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President's memorandum

Proposed additional financing to

Republic of Burundi for the

Agricultural Production Intensification and Vulnerability Reduction Project

Project ID: 2000001146

Note to Executive Board representatives

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Abbreviations and acronyms

AfDB	African Development Bank
DSF	Debt Sustainability Framework
GCF	Green Climate Fund
KM	knowledge management
M&E	monitoring and evaluation
MINEAGRIE	Ministry of Environment, Agriculture and Livestock
OFID	OPEC Fund for International Development
PBAS	performance-based allocation system
PFCU	project facilitation and coordination unit
PIPARV-B	Agricultural Production Intensification and Vulnerability Reduction Project
PNSADR-IM	National Programme for Food Security and Rural Development in Imbo and Moso
SDR	special drawing rights
SECAP	Social, Environmental and Climate Assessment Procedures
WFP	World Food Programme

Financing summary

Initiating institution:	IFAD
Borrower/recipient:	Government of Burundi
Executing agency:	Ministry of Environment, Agriculture and Livestock
Total project cost:	US\$101 million
Amount of original IFAD financing:	SDR 19.9 million (equivalent to approximately US\$27.5 million)
Terms of original IFAD financing:	Debt Sustainability Framework (DSF) grant
Amount of additional IFAD financing:	Grant: US\$8.0 million Loan: US\$2.0 million
Terms of additional IFAD financing:	80 per cent DSF grant 20 per cent highly concessional loan Highly concessional terms: maturity period of 40 years, grace period of 10 years and fixed service charge as determined at the date of approval of the financing
Cofinancier(s):	OPEC Fund for International Development (OFID) World Food Programme (WFP)
Amount of cofinancing:	OFID: US\$20.0 million WFP: US\$7.0 million
Terms of cofinancing:	OFID: loan WFP: grant
Contribution of borrower/recipient:	US\$11.6 million
Contribution of beneficiaries:	US\$1.9 million
Parallel financing	Green Climate Fund Grant of US\$9.9 million
Financing gap:	US\$23.1 million

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed additional financing contained in paragraph 54.

I. Background and project description

A. Background

1. The Republic of Burundi is a landlocked country with a low-income economy, a history of political instability and weak institutional capacity. The agriculture sector employs 80 per cent of the population and accounted for 40 per cent of GDP in 2018.¹ Burundi has experienced a unique economic situation over the past five years as a result of the decline in foreign aid since 2015. This has posed both fiscal and balance-of-payments challenges, further exacerbating the country's structural fragile situation.
2. Food security remains a major challenge. Although life expectancy improved from 57.2 years in 2010 to 61.6 years in 2019, health indicators are weak. Child malnutrition is widespread, stunting under age five stands at 54 per cent² and the under-five mortality rate is 41 per 1,000 live births.³ The risks of natural disasters are real: 70 per cent of internal displacement is due to natural disasters. The overall level of human capital is low due to an underperforming education system and persistent mismatches between skills and labour market needs. The agriculture sector faces significant agronomic, technological and institutional constraints. Energy infrastructure development is inadequate, with low rates of access to electricity (3.5 per cent in rural areas and 61.7 per cent in urban areas in 2019).⁴
3. The Agricultural Production Intensification and Vulnerability Reduction Project (PIPARV-B) was approved by IFAD's Executive Board on 14 December 2018 (EB 2018/125/R.33/Rev.1). The financing agreement was signed on 13 February 2019 and entered into force on 13 May 2019, with a project completion date of 30 June 2025. The project's original total cost⁵ is US\$101 million, including an IFAD Debt Sustainability Framework (DSF) grant of US\$27.5 million, an OPEC Fund for International Development (OFID) loan of US\$25 million, a World Food Programme (WFP) grant of US\$7 million, a loan⁶ from the African Development Bank (AfDB) of US\$20 million, a government contribution of about US\$11.6 million and beneficiary contributions of US\$1.9 million. PIPARV-B was designed with a financing gap of US\$8 million.

B. Original project description

4. PIPARV-B's overall objective is to improve the living conditions and climate resilience of rural populations in Burundi's central plateau through an integrated land management approach involving the optimal use of natural resources tailored to growing population pressure. The PIPARV-B development objective is the sustainable growth of agricultural productivity and production and the diversification of economic opportunities in rural areas.

¹ <https://www.worldbank.org/en/country/burundi/overview>.

² <http://hdr.undp.org/en/indicators>, 2020.

³ <http://hdr.undp.org/en/countries/profiles/BDI>, 2020.

⁴ <https://data.worldbank.org/indicator>, 2019.

⁵ Figures rounded to 1 decimal point following the Financial Management Services Division review. Total original is US\$101.005 million including the DSF grant of US\$27.488 million.

⁶ Referred to as "parallel financing" in document EB 2018/125/R.33/Rev.1.

II. Rationale for additional financing

A. Rationale

5. As stated by the International Monetary Fund July 2020 Catastrophe Containment and Relief Trust report for Burundi,⁷ the economy remains heavily focused on low-productivity agriculture.⁸ In view of the negative impact of COVID-19 on Burundi's economy, it is even more important to ensure adequate budget allocations to priority sectors, notably agriculture. In this regard, PIPARV-B remains one of the major investments for the Burundian agriculture sector, by contributing to the shift from low- to high-productivity agriculture.
6. Despite the slow start-up of PIPARV-B, due primarily to slow procurement, the project's performance has since improved. The project's overall performance was rated as moderately satisfactory following the remote supervision mission conducted from 23 November to 5 December 2020.
7. The overall prospect of PIPARV-B to attain its development objectives remains positive. As of October 2020, PIPARV-B had carried out all its start-up activities, including the targeting of beneficiaries in all provinces, representing 100 per cent of its final outreach target. This notwithstanding, the integrated land management activities under OFID cofinancing are yet to commence. The financing agreement between OFID and the Government of Burundi is expected to be signed as soon as the parties have agreed on the loan amortization schedule.⁹ In the meantime, the project will carry out its initial integrated land management activities (studies, hill development plans) using government counterpart funding.
8. As of 25 January 2021, the disbursement rate for IFAD financing stood at 11.8 per cent. However, based on current disbursement projections, that rate is set to increase to 22 per cent by the end of 2021. In fact, invoices for US\$810,276 have recently been paid and outstanding invoices for US\$1,483,599 will be paid shortly. Furthermore, the 2022 disbursement projection for IFAD financing is US\$5.1 million, which will bring the disbursement rate to 41 per cent. It is imperative that the financing gap be filled immediately at least in part, in the amount of US\$10 million, as several high-impact investments for vulnerable beneficiaries will otherwise not take place. These include, inter alia, investments in the rehabilitation of lowlands and watersheds (which will otherwise fall 40 per cent short of the original target) and irrigation and water-harvesting technologies (40 per cent short of the original target).
9. Within the framework of the country programme approach, the administrative, financial and monitoring and evaluation (M&E) functions of PIPARV-B have been entrusted to the project facilitation and coordination unit (PFCU) of the ongoing IFAD-supported National Programme for Food Security and Rural Development in Imbo and Moso (PNSADR-IM). Nonetheless, PIPARV-B also has dedicated technical staff, led by an operations manager reporting to the PNSADR-IM coordinator for daily operations. Each project component is led by a technical expert, and a dedicated finance manager with experience in IFAD-funded projects has also been recruited. The additional personnel¹⁰ have been on board since November 2020.
10. PIPARV-B has all systems, procedures, manuals and guidelines in place. Financial management, M&E and procurement are currently rated moderately satisfactory (4). The project has put in place a procurement improvement action plan to ensure the fast tracking of procurement delivery.

⁷ <https://www.imf.org/en/Publications/CR/Issues/2020/07/24/Burundi-Request-for-Debt-Relief-Under-the-Catastrophe-Containment-and-Relief-Trust-Press-49607>.

⁸ Agriculture accounts for about 30 per cent of GDP, but more than 80 per cent of employment.

⁹ The Government of Burundi has requested a revision of the amortization schedule to reflect amounts rather than percentages.

¹⁰ Administrative and financial assistant, accounting assistant and procurement assistant.

B. Description of geographical area and target groups

11. The project is implemented in five provinces of the central plateau: Gitega, Karuzi, Kayanza, Muyinga and Ngozi. These provinces post high rates of chronic malnutrition and are among the country's most densely populated, with average densities ranging from 400 to 1,000 inhabitants/km². Unlike previous IFAD-funded projects, PIPARV-B has adopted a "terroir approach" covering entire hill areas with all associated swamps and watersheds.
12. Within these five provinces, 20 communes were selected in consultation with the provincial authorities, based on the following criteria: (i) prevalence of chronic malnutrition; (ii) rural population density; (iii) development potential through watershed and wetland management; and (iv) volume of investment per inhabitant.
13. The impact of COVID-19 on PIPARV-B's target group has resulted in losses in agricultural production and income, among other consequences. This is due to the slowdown or complete halt of production activities and surge in prices of basic commodities on the domestic market. In areas affected by COVID-19, farmers face significant challenges in accessing agricultural inputs, extension and advisory services, and food. The pandemic has also worsened the already challenging nutritional situation of populations living in Karuzi, Kayanza, Muyinga and Ngozi, with an inflow of refugees returning from the Democratic Republic of the Congo, Rwanda and United Republic of Tanzania.
14. IFAD-funded projects have repurposed around US\$10 million for COVID-19 responsive interventions, of which PIPARV-B contributes around 25 per cent, specifically for access to productive inputs for the most affected households in the PIPARV-B target areas.
15. Burundi classifies farmers in six categories: (1) households without land and animals; (2a) households with less than 0.5 ha and no livestock; (2b) households with 0.5 to 1 ha and no livestock; (3) households with 1 to 2 ha and some small ruminants; (4) extensive livestock-keeping households with more than 1 ha; and (5) households with more than 1 ha and permanently stabling animals.
16. The project target group consists of small-scale family farmers, mainly rural households of landless farmers or farmers with less than 0.5 ha of land and no livestock. Categories 1 and 2 comprise woman-headed households, vulnerable rural youth and indigenous Batwa populations. The number of direct beneficiaries is estimated at 235,000 households (1,175,000 people). At least 60 per cent of the beneficiary households in categories 1 and 2 will have access to highly labour-intensive works under the project, as well as farm and non-farm activities.

Table 1
Project activities per category of beneficiary

Activities	Beneficiary categories					
	C 1	C 2		C 3	C 4	C 5
		A	B			
Component 1						
Hill development works	X	X	X	X	X	X
Watershed development	X	X	X	X	X	X
Micro irrigation (hills)		X	X	X	X	X
Marshland development			X	X	X	X
Labour-intensive public utility work (slopes, hillside plots, marshes, hill irrigation, tracks, infrastructure development)	X	X	X			
Component 2						
Income-generating activities	X	X				
Aquaculture	X	X				
Beekeeping	X	X				
Traditional poultry	X	X				
Goat and pig rearing	X	X	X	X		
Nutrition activities and horticulture	X	X	X	X		
Adult literacy, small and medium-sized enterprise capacity-building, farm and non-farm capacity-building	X	X	X	X	X	X

C. Components, outcomes and activities

17. The project is structured around two technical components: (i) integrated land management; and (ii) inclusive community organization, increased productivity and vulnerability reduction.
18. **Component 1.** Integrated land management and improved connectivity and infrastructure for value enhancement: (i) improving the productive base of different ecosystems (60,000 ha of agricultural parcels, 20,000 ha of watersheds directly overlooking lowlands and 10,000 ha of steep slopes, denuded ridges and public communal lands); and (ii) facilitating market access by rehabilitating 150 km of rural roads and building 30 rice storage hangars and storage facilities.
19. **Component 2.** Inclusive community organization, increased productivity and vulnerability reduction through: (i) inclusive community development and capacity-building; (ii) support to cooperatives for value enhancement, diversification of production and microenterprise development; (iii) improvement of agricultural productivity using the farmer field school approach; and (iv) support to fight malnutrition.¹¹

D. Costs, benefits and financing

Project costs

20. The total project cost¹² over six years is estimated at US\$101.0 million, equivalent to BIF 165.32 billion. The base cost is US\$97.2 million, or 96 per cent of the total cost. The amount for technical and financial contingencies is US\$3.8 million, or 4 per cent of the base cost. Investment costs account for 96 per cent of the project cost, and operating costs for 3.7 per cent.
21. **Costs per component are distributed as follows:** (i) US\$61.0 million (60.4 per cent) for component 1; (ii) US\$34.1 million (33.8 per cent) for component 2; and (iii) US\$5.9 million (5.8 per cent) for component 3 (project coordination, management and M&E).
22. **Cofinanciers.** The financiers of the project are: (i) IFAD with US\$37.5 million (37.1 per cent); (ii) OFID with US\$20.0 million (19.8 per cent); (iii) WFP with

¹¹ Public awareness and mass communication events for all categories of households on good practices in the areas of diet, nutrition, hygiene, reproductive health, improved stoves, etc.

¹² Figures have been rounded to one decimal following the Financial Management Services Division review.

US\$7.0 million (6.9 per cent); (iv) the Government of Burundi with US\$11.6 million (11.5 per cent); and (v) beneficiaries with US\$1.9 million (1.9 per cent). The financing gap is US\$23.1 million, representing 22.8 per cent of the total financing.

Table 2
Original and additional financing summary
(Thousands of United States dollars)

	<i>Original financing*</i>	<i>Revised financing**</i>	<i>Additional financing</i>	<i>Total</i>
IFAD loan	-	-	2 000	2 000
IFAD grant	27 488	27 488	8 000	35 488
OFID loan	25 000	20 000	-	20 000
WFP grant	7 000	7 000	-	7 000
AfDB loan	20 000	-	-	-
Financing gap	8 000	23 000	-	23 000
Beneficiaries	1 883	1 883	-	1 883
Borrower/recipient	11 635	11 635	-	11 635
Total	101 006	91 006	10 000	101 006

* See tables 1 and 2 in document EB 2018/125/R.33/Rev.1 for a detailed breakdown.

** Due to reduction in OFID amount and withdrawal of AfDB.

Table 3
Additional financing: project costs by component (and subcomponent) and financier
(Thousands of United States dollars)

<i>Component/subcomponent</i>	<i>Additional IFAD loan</i>		<i>Additional IFAD grant</i>		<i>Total additional</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>
1. Integrated land management					
1.1 Improvement of wetlands and steep slopes ^a	1 985	4.47	7 941	17.87	9 926
1.2 Market access facilitation ^b	-	-	-	-	-
Subtotal component 1	1 985	3.25	7 941	13.01	9 926
2. Inclusive community organization, increased productivity and vulnerability reduction					
2.1 Inclusive community development and capacity-building	-	-	-	-	-
2.2 Support to cooperatives for value enhancement, the diversification of production and microenterprise development	-	-	-	-	-
2.3 Improvement in agricultural productivity	15	0.08	58	0.32	73
2.4 Support to fight malnutrition	-	-	-	-	-
Subtotal component 2	15	0.04	58	0.17	73
3. PFCU – PNSADR-IM complement ^c					
3.1 Support to institutions	-	-	-	-	-
3.2 Project facilitation and management ^d	-	-	-	-	-
3.3 M&E, knowledge management (KM), communication	-	-	-	-	-
Subtotal component 3	-	-	-	-	-
Total	2 000	1.98	8 000	7.92	10 000

Note: There is a financing gap of US\$23 million (see paragraph 22 for further details).

^a In EB 2018/125/R.33/Rev.1, "Agricultural land management".

^b In EB 2018/125/R.33/Rev.1, "Improved connectivity and infrastructure for value-enhancement".

^c In EB 2018/125/R.33/Rev.1, "Project coordination, management and monitoring and evaluation".

^d In EB 2018/125/R.33/Rev.1, "Project facilitation and coordination".

Table 4

Additional financing: project costs by expenditure category and financier
(Thousands of United States dollars)

Expenditure category	Additional IFAD loan		Additional IFAD grant		Total additional
	Amount	%	Amount	%	Amount
Investment costs					
A. Civil works and infrastructure	1 985	3.29	7 941	13.14	9 926
B. Equipment and materials	-	-	-	-	-
C. Studies	-	-	-	-	-
D. Training and information	-	-	-	-	-
E. Technical assistance	-	-	-	-	-
F. Contracts with service providers	15	0.37	58	1.48	73
Total investment costs	2 000	2.06	8 000	8.22	10 000
Recurrent costs					
A. Salaries and allowances	-	-	-	-	-
B. Operations and maintenance	-	-	-	-	-
Total recurrent costs	-	-	-	-	-
Total	2 000	1.98	8 000	7.92	10 000

Table 5

Project costs by component and subcomponent and project year (PY)
(Thousands of United States dollars)

Component/subcomponent	PY1	PY2	PY3	PY4	PY5	PY6	Total
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
1. Integrated land management							
1.1 Improvement of wetlands and steep slopes ^a	1 977	10 239	13 395	13 126	5 625	81	44 443
1.2 Market access facilitation ^b	-	3 301	5 009	5 894	1 567	817	16 587
Subtotal component 1	1 977	13 540	18 404	19 020	7 192	898	61 031
2. Inclusive community organization, improved productivity and vulnerability reduction							
2.1 Inclusive community development and capacity-building	869	1 236	1 459	1 414	1 370	823	7 172
2.2 Support to cooperatives for value enhancement, the diversification of production and microenterprise development	457	529	467	336	201	89	2 080
2.3 Improvement of agricultural productivity	2 246	6 474	5 058	2 560	1 280	473	18 091
2.4 Support to fight malnutrition	1 063	1 333	1 399	1 466	1 071	437	6 769
Subtotal component 2	4 635	9 573	8 383	5 777	3 922	1 822	34 112
3. PFCU – PNSADR-IM complement ^c							
3.1 Support to institutions	302	652	822	10	10	-	1 796
3.2 Project facilitation and management ^d	493	422	554	616	608	683	3 377
3.3 M&E, KM, communication	137	72	148	77	80	177	691
Subtotal component 3	932	1 147	1 524	703	698	860	5 863
Total	7 544	24 259	28 311	25 500	11 812	3 580	101 006

^a In EB 2018/125/R.33/Rev.1, "Agricultural land management".

^b In EB 2018/125/R.33/Rev.1, "Improved connectivity and infrastructure for value-enhancement".

^c In EB 2018/125/R.33/Rev.1, "Project coordination, management and monitoring and evaluation".

^d In EB 2018/125/R.33/Rev.1, "Project facilitation and coordination".

Summary benefit and economic analysis

23. The analysis shows that the project is economically viable given its focus on people in vulnerable categories, who are largely landless. According to the estimates, the economic internal rate of return of PIPARV-B is 25.2 per cent. This rate of return has been tested under different assumptions that deviate from the baseline

scenario. Specific measures and means have been put in place to mitigate the risks detected.

Sustainability

24. The sustainability of PIPARV-B interventions will be guaranteed by the involvement of well-established rural and agricultural development institutions in project implementation, through: (i) the strengthening of infrastructure users' associations; (ii) the professionalization of farmers and their organizations; (iii) access to local agricultural services; and (iv) consideration of environmental and climate issues.

Financing and cofinancing strategy and plan

25. The original financing plan of PIPARV-B is as follows: (i) IFAD financing of US\$27.5 million (27.2 per cent); (ii) a loan of US\$25.0 million (24.8 per cent) from OFID; (iii) a loan of US\$20.0 million (19.8 per cent) from AfDB; (iv) a WFP grant of US\$7.0 million (6.9 per cent); (v) the Government's contribution of US\$11.6 million (11.5 per cent) in the form of taxes, customs duties and certain management costs of the PFCU; and (vi) a contribution from the beneficiaries of US\$1.9 million (1.9 per cent) and a financing gap of US\$8 million (7.9 per cent).
26. Following Executive Board approval, OFID lowered the amount of cofinancing from US\$25 million to US\$20 million as a result of a reduced country allocation to Burundi. In addition, the AfDB financing cycle under the African Development Fund window 14 had come to an end by the time of loan approval and AfDB was subsequently not in a position to fulfil its commitment to this project, having repositioned its development finance in the country in dialogue with the Government.
27. The request for additional financing of US\$10 million from the performance-based allocation system (PBAS) allocation to Burundi under the Eleventh Replenishment of IFAD's Resources will bring the financing gap to US\$23.1 million. This financing gap may be covered by subsequent PBAS cycles or by cofinancing identified during implementation.
28. The project has secured parallel cofinancing of US\$9.9 million from the Green Climate Fund (GCF) simplified approval process window to climate-proof food production investments in the project areas.

Disbursement

29. The same disbursement mechanisms applicable to the ongoing project will apply to the additional financing. The following disbursement methods will apply: (i) advances to the designated account; (ii) reimbursements; and (iii) direct payments. The additional financing will be managed through the current existing special account and operating account. The original letter to the borrower/recipient will be amended to reflect the additional financing.

Summary of benefits and economic analysis

30. PIPARV-B provides smallholder farmers with direct socio-economic benefits through an increase in food production and productivity (from 30,000 to 60,000 tons for bean crops, from 25,000 to 71,000 tons for potatoes and from 1.5 tons/ha to 4 tons/ha for rice), in addition to the benefits deriving from an increase in production volumes and a more diversified diet. The financial analysis demonstrates that the systems and methods proposed in this project allow the target households to produce enough to meet daily needs and sell a surplus through the available facilities.
31. It is also expected that the prevalence of chronic child malnutrition will fall from 61 to 30 per cent and that 50 per cent of households will diversify their diet. Environmental gains include reforestation, reduced soil erosion, improved fertility, better water management and reduced wood consumption. The project will also

result in: (i) greater involvement of the population in decision-making; (ii) a reduction in the drudgery of women's work; and (iii) vocational training for rural youth.

32. As indicated, the project economic internal rate of return is 25.2 per cent. The net present value of the net economic cash flow generated by the project, at a capital opportunity cost of 14 per cent of the capital, would be US\$33.017 million (15.9 per cent), well above the cost of capital. The net present value is estimated at US\$21.9 million. The analysis shows that rates of return remain high, which is excellent given the objective and nature of the project (priority to vulnerable categories in the project area, largely landless).

Exit strategy and sustainability

33. IFAD-funded projects in Burundi have developed an exit strategy in collaboration with the Ministry of Environment, Agriculture and Livestock (MINEAGRIE) and the Ministry of Economy and Finance. PIPARV-B abides by this strategy, which is built around three complementary thrusts: (i) at the institutional level, the projects should already have implementing mechanisms including the decentralized state bodies, which will continue to provide services after project closure; (ii) the projects will facilitate financial intermediation between the beneficiaries and financial institutions (capacity-building, tailored financial services etc.); and (iii) building communities' organizational and technical capacities for the maintenance of infrastructure and equipment (husking machines, mills, sheds, machines, etc.) is key to the sustainability of project achievements.

III. Risk management

A. Risks and mitigation measures

34. The integrated project risk matrix identified the main following risks: (i) climate hazards, including climate variability, alternating drought spells and flooding; (ii) a socio-economic environment not conducive to sustainable growth; and (iii) overreliance on subsistence agriculture, giving farmers little incentive or capacity to invest in their production, as a consequence of weak policy, legal and regulatory frameworks and related institutions that could promote competitive, transparent and dynamic national markets capable of providing farmers with remunerative, stable and predictable prices. Cognizant of the above constraints, PIPARV-B adopted a number of mitigation measures, building on actions undertaken by ongoing IFAD-funded projects. For instance, PIPARV-B has put in place climate-resilient instruments and processes such as environment management frameworks and plans (including pest and pesticide management plans), and environmental and social assessment studies. The GCF parallel financing of US\$9.9 million will help to further climate-proof the project food production investments and build institutional capacities. In response to the overreliance on subsistence agriculture, while IFAD-funded projects are collectively supporting the Government of Burundi in updating its national agriculture investment plan, PIPARV-B is promoting high-productivity agriculture, building on the successes and lessons learned from IFAD's investments in the rice, dairy and maize value chains.
35. In terms of policy engagement aimed at improving the legal and regulatory frameworks in agriculture and rural development, IFAD is one of the key players in revamping the agriculture sector working group. This is expected, inter alia, to facilitate partnership-building and mobilization of future cofinancing as required. IFAD has established a more formal policy engagement platform around quarterly tripartite meetings between the MINEAGRIE, project teams and the country director.
36. Burundi has a comprehensive national procurement code promulgated in January 2018, with implementing texts (ordinances and circulars) issued regularly.

Debt sustainability

37. Burundi has a high risk of external debt distress and has limited space to absorb shocks. All debt burden indicators exhibit a continual upward trend. The fiscal deficit/GDP ratio is forecasted to expand from an estimated 5.5 per cent in fiscal year 2018/19 (July-June) to 7.5 per cent in 2019/20 and 6.9 per cent in 2020/21, owing to an increase in spending (for elections and the COVID-19 response) and a loss of revenue. As economic activity and trade will be disrupted by the pandemic this year, revenue as a share of GDP is projected to remain flat in 2019/20 and decline in 2020/21, as the economic contraction is expected to persist. Burundi is benefiting from 80 per cent DSF and only 20 per cent highly concessional funding from IFAD, and this additional financing of US\$10 million is not expected to exacerbate the country's debt distress in any significant way.

B. Environment and social category

38. At design, PIPARV-B was classified in category B as a moderate environmental risk, and this risk category is still valid as per the Social, Environmental and Climate Assessment Procedures (SECAP) compliance review cleared by the Operational Policy and Results Division. PIPARV-B is currently developing an environmental and social management plan through: (i) the implementation of a pest and pesticide management framework and plan; (ii) the development of a social and environmental management framework and plan; (iii) conducting environmental and social impact studies and obtaining environmental compliance certificates; (iv) capacity-building for staff and stakeholders in the implementation and monitoring of environmental and climate change measures; (v) support to the relevant authorities for external project monitoring; and (vi) conducting environmental audits at midterm review and at completion. SECAP compliance is currently rated moderately satisfactory (4).

C. Climate risk classification

39. The project investments are not expected to disrupt or have a negative impact on biodiversity. On the contrary, the project addresses the following environmental challenges: land degradation and erosion through integrated land management, hydro-agricultural infrastructure, anti-erosion technologies on 80,000 ha, reforestation of bare hilltops on 10,000 ha, integrated fertility management and identification of resilient varieties, and promotion of improved stoves to reduce pressure on forest resources. As a result of the combination of interlinked and complementary actions, the environmental and social category of the project is maintained at B.

IV. Implementation

A. Compliance with IFAD policies

40. No adjustment has been made to the original project design. PIPARV-B has retained its complementarity with other development projects in the central plateau of Burundi contributing to achievement of the Sustainable Development Goals 1, 2 and 5, prioritized by Burundi in 2017. The project contributes to the implementation of Burundi's National Development Plan 2018-2027. The project also remains aligned with IFAD's Strategic Framework 2016-2025 and the country strategic opportunities programme 2016-2021, and IFAD's policies on climate change, gender, youth, targeting, indigenous peoples and the SECAP.

B. Organizational framework

Management and coordination

41. PIPARV-B will be under the supervision of MINEAGRIE and IFAD. Project oversight will be provided at the national level by the strategic orientation committee and the technical steering committee, which are common to all IFAD-financed projects in Burundi.

42. The administrative and financial management, M&E and procurement have been entrusted to the PFCU of PNSADR-IM. Planning at the regional level will involve the deconcentrated and decentralized administration and regional stakeholders. This process is led by the PNSADR-IM/PIPARV-B PFCU, under the supervision of the technical committee. Coordination and administrative, fiduciary and procurement functions are centralized in Bujumbura. Technical functions (integrated land management and inclusive community structuring, productivity improvement and diversification through cooperative development components) will be decentralized in the Ngozi or Gitega provinces to facilitate the implementation and close monitoring of activities.

Financial management, procurement and governance

43. PIPARV-B financial management arrangements are aligned with Burundi's financial management system and IFAD procedures for administrative and financial management of projects. The project inherent risk at design was foreseen as high. However, since implementation of the ongoing project began, the residual risk has been mitigated to moderate. Most of the measures foreseen at design have been implemented. The project's current financial management systems and procedures will be applied to the additional financing. The accounting software will be modified to accommodate the additional financing. The financial manuals will be reviewed and adjusted to incorporate requirements relating to the additional financing.
44. The fund flow arrangements applicable to the current financing will apply to the additional financing. The same special account and operating accounts will be used to receive IFAD funding and effect payments accordingly.
45. The external audit arrangements will include the additional financing. The current auditors are being recruited and the first audit is not yet due according to the agreed timelines.
46. Procurement takes place in accordance with IFAD guidelines and prevailing regulatory and legislative provisions in Burundi. To the extent possible, contracts are grouped so as to appeal to bidders, favour competition and obtain the best offers. Procurement modalities are set forth in the letter to the borrower/recipient and in the project's administrative, financial and accounting management procedures. The capacity of the PFCU and Government in procurement was improved in order to address prevailing weaknesses, including through training provided by a procurement consultant and training organized by IFAD's East and Southern Africa Division in July 2020. A local consultant on retainer contract basis provides backstopping support to the PFCU during key procurement activities and periods.

C. Monitoring and evaluation, learning, knowledge management and strategic communication

47. The M&E is participatory and will be integrated into the automated and decentralized M&E system employed initially for PNSADR-IM and now in general use for all IFAD-funded projects in Burundi. It will also capitalize on the experiences of other ongoing projects.
48. The PFCU prepares and submits annual workplans and budgets to the steering committee and IFAD for no objection. The M&E system is based on ongoing internal monitoring and periodic evaluations. The project submits semi-annual and annual reports to the oversight administration and IFAD. A midterm review will be performed to determine whether the project strategy and approach continue to be relevant or need adjustment. During the final year of implementation, the PFCU will conduct a final impact study and prepare a completion report following IFAD methodology and format.
49. IFAD-funded projects have a joint KM and communication team that has developed a joint KM strategy and action plan. The team has facilitated the development of

six KM products since 2019 and is very active in the national media broadcasting capitalization manuals, best practice guides and technical documentation, and has organized exchanges of experience and know-how.

D. Proposed amendments to the financing agreement

50. The PIPARV-B financing agreement will be amended to reflect the additional financing. This additional financing will partially fill the financing gap and complement the financing plan initially agreed at design.

V. Legal instruments and authority

51. A financing agreement between the Republic of Burundi and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. The signed financing agreement will be amended following approval of the additional financing.
52. The Republic of Burundi is empowered under its laws to receive financing from IFAD.
53. 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

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

RESOLVED: that the Fund shall provide a loan on highly concessional terms to the Republic of Burundi in an amount of two million United States dollars (US\$2,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant under the Debt Sustainability Framework to the Republic of Burundi in an amount of eight million United States dollars (US\$8,000,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Gilbert F. Hougbo
President

Updated logical framework incorporating the additional financing

Chaîne logique	Indicateurs				Moyens de vérification			Hypothèses
	Nom	Situation de référence	Mi-parcours	Cible Finale	Source	Fréquence	Responsabilité	
Portée	1.b Estimation correspondante du nombre total des membres des ménages				Rapport d'achèvement	Annuelle	UFCP et PS	Stabilité socio-politique. Cadre national institutionnel et législatif adéquat.
	Membres des ménages - Nombre de personnes		300 000	766 400				
	1.a Nombre correspondant de ménages touchés				Rapport d'achèvement	Annuelle	UFCP et PS	
	Ménages - Nombre		60 000	153 280				
	1 Nombre de personnes bénéficiant de services promus ou appuyés par le projet				Rapport d'achèvement	Annuelle	UFCP et PS	
	Nombre total de personnes bénéficiant de services - Nombre de personnes		120 000	300 000				
Objectif du projet Contribuer à l'amélioration des conditions de vie et de résilience des populations rurales du plateau central Burundais par une approche de gestion intégrée des terroirs.	Taux de prévalence de la pauvreté				Enquête de la situation de référence, et enquête d'impact et d'effets	An 1, 3 et 5	UFCP	Stabilité socio-politique. Cadre national institutionnel et législatif adéquat.
	Pourcentage - Pourcentage	0	-3	-5				
	L'indice d'accumulation des biens augmente d'au moins 10 points dans les collines ciblées				Enquête de la situation de référence, et enquête d'impact et d'effets	An 1, 3 et 5	UFCP	
	Pourcentage - Pourcentage	0	5	10				
	Taux de prévalence de la malnutrition infantile chronique dans les collines ciblées				Enquête de la situation de référence, et enquête d'impact et d'effets	An 1, 3 et 5	UFCP	
Pourcentage - Pourcentage	61	45	30					
Objectif de développement Accroissement de la productivité et de la production agricoles, adoption de systèmes résilients et diversification des opportunités économiques rurales.	Nombre de petits producteurs déclarant une amélioration de l'accès aux facteurs de production				Enquête de base, et enquête d'impact	An 1,3 et 5	UFCP	Engagement des intervenants/acteurs. Synergie et complémentarité entre projets.
	Nombre - Nombre de personnes	0	60 000	122 000				
	3.2.2 Ménages déclarant l'adoption de pratiques et technologies durables et résilientes au changement climatique				Enquête de base, et enquête d'impact	An 1,3 et 5	UFCP	
	Ménages - Nombre	0	60 000	122 000				
	Nombre de ménages déclarant une augmentation des revenus d'au moins 30%				Enquête de base, et enquête d'impact	An 1,3 et 5	UFCP	
Nombre - Nombre	0	60 000	122 000					
Effet direct Effet 1: Gestion participative et intégrée des terroirs pour une augmentation de la production et de la productivité des principales filières agricoles	1.2.4 Ménages faisant état d'une augmentation de la production				Etudes/enquête d'effets	Annuelle à partir de l'année 3	UFCP	Une attitude favorable au changement. Efficacité des prestataires de services
	Ménages - Nombre	0	60 000	122 000				
	1.2.2 Ménages déclarant l'adoption de technologies, de pratiques ou d'intrants nouveaux/améliorés				Etudes/enquête d'effets	Annuelle à partir de l'année 3	UFCP	
	Ménages - Nombre	0	60 000	122 000				
	1.2.3 Ménages déclarant une réduction de la pénurie d'eau par rapport aux besoins de la production				Etudes/enquête d'effets	Annuelle à partir de l'année 3	UFCP	
	Ménages - Nombre	0	25 390	25 710				
	2.2.3 Organisations de producteurs ruraux ayant conclu des partenariats/accords formels ou des contrats avec des organismes publics ou privés				Etudes/enquête d'effets	Annuelle à partir de l'année 3	UFCP	
	Nombre d'organisations de producteurs - Nombre	0	25	50				
	2.2.4 Membres des organisations de producteurs ruraux soutenus, déclarant la fourniture par leur organisation de services nouveaux ou améliorés				Etudes/enquête d'effets	Annuelle à partir de l'année 3	UFCP	
	Taille des organisations de producteurs - Nombre de personnes	0	6 000	12 000				
2.2.5 Organisations de producteurs ruraux faisant état d'une augmentation des ventes				Etudes/enquête d'effets	Annuelle à partir de l'année 3	UFCP		
Nombre d'organisations de producteurs ruraux - Nombre	0	25	50					
Produit Produit 1.1 : Capacités des	2.1.3 Organisations de producteurs ruraux soutenues				Rapport d'achèvement et de mis parcours	Annuelle	UFCP et PS	
	Organisations de producteurs ruraux soutenues - Nombre	0	25	50				

Chaîne logique	Indicateurs				Moyens de vérification			Hypothèses	
	Nom	Situation de référence	Mi-parcours	Cible Finale	Source	Fréquence	Responsabilité		
organisations de base et de producteurs ruraux (coopératives) renforcées	2.1.4 Producteurs ruraux soutenus qui sont membres d'une organisation de producteurs ruraux				Rapport d'achèvement et de mis parcours	Annuelle	UFCP et PS		
	Nombre total de personnes - Nombre		0	7 500					15 000
Produit Produit 1.2 Augmentation des aménagements hydroagricoles et protection des bassins versants	1.1.2 Terres agricoles dotées d'infrastructures hydrauliques construites/remises en état				Rapport d'achèvement et de mis parcours	Annuelle à partir de l'année 3	UFCP et PS	Structures efficaces de gestion de l'eau	
	Superficie en hectares - Superficie (ha)		0	1 700					1 800
	3.1.4 Hectares de terres soumises à une gestion résiliente au climat				Rapport d'achèvement et de mis parcours	Annuelle à partir de l'année 3	UFCP et PS		
Superficie en hectares - Superficie (ha)		0	30 950	55 000					
Produit Produit 1.3 Meilleur accès aux infrastructures rurales	2.1.6 Installations de commercialisation, transformation et stockage construites ou remises en état				Rapport d'achèvement	Annuelle à partir de l'année 2	UFCP et PS	Efficacité des prestataires de service	
	Nombre total d'installations - Nombre		0	56					70
	2.1.5 Kilomètres de routes construites, refaites ou améliorées				Rapport d'achèvement	Annuelle à partir de l'année 2	UFCP et PS		
Longueur des routes (km) - Longueur (km)		0	75	150					
Produit Produit 1.4 Organisations de producteurs offrent des services adaptés et pérennes aux membres	1.1.3 Producteurs ruraux ayant accès aux facteurs de production et/ou aux paquets technologiques				Rapport d'achèvement	Annuelle	UFCP et PS	Efficacité des prestataires de service	
	Producteurs ruraux - Nombre		0	60 000					122 000
	1.1.5 Personnes ayant accès à des services financiers dans les zones rurales				Rapport d'achèvement	Annuelle	UFCP et PS		
	Personnes ayant accès-services financiers dans les zones rurales-épargne - Nombre de personnes		0	3 075					6 125
Personnes-accès à des services financiers dans les zones rurales-crédit - Nombre de personnes		0	3 075	6 125					
Effet direct Effet 2: Réduction la vulnérabilité par la diversification des opportunités économiques.	Nombre de ménages bénéficiaires ayant un score de diversité alimentaire acceptable				Etudes/ enquête d'effets	Annuelle à partir de l'année 3	UFCP et PS	Une attitude favorable au changement. Techniques innovantes et mesures de changement climatique adoptées.	
	Pourcentage - Pourcentage		0	30					50
	1.2.8 Femmes déclarant une diversité alimentaire minimale (MDDW)				Etudes/ enquête d'effets	Annuelle à partir de l'année	UFCP et PS		
Femmes (nombre) - Nombre		0	24 960	27 760					
Produit Produit 2.1. Création d'emplois soutenue	Nombre de ménages des catégories C1 et C2 ayant accès aux travaux HIMO.				Rapport d'achèvement	Annuelle à partir de l'année 3	UFCP et PS	Efficacité des prestataires de service	
	Nombre - Nombre		0	41 000					72 900
Produit Produit 2.2. Opportunités des activités génératrices de revenus renforcées	2.1.2 Personnes formées à des activités productrices de revenus ou à la gestion des entreprises				Rapport d'achèvement	Annuelle à partir de l'année 3	UFCP et PS	Efficacité des prestataires de service	
	Personnes formées à des activités productrices de revenus ou à la gestion des entreprises - Nombre		0	1 500					1 500
	Nombre de ménages qui sont bénéficiaires des AGR				Rapport d'achèvement	Annuelle à partir de l'année 3	UFCP et P		
Nombre - Nombre		0	6 125	12 250					
Produit Produit 2.3. Education nutritionnelle renforcée	1.1.8 Ménages recevant un soutien ciblé pour améliorer leur nutrition				Rapport d'achèvement	Annuelle à partir de l'année 2	UFCP et PS	Efficacité des prestataires de service	
	Nombre de personnes qui participent - Nombre								34 710
	Ménages - Nombre		0	31 200					34 710

Appendix 2: Updated summary of the economic and financial analysis

This analysis takes into account the main benefits expected from the project, resulting from the development work, infrastructure, storage, targeted support to poor groups, and young rural entrepreneurs among which the following:

1. intensification of agricultural production on hills and swamps, strengthening the resilience of production systems and protection against soil erosion;
2. increased access to improved seeds, seedlings and fertilizers;
3. access to markets enabling smallholder farmers to diversify their production, reducing crop losses and value addition;
4. increasing yields and the capacity of small farmers to adapt to external shocks while adding value to production;
5. the adoption of good food and hygiene practices through the various measures taken at households level;
6. the control and management of risks at the different levels of the different links of the value chain (production, storage, marketing, credit) with the aim of controlling them to increase and secure production;
7. strengthening the capacities of the actors of the commodity chains: technical capacity building at the level of the management unit and facilitation of the project as well as the strengthening of provincial institutions and technical services.

The financial analysis shows that the systems and methods proposed in this project allow the target household to produce enough to meet the daily need and sell a surplus through the available facilities.

The hypotheses are as follows: in a situation without a project, smallholders use poorly performing equipment, do not benefit from quality support, and experience low yields and crop losses. In a project situation, the smallholders will receive the necessary support with facilities, training, and the supply of inputs that will be aligned to the agricultural calendar. Special attention will be given to organic manure through activities at the level of small livestock, for the cultivation of beans and maize.

There are two production models: i) a hill and watershed model, and ii) a marsh model. The selected crops are rice, beans, maize, potato and banana. There are other crops that can be grown in association and staggered over the year. These production models are in some cases associated with small-scale animal husbandry, which also contributes to the income of rural households. The animals are considered as savings on the farm that can be used as a guarantee in case of family problems (schooling of children and payment of health costs). A summary of the profitability of each crop is presented below:

Table 1. Profitability of Crops

	Brut (BIF/ha)			Net (BIF/ha)			Avec projet	
	Avant projet	Avec projet	Taux de rentabilité	Avant projet	Avec projet	Taux de rentabilité	Nets(BIF) avec frais financier	Taux de rentabilité
Aménagements collines et irrigation collinaire								
Maïs	287 700	349 500	21%	47 700	169 500	255%	122 260	156%
Haricot	318 000	457 000	44%	108 000	277 000	156%	215 960	100%
Pomme de terre	819 000	1 430 000	75%	519 000	1 115 000	115%	749 400	44%
Banane	1 205 000	1 901 000	58%	725 000	1 505 000	108%	1 185 160	63%
Marais								
Riz	590 025	1 061 400	80%	170 025	611 400	260%	509 400	200%
Maïs	0	0	0%	0	0	0%	0	0%
Haricot	418 500	594 000	42%	166 500	384 000	131%	312 320	88%
Pomme de terre	1 927 500	2 439 000	27%	1 267 500	1 854 000	46%	1 529 120	21%

Table 2: Profitability by activity

Activité	Recettes (FBU)	Charges (FBU)	Rentabilité (FBU)	TRI
Elevage associé (pour un étang de 100m ²)	157 500 000	111 099 350	46 400 650	42%
Aviculture (moyenne sur 2 ans)	4 449 600	1 611 125	2 835 475	175%
Caprin (moyenne sur 4 ans)	13 208 350	6 851 900	6 356 450	93%
Elevage porcin (moyenne sur 3 ans)	2 155 413	814 257	1 341 156	165%
Champignon	7 200 000	3 854 400	3 308 600	86 %

Table 3: Net profit by activity

	Superficie (are)	Bénéfice net (FBU)	
		Avant-projet	Avec projet
Superficie moyenne d'une exploitation au niveau colline	50	142 685	370 588
Superficie moyenne d'une parcelle de marais	6	24 778	71 802
Superficie moyenne d'une exploitation au niveau colline sous irrigation	50	23 850	113 900

Note : l'élevage porcin et caprin sera réalisé principalement au profit de 80% des ménages des catégories 1 et 2 sans terre ou avec un accès limité à la terre n'ayant bénéficié d'aucune autre activité à part les travaux HIMO. Pour ceux possédant une exploitation, il faut inclure les bénéfices découlant de ces activités.

Table 4: Pre- and post-project operating models

Culture	Saison agricole	Part de chaque culture en termes de ressources (avant-projet)	Superf 50 ares	Part de chaque culture en termes de ressources (avec projet)	Superfi 50 ares	bénéfices sans projet (FBU)	bénéfices avec projet (FBU)
Maïs	saison A	60%	30,0	55%	28	14 310	46 613
Haricot	saison B	60%	30,0	55%	28	32 400	76 175
Banane	toute saison	30%	15,0	35%	18	77 850	195 125
Pomme de terre	saison A/B	5%	2,5	7%	4	18 125	52 675
Cultures maraichères	saison A/B	5%	2,5	3%	2	0	0
La superficie moyenne d'une exploitation par colline est de 50 ares							
Les cultures maraichères ne rentrent pas dans le calcul économique						142 685	370 588