	268	14.4	1 858	25.5
2. Sustainable increase in productive capital and capacity-building for value chain actors	2 833	86.2	235	7.1	218	6.6	3 286	45.0
3. More sustainable and decent employment for rural youth	1 059	93.2	-	-	78	6.8	1 137	15.6
4. Programme facilitation and coordination	848	83.5	-	-	168	16.5	1 016	13.9
Total	6 210	85.1	354	4.9	732	10.0	7 297	100.0

31. The amount of IFAD's additional financing is US\$6.21 million and will be provided as a grant, representing 85.1 per cent of the total programme cost. The Government's contribution will be US\$732,000 (10.0 per cent of total cost). The contribution of the beneficiaries will be on the order of US\$354,000, or 4.9 per cent of total cost.

Table 2
Programme cost by expense category and funding source
(Thousands of United States dollars)

	<i>Government</i>		<i>IFAD</i>		<i>Beneficiaries</i>		<i>Total</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
1. Civil and rural engineering	123	5.6	1 863	84.7	212	9.7	2 198	30.1
2. Means of transport and equipment	309	16.7	1 401	75.6	142	7.7	1 852	25.4
3. Studies, training, technical assistance and service agreements	54	2.6	2 026	97.4	-	-	2 080	28.5
4. Value chain development fund	78	18.0	353	82.0	-	-	431	5.9
5. Operation and maintenance	168	22.9	567	77.1	-	-	735	10.1
Total project costs	732	10.0	6 210	85.1	354	4.9	7 297	100.0

IV. Financial management, procurement and governance

32. The main programme agent remains the Ministry of Agriculture and Livestock. The programme's manual of administrative, financial, accounting and operational procedures is up to date. The administrative and financial procedures conform to the terms and conditions established by IFAD and the Republic of Burundi.
33. The organization of PRODEFI accounting is effective, and its management control is rigorous, following an adaptation of the computerized management system (the accounting software TOM2PRO) to suit the programme's needs. Financial and management dashboards are monitored, periodic reports are produced and regular internal control is maintained.
34. As with all IFAD-financed operations in Burundi, the financial statements are prepared on an accrual accounting basis, pursuant to International Public Sector Accounting Standards and in accordance with the Burundi Chart of Accounts. The consolidated financial statements are audited by a firm of independent auditors and the State Audit Office, in accordance with International Standards on Auditing and IFAD guidelines in this area. The financial management of PRODEFI and the programme itself is rated medium-risk in view of the country's fragile situation.

⁸ Owing to the short duration of the funding and a drop in the annual inflation rate to 5.5 per cent.

35. An internal control system for all IFAD-financed projects and programmes has been put in place to monitor the planned activities. Two internal auditors (financial and technical) work for all programmes and issue quarterly reports.
36. IFAD's anti-corruption standards will be applied to the programme and included in the Financial Management and Administration Manual.

V. Legal instruments and authority

37. A letter of amendment to the current financing agreement between the Republic of Burundi and IFAD will constitute the legal instrument for extending the proposed additional financing to the beneficiary.
38. The Republic of Burundi is empowered under its laws to receive financing from IFAD.
39. I am satisfied that the proposed additional financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VI. Recommendation

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

RESOLVED: that the Fund shall provide additional financing in the form of a grant under the Debt Sustainability Framework to the Republic of Burundi in the amount of four million four hundred thousand special drawing rights (SDR 4,400,000), equivalent to approximately US\$6.21 million, and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Houngbo
President

Cadre logique (état d'avancement par rapport aux objectifs, effets et produits actualisé au 30.08.2017 sur la base du COSOP 2016-2021)

Résultats attendus	Indicateurs objectivement vérifiables	Evolution des cibles			
		Cibles initiales (2010)	Cibles révisées à mi-parcours 2014 ⁹ avec un écart de financement	Cibles finales (avec financement additionnel)	Résultats atteints au 30.8.2017
Objectif global: Contribuer à l'augmentation des revenus et à l'amélioration de la sécurité alimentaire de 112 048 ménages pauvres dans la zone du projet en renforçant les chaînes de valeur agricoles prioritaires.	Réduction de l'insécurité alimentaire dans la zone du programme (per cent)	ND	10 per cent	10 per cent	ND ¹⁰
	Réduction de la prévalence de la pauvreté dans la zone de programme/population vivant avec moins de USD 2 (per cent);	ND	15 per cent	15 per cent	ND
	Réduction de la prévalence de la malnutrition chronique des enfants (garçons et filles) de 64,4 per cent à 49,4 per cent d'ici 2019;	ND	15 per cent	15 per cent	ND
	Nombre de ménages bénéficiant de services de programme	77 500	112 048	112 048	100 250
	Augmentation du revenu moyen des chefs de famille dans les sites de programme	ND	30 per cent	30 per cent	ND
Objectif de développement: 55 000 ménages pauvres dans la zone du projet signalent une augmentation soutenue de la productivité et de la rentabilité des chaînes de valeur agricoles	Nombre de producteurs déclarant une productivité accrue des cultures ciblées et de la production laitière	55 000	55 000	55 000	26000
	Nombre de ménages signalant une augmentation de leur troupeau de bovins	30 000	18 000	18 000	12000
Effet 1: la rentabilité et la durabilité des secteurs agricoles dans la zone du projet sont augmentées et le processus de développement des secteurs agricoles est renforcé par un partenariat public-privé-agriculteur (PPP)	Nombre de coopératives opérant dans les secteurs promus par PRODEFI	120	62	62	58
	Taux de réduction des pertes après récolte dans les secteurs promus par PRODEFI-1	20 per cent	20 per cent	20 per cent	ND
	Volume de lait commercialisé dans la zone de programme (tonnes/an)	15 000	15 000	15 000	13000
	Taux d'augmentation de la capacité de stockage, de traitement et de commercialisation du riz dans la zone de programme	30 per cent	30 per cent	30 per cent	33 per cent
	Taux d'augmentation du prix du paddy à vendre après stockage	20 per cent	20 per cent	20 per cent	33 per cent
	Production annuelle en tonnes de riz décortiqué	2 000	6 000	6 000	10 000
Effet 2: la productivité et les revenus agricoles des petits agriculteurs dans certaines régions sont augmentés	Augmentation de la production laitière	50 per cent	50 per cent	50 per cent	100 per cent
	Augmentation du rendement du riz dans les marais montagneux (tonne/ha)	60 per cent	67 per cent	67 per cent	150 per cent
	Augmentation du rendement du riz dans les zones irriguées - Imbo Plain (tonne/Ha).	20 per cent	30 per cent	30 per cent	20 per cent
Effet 3 Objectif spécifique Emploi de la jeunesse rurale: les emplois pour les jeunes ruraux sont créés en renforçant les capacités et en favorisant les innovations générées par le processus de transformation et de modernisation de l'agriculture soutenu par le Programme	Augmentation de l'emploi et de la création d'entreprise dans la zone de programme	ND	25 per cent	25 per cent	ND
	Nombre d'emplois durables et d'autres activités non agricoles créés par la chaîne de valeur promue par PRODEFI	20 000	10 000	10 000	14000
	Nombre de femmes parmi les initiateurs de microprojets	10 000	5 000	5 000	4893

⁹ Certaines cibles à mi-parcours ont été révisées à la baisse. Celles qui ont été révisées à la hausse sont les cibles initiales qui avaient été considérablement sous-estimées.

¹⁰ ND : non déterminé

Résultats attendus	Indicateurs objectivement vérifiables	Evolution des cibles			
		Cibles initiales (2010)	Cibles révisées à mi-parcours 2014 ⁹ avec un écart de financement	Cibles finales (avec financement additionnel)	Résultats atteints au 30.8.2017
Produits/résultats et activités					
1. Valorisation des filières agricoles					
1.1. Les capacités de développement des filières agricoles promues sont en place	Nombre de plans de développement financés	50	47	47	47
	Nombre de personnes formées à la postproduction	20 000	2 184	2 184	2197
	Nombre de coopératives structurées dans le secteur du riz	75	24	24	35
	Nombre de coopératives structurées dans le secteur du lait	40	24	24	28
	Nombre de coopératives structurées dans le secteur du maïs	7	6	6	5
1.2. Des unités privées pour le traitement et le traitement du lait, du riz, du maïs et d'autres secteurs sont en cours de développement	Nombre d'entrepôts construits et/ou remis à neuf	75	24	24	20
	Aires de séchage construite et/ou rénovée (m ²)	10500	6 000	6 000	6000
	Nombre de centres de collecte de lait construits et/ou réhabilités	40	24	24	24
	Nombre d'unités de traitement installées et/ou remises à neuf	200	47	47	47
1.3. Des mécanismes de financement innovants pour les activités après récolte sont en place	Nombre de groupements de producteurs (coopératives) ayant accès aux services financiers	120	62	62	68
	Nombre de groupes de solidarité garantis financés	150	750	750	1266
2. Accroissement durable du capital productif					
2.1. Les marais sont développés ou réhabilités	Étendue des marais aménagés ou réhabilités (ha)	4 850	3 359	3 359	3036
	Étendue des parcelles de marais remembrées et planées conformément aux normes du système de riziculture intensive (Ha)	ND	ND	2 700	1226
2.2. Les services écosystémiques sont restaurés dans les bassins versants cibles du programme.	Superficie de bassins versants protégée contre l'érosion (Ha)	38 500	33 061	33 061	29045
	Étendue des terres de collines embocagée (Ha)	10 000	7 900	7 900	8322
	Étendue des crêtes arides reboisée (ha)	2 000	3 000	3 000	2970
2.3. L'accès aux sites de production et aux marchés est rétabli	Longueur de pistes réhabilitée (km)	485	344	344	336
2.4. La demande locale de semences commerciales est satisfaite	Nombre d'associations multiplicatrices de semences appuyées	35	31	31	32
	Quantité de semences améliorées produites et distribuées (tonnes)	620	520	520	437
2.5. Les capacités des comités de gestion de la chaîne de solidarité communautaire (CSC) sont renforcées	Nombre de ménages bénéficiant d'activités d'élevage?	20 000	18 000	18 000	12274
	Nombre de personnes formées dans la chaîne communautaire de solidarité animale	20 000	18 000	18 000	12274
2.6. Les Champs écoles paysans (CEP) sont multipliées	Nombre de sessions FFS organisées	630	630	630	574
	Nombre de personnes formées à travers des sessions FFS	20 000	12 900	12 900	10309
	Nombre de femmes recevant une formation FFS	10 000	6 000	6 000	5378
2.7. Les capacités des organisations dans la chaîne de valeur sont renforcées	Nombre d'organisations d'agriculteurs créées/consolidées	320	700	700	279
	Pourcentage de femmes dans les organes directeurs des OP	50 per cent	50 per cent	50 per cent	30 per cent
3. Emplois des jeunes ruraux					
3.1. Observations d'emploi renforcées	Nombre d'organisations impliquées dans le coaching de jeunes	0	4	4	4
	Nombre de centres de renforcement de l'innovation et de formation (CRIF) opérationnels	2	2	2	2
3.2. De nouveaux emplois sont créés	Nombre de personnes formées sur le module GERME	10 000	6 500	6 500	6952
	Nombre de femmes formées sur le module GERME	5 000	3 250	3 250	2368
	Nombre d'emplois créés (50 per cent pour les femmes)	20 000	10 000	10 000	14000