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Burundi Agribusiness Program: Quarterly Report

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Acronyms and Abbreviations

ASBL	Association sans but Lucratif
BAP	Burundi Agribusiness Program
BBN	Burundi Bureau of Normalization
CNAC	Confédération National des Caféculteurs
CNTA	Centre Nationale de Technologie Agro-Alimentaire
COP	Chief of Party
COTR	Contracting Officer's Technical Representative
CTO	Cognizant Technical Officer
CURDES	Centre Universitaire de Recherche sur le Développement Socio-économique
CWS	Coffee Washing Station
DCA	Development Credit Authority
DG	Directeur Général (Managing Director)
DPAE	Direction Préfectorale de l'Agriculture et Elevage
EAFCFA	East African Fine Coffee Association
ESF	Economic Support Funds
EU	European Union
FBU	Francs Burundais
GDP	Gross Domestic Product
GMP	Good Management Practices
GOB	Government of Burundi
HACCP	Hazard Analysis and Critical Control Point
IAB	Industrie Agro-alimentaire de Buterere (dairy)
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
INADES	Institut Africain du Développement Economique et Sociale
IQC	Indefinite Quantity Contract
LOE	Level of Effort
MINAGRIE	Ministère de l'Agriculture
MCC	Milk Collection Center
MSU	Michigan State University
NGO	Non-Governmental Organization
OTF	On the Frontier
OCIBU	Office du Café de Burundi (Coffee Board)
PAGE	Projet d'Appui à la Gestion Economique
SCAA	Specialty Coffee Association of America
SCEP	Service Conseil aux Efforts de Privatisation
SIVCA	Société pour la Valorisation Industrielle du Café
SODECO	Société de déparchage du Café
SOGESTAL	Société de Gestion des Stations de Lavage
STTA	Short Term Technical Assistance
UHT	Ultra-High Temperature
USD	US Dollar
USG	US Government
VC	Value Chain
WB	World Bank

Introduction

This is BAP's first quarterly report for the second project year and covers activities undertaken from 1 October through 31 December 2008. The new fiscal year found BAP still in negotiations with contracting concerning the technical and financial responses to the Year 2 change order issued on August 22. The obligating documents for year 2 were not finalized before 16 October. The BAP year 2 program is highly earmarked and includes both Programmatic and Geographic expansion. Staffing up for this, took more time than anticipated for multiple reasons, some logistical, some technical, and some administrative.

The first quarter saw a lot of activity in the coffee and dairy value chains, initial meetings on the Development Credit Authority and the arrival of an assessment team to judge the interest and viability of setting up a business incubator in Burundi. We also held a number of individual meetings with private investors/entrepreneurs in coffee, dairy and horticultural sectors, financial institution representatives, NGO beginning implementation of activities in our intervention zone or seeking collaboration for on-going activities, and reinforced our visibility with the Burundi Enterprise Network (BEN) and the Association des Femmes Entrepreneurs of Burundi (AFAB), as well as with the Dutch and the World Bank..

We note that the State's disengagement from the coffee sector took a tepid hop forward with the finalization of the World Bank ordered, PAGE financed, Privatization Strategy Study and the adoption on December 17th by the Council of Minister's of the strategy-though with no timeline attached.

The conclusions of the study are controversial and have led to a series of claims and counter claims by and between sector actors- particularly the SOGESTAL, OCIBU and the State. Further, the CNAC continues to show itself to be quite adept at influencing public opinion. CNAC expressed reservations in the press and through written documents which have been widely disseminated particularly as concerns ownership of the coffee, farmer ownership stake in the productive processing infrastructure and the final disposition of the coffee stabilization fund managed by OCIBU and the physical assets, currently managed by the Service de Patrimoine.

Training of lead farmers continued at pilot washing stations and with the volatility of the world economy and coffee market prices we found ourselves frequently called upon to explain and discuss the dynamics of the situation with our local partners.

The arrival of the dairy STTA team rejuvenated interest among sector actors, led to dynamic discussions on the value chain study and proposed action plan and has shown potential for negotiation of several new public-private partnerships.

Little was accomplished this quarter related to water or unbundled financing of the coffee sector. Gender and micro-enterprise activities were embedded in the on going and new value chain work being implemented. We were pleased to see women take an active and quite verbal role in the

two workshops we facilitated this quarter and to see them taking leadership positions in the coffee cooperatives. One of three dairy enterprises in Bujumbura is managed by a woman and she participated actively in the dialog and debate concerning priority actions for the sector which was held in Gitega during November.

The quarter also saw the team investing time in year end reporting, data quality preparation, analysis and defense and in the development of the details of the year 2 workplan.

Staffing up

In late September BAP published solicitations for seven high level CCN LTTA positions and a number of field staff and support personnel positions. Several of these positions, notably the micro-enterprise/gender and grants/financial intermediation specialist positions had to be re-published when the first round of candidates proved to be unsuitable. Our first choice for monitoring and evaluation took a higher paying/career oriented position with the World Food Program and our top choice of a Dairy VC Specialist died unexpectedly. One finalist candidate for the community water specialist position turned out, upon verification of his employment history to be an active member of Burundi's armed forces, a major, whose education was paid for by the army and who concurrently consults for various NGO and teaches hydrology at the university.

Further to these snafus, the expatriate identified to be our Coffee VC Manager decided at the last minute, for personal reasons, to decline the position leading us to reopen and widen our search for an available specialist with the proper experience and availability. We were extremely lucky to find Marc Schonland, a South African with over 20 years field and private sector management experience in specialty coffee.

In December our accountant resigned for personal reasons, necessitating a recruitment process for her replacement.

Challenges in recruiting include:

- Limited, qualified, candidates responding to recruitment offers
- Submitted dossiers which are incomplete or inconsistent
- discontinuous work/education history due to the civil war,
- a lot of job “flipping” particularly among young, hungry applicants
- difficulty in verifying references, past work experience and salary history- especially with humanitarian NGO, many of whom no longer maintain a physical presence in country,
- contracts not tying with pay stubs or declarations on EBD,
- a number of Burundian organizations also pay the lion's share of their personnel's “salary” off the books to limit tax liability, and finally,
- a plethora of UN agencies and sub-agencies which took/continue to take on vast numbers of local staff at highly inflated salaries for short time frames to serve in the interior of the country

Renovations and Logistics pipeline

The expansion of BAP staff to meet year 2 deliverables required renovations to our current office to subdivide larger space into office and common meeting spaces. The contractor promised renovations in two weeks and took six weeks to complete them.

Importation of equipment from the US to meet our augmented staff size has not experienced any problems to date in getting the equipment through customs in an accelerated fashion. However changes are on the horizon.

The GOB has increased its efforts to improve its public revenue/expenditure imbalance and increasingly is cracking down on exonerations to the NGO community. Our procurement would be greatly facilitated were the terms of the bilateral agreement between the USG and GOB to be applied as anticipated to implementing partners of USG assistance.

Even a letter on official stationery recognizing DAI/PAIR as an active USG implementing partner capable of benefitting from the terms and accords signed in December 2007 would add weight to our requests with the Ministry of Finance and the Ministry of Foreign Affairs.

The Office in charge of International NGO, currently has an interim director and paperwork through this office has slowed to a glacial pace with a number of dossiers being temporarily misplaced.

Coffee Value Chain Activities

Introduction

The biggest news in Burundi Coffee Privatization was the finalization of the World Bank requested, PAGE financed study on State Disengagement from the Coffee Sector. After light re-working and time spent on clarification, the dossier was presented to and the strategy was passed by the Council of Ministers on 17 December 2008, though without any implementation calendar.

However, the GOB has decided that the 2009/10 coffee campaign will be managed in a similar fashion to last year's campaign, creating a transitional period within which a certain number of preconditions may be worked on. To date there has been a dearth of communication concerning this strategy. Certain pieces are controversial and without proper communication by the government accompanied by dialog and debate, a black hole has been left that others- notably CNAC and the boards of the SOGESTAL have been content to fill with their perceptions/perspectives.

If the original calendar is followed, restructuring of the sector and GOB disengagement could begin as early as August 2009 and impact the 2010 coffee campaign. BAP does not believe this will occur for two reasons- one technical and the other political.

Technically, there are a number of precursor steps which need to be undertaken for privatization to move forward- these include:

- surveying and titling of coffee washing stations and SODECO lands,
- financial restructuring of the SOGESTAL and SODECO- including resolution of the debt overhang and interlocking debt/claims among and between sector actors as well as between the sector and the government,
- resolution of outstanding lawsuits against, among and between sector actors which are slowly working their way through the judicial system,
- constitution of an inter-professional organization and separation of powers between the Inter-professional organization and the coffee board (OCIBU) to determine responsibilities for professional oversight, regulation, control and certification, promotion and marketing of coffee, and provision of agricultural inputs, extension services, continued research and improved equipment/technology to the sector;
- downsizing of the OCIBU, SODECO, and the eventually the SOGETAL;
- development of the process (es) and mechanisms through which depulping, dry milling, transport and warehousing services will be paid in the future, and, finally,
- development of mechanisms for financing the sector's operating and capital investment expenses once the State/OCIBU have divested themselves of fiduciary responsibility and financial guarantees to the banking consortium.

Implementing each of these will take time and resources and above all, communication, dialog and debate.

Politically, the question is quite simple. Is the current regime prepared to undertake the tangible actions necessary to begin State divestiture of coffee sector assets before the next presidential election, scheduled for 2010? If not, will a new regime be willing to tackle the issue in the months following their inauguration? Privatization is controversial. Different political parties have already come out for and against it in their platforms. It is a source of potential conflict and could re-light the powder keg between ethnic groups and economic haves and have nots, increasing volatility and potentially negatively impacting economic stability in the short term.

Downsizing and restructuring of government parastatals is never popular, especially in a constrained timeframe which doesn't allow for early retirement and attrition to soften the blow. Given what precedes, we question how realistic it is to expect the process of privatization of the coffee sector to be completed in the next 12 to 24 months.

Leveraging forward momentum on the national level agenda for privatization, we believe is a role best left to the World Bank and the International Monetary Fund, although USAID as a bilateral donor along with the US Embassy can join the multilaterals in exerting pressure on the

GOB to take the necessary tangible next steps. The carrots and sticks necessary to rotate this square wheel surpass the purview of any individual program implementer.

BAP suggests that building a strong foundation for Burundi's revamped coffee sector based upon what's best for, and of interest to, the coffee farmer, is a first priority. We believe we need to prepare sector actors at the provincial level and below so they understand the opportunity, potential and risk privatization and vertical integration can bring. We should assist actors in developing costing structures for depulping and dry milling services and in developing/implementing strategies designed to promote consistent production of the highest quality coffee. BAP believes we can best prepare them for contracting management services, if vertical integration is chosen as the appropriate option for the way forward by the farmer's groups. Further, BAP continues to reinforce capacity, understanding and dialog at the provincial level and below.

As will be seen in the following sections, BAP registered forward movement in all these areas during this reporting period.

Coffee STTA

I) Dan Clay October 2008 trip

Dan Clay took advantage of travel to Rwanda in October to continue on for a week in Burundi during October 25 to November 1 for a set of administrative and technical tasks that were addressed with the BAP coffee team. In particular, Clay worked with the Coffee VC Leader Kamwenebusa, the Coffee Quality, Marketing and Logistics Specialist, Tharcisse Niyungeko and BAP Chief of Party to flesh out the BAP Year 2 coffee work plan, personnel matrix, and timeline. Each of the 18 major tasks and deliverables was discussed in detail written up for USAID approval. Planning sessions were held with the BAP coffee team on the specifics of activities and deliverables (making it clear who is responsible for what, where human and other resources will come from, and general strategy).

Concrete planning was initiated for the December coffee forum in Ngozi. Key decisions were made regarding the thematic focus of the forum, the farmer groups, SOGESTALS, and other participants to be invited, as well as some of the program details and anticipated results/impacts.

During this time the team held several conversations by Skype with Mr. Marc Schonland regarding his candidacy, scope of work and contract as the Coffee VC Manager for BAP. Mr. Schonland's contract was worked out and put in place shortly thereafter.

Hiring Coffee Value Chain Manager (Marc Schonland)

The Coffee Value Chain Manager was hired during this quarter following the development and approval of the scope of work for this position and an intensive review of the candidates' CVs

and a series of interviews with the top candidates. A contract was worked out between Michigan State University and Mr. Marc Schonland of Cape Town, South Africa for this position. Mr. Schonland brings to the BAP coffee team 23 years of broad based international experience in the coffee industry including 6 years with Starbucks as Vice President for Green Coffee and then Managing Director overseeing \$400m a year in turnover. This experience and his contacts in the specialty coffee industry will be important in raising the level and image of Burundi Coffee in the international specialty coffee market niche and in moving progressively greater quantities through direct sales mechanisms, resulting in premium pricing and greater disposable income for Burundian Coffee farmers. Recently, M. Schonland has been working with Sustainable Harvest and Cup of Excellence as their Africa Representative.

In his role as the Coffee Value Chain Manager, Mr. Schonland will work closely with other members of the BAP Coffee Team both in Burundi and at Michigan State University to implement the project work plan in the three overarching areas of the program: coffee sector privatization, improving coffee quality and creating specialty coffee market access, including certified, organic, fair trade, and other developing market niches.

He will take coordinating and supervisory responsibility for all aspects of technical assistance and capacity reinforcement through BAP to coffee stakeholders including producer organizations, other rural enterprises in the coffee value chain, OCIBU, the Coffee Reform Committee, CNAC, SOGESTALS, SIVCA and other cooperating organizations.

It is expected that Mr. Schonland will also provide strategic thinking and guidance on actions Burundi's coffee sector needs to undertake in order to:

- 1) Track and fully exploit current and future trends in the world coffee market.
- 2) Prepare sector actors for Burundi's integration into the East African Community, what the changes mean in terms of how business will be done, and how to work with the sector to attract outside investment in joint ventures/strategic alliances, etc while maintaining Burundi's special "terroir" feel and fully exploiting its potential origin market niche.
- 3) Improve Burundi's image as a "risky" place to do business in the international high end coffee market.

Hiring Coffee Quality, Marketing and Logistics Specialist (Tharcisse Nyungeko)

The Marketing and Logistics Specialist was hired during this quarter following the development and approval of the scope of work for this position and completion of the interview process. A contract was worked out between Michigan State University and Mr. Tharcisse Nyungeko of Bujumbura for this position.

Mr. Nyungeko comes to BAP with 24 years of experience in Burundi's coffee sector, most recently 8 years of experience as the SONICOFF director of coffee quality control. Prior to his

employment at SONICOFF he worked as head of coffee quality control at OCIBU and then at SODECO. He is one of Burundi's most experienced cuppers and cupping trainers.

In his role as the Coffee Quality, Marketing and Logistics Specialist, Mr. Nyungeko will work closely with other members of the BAP Coffee Team both in Burundi and at Michigan State University to implement the project work plan in: improving coffee quality; creating specialty coffee market access, including certified, organic, fair trade, and other developing market niches; and improving coffee logistics (movement of coffee through stages in the value chain both in Burundi and export).

More specifically, Mr. Nyungeko will be an leader in organizing and implementing the coffee stakeholder forum on "Specialty Coffee Markets and Marketing" and will assist in developing the National Specialty Coffee Marketing Strategy, the design and implementation of coffee study tours for Burundi coffee stakeholders, and the development of sustainable marketing tools and promotion strategies for Burundi specialty coffee. In the area of coffee quality, he will provide local leadership to the development of training materials and implementation of training sessions for pilot washing station managers in successful management models for creating quality control services for CWSs and dry mills, with a special focus on cupping labs and cupping training and the establishment of regional Coffee Quality Centers (CQCs).

He will coordinate field activities in support of coffee quality in piloting systems for differential pricing for high quality cherry in the pilot washing stations (including systems for inspecting, pre-sorting and floating cherry prior to processing). Responsibilities will also include work with SIVCA to establish a GDA-like proposal and MOU for Coffee Quality Center at the SIVCA dry mill in Ngozi. The CQC will serve as: a cupping laboratory, a centre d'accueil for international buyers, and as a classroom for coffee quality training.

For improved logistics, Mr. Nyungeko will help to develop strategies to streamline exportation from Burundi, develop practices that will enable the Burundi green coffees to maintain their quality while in transit, streamline transport and shipping, ensure a business friendly regulatory environment in Burundi (e.g., fast-tracking export paperwork and licensing. increased competitiveness, etc.) and in the transiting countries (Kenya and Tanzania) so that customs clearances, transshipping, and routing priorities are received and that illicit/informal barriers/roadblocks disappear.

II) Marc Schonland, Coffee VC Manager. Introductory visit to Burundi; meetings with key coffee sector actors, upcountry visit to pilot washing stations, SOGESTALS, and SIVCA

Marc Schonland's first visit- as BAP Value Chain Manager - took place from the 3rd December 2008 to 10th December 2008. The main purpose of his trip was to meet as many stakeholders across a broad section in the Burundian coffee industry & make an early assessment of the task

at hand. In short, a reconnaissance visit, to develop an understanding of the Burundian coffee industry & the actors in the industry.

His hosts were the DAI team lead by Ben Lentz & Emile Kamwenubusa. Ben & Emile also compiled his program of visits and meetings.

Marc was able to meet with:

- OCIBU;
- private exporters;
- members of the Coffee Reform Committee; CNAC; private and government owned millers;
- The World Bank;
- ABEC;
- SOGESTAL leaders;
- Washing station managers and coffee farmer association representatives.

To this extent, Marc's trip accomplished its mission. He was able to meet all the key stakeholders; and crucially was able to understand the opportunities & challenges ahead.

In Marc's report he highlighted the strengths of the industry:

- The dominance of the (traditional) Bourbon variety - which is good for quality;
- the developed coffee infrastructure at the washing stations;
- and the natural environmental assets (altitude, soils, rainfall) of the country.

The challenges highlighted in his report include:

- lack of knowledge of the needs - especially cup profile -of specialty market;
- lack of in-country cupping expertise;
- dearth of outside buyer knowledge and awareness of Burundi (specialty) coffee;
- severe logistical and export issues;
- low & sharply fluctuating production;
- lack of legal clarity in the industry;
- low & slow payments to farmers for their cherry and
- the role of OCIBU.

In Marc's report he proposes ongoing training and education as key to solving many of the challenges over time. On the issues of logistics, which include the lack of containers & port congestion delaying Burundian shipments - he is recommending a collective country effort that includes assistance from senior private and non private actors outside of the coffee industry.

Workshops

One workshop with PY 1 key partners to discuss successes, lessons and replicability of activities at Pilot Washing Stations for the production and marketing of specialty coffee in a future privatized environment – NGOZI 26 and 27 November 2008.

This workshop was organized in the context a five interlocking phenomena.

First and foremost is the fact that the World Bank financed, PAGE contracted, study on options for GOB disengagement from the coffee sector was finalized 31 October, 2008 and submitted to the government for review, feedback, editing and eventual submission to the Council of Ministers for adoption. This study recommends that the STATE divest itself of the coffee sectors productive assets and cede operational management of the sector to private operators, including Burundi's coffee farmers. The STATE will retain regulatory, certification and enforcement authority over the sector, including setting of norms and standards, licensing of operators-washing stations, dry mills, etc..., classification and grading of coffee, issuance of export permits and paperwork.

Second, coffee farmer organizations have expressed an interest both in increasing the productivity of their plantations and in having a more active role as owners/managers of the coffee washing stations.

Third, there is a feeling among coffee sector actors at the provincial level and below that they have been ignored in all debate and dialog concerning privatization of the coffee sector which has led to an aggravated level of nervousness concerning the future status of professional technical personnel of the coffee sector parastatals following the State's disengagement from the coffee sector.

Fourth, the participants at this workshop have all exhibited interest and motivation in producing coffee of the highest quality for eventual placement in the specialty coffee market.

Finally, the volatility of this year's coffee market and the constraints registered in marketing Burundi's 2008/09 coffee production.

Given this context, the goal of the workshop was to create a cadre for the fruitful exchange of experiences between coffee sector actors from each of the pilot washing stations, the management and quality control teams, and the farmer's federation engaged in the production, processing and marketing of high quality and specialty coffee to reflect upon past experiences and recommend courses of action for a post privatized sector.

Four modules were discussed during the two days:

- 1) Improving productivity and the capacities of coffee farmers and their organizations
- 2) Collection and processing of coffee at the washing stations
- 3) Purchasing cherry, dry milling and marketing of green coffee and
- 4) Financing of and improved communication between sector actors

Forty six participants, including 10 women participated in the workshop. Participants at the workshop are disaggregated by category and gender in the following table.

Participants Ngozi Seminar 26-27, Nov 2008

Category	Men	Women
DG Sogestal	4	
SOGESTAL Production Directors	4	
SOGESTAL Washing Station Mgrs	4	
Coffee Federation Presidents	4	
Coffee Union Representatives	8	4
Coffee Cooperative Representatives	4	4
Other participants	6	1
BAP Personnel	2	1 ADC
Total	36	10

We note that of the women representatives of the Unions and Cooperatives, five hold the post of treasurer and three, the post of advisor. We were extremely pleased by the active participation and unique perspective these women brought to the forum and were impressed that two of them presented the work of their breakout groups in the plenary sessions.

Principal recommendations from the break out groups by module were:

- 1) Improving productivity and the capacities of coffee farmers and their organizations
 - Farmer association leaders should redouble their efforts to increase membership in their associations and motivate farmers at the *colline* and *sub-colline* level to adopt improved agronomic practices to better maintain their coffee plantations
 - The GOB and diverse development projects should work through farmer's associations to ensure timing and availability of agricultural inputs and when promoting the replanting of older less productive coffee
 - Farmer association members should be reinforced institutionally in cooperative creation, organization, structuring and functioning, but also in managing for the accomplishment of member's objectives
 - Cherry should be received at the CWS as soon as it is brought in to maintain the quality of the coffee

2) Collection and processing of coffee at the washing stations

- CWS managers recommend systematic adoption of the single fermentation method at all washing stations
- Farmers recommend that CWS construct shelters for farmers at the flotation bins and reception sorting tables to protect them from rain while they cull their cherries prior to reception
- CWS managers recommend they receive capacity reinforcement in monitoring water quality through the transformation process and in improved practices for managing washing station effluents to reduce potential health risks to downstream communities
- CWS managers and farmer leaders recommend they receive training in cupping in order to better appreciate the quality of coffee being produced and to improve their negotiating position with interested buyers

3) Purchasing cherry, dry milling and marketing of green coffee

- For the sale of cherry it is recommended that the farmer's associations and SOGESTAL create a joint commission to establish Memoranda of Understanding governing the purchase price and modalities for payment of cherry; to establish pricing data on the dry milling of parchment, for the marketing and financing of coffee
- Purchase price for cherry – a reserve price should be negotiated between farmers and the SOGESTAL based on current market value of coffee. The farmer will be paid 50% of this price in the first month when cherry is brought to the CWS, the remaining 50% will be paid when all the CWS green coffee has been liquidated.
- It is recommended that an MOU be signed between the farmer's associations and the SOGESTAL which will detail sales conditions, instructions for depositing revenues from the sale of coffee and detailing how the revenues will be distributed. This MOU will also detail the rights, roles and responsibilities of each party in the transaction.
- Revenues will be distributed, first to reimburse the campaign financing, second to pay coffee sector processors and dry millers in accordance with the negotiated MOU, third to pay off the coffee farmers the remaining amount for their cherry, finally, any money remaining from the sale will go into a savings account.
- The farmers and CWS personnel resolve to continue their efforts to produce specialty coffee of the highest quality even though this year's market and economic situation created unfavorable and demotivating market conditions

3a) Perceptions of the DG SOGESTAL and Federation Presidents on the marketing of coffee

- There is a dearth of information concerning world coffee prices
- There is no communication/dialog prior and during the marketing of coffee between the SOGESTAL and the Federations
- Coffee buyers have expressed a preference for FOB pricing rather than the FOT pricing which is the only option recognized in the current coffee marketing legislation
- The farmer's ownership of coffee is not visible (apparent) in the marketing system currently in place

- The State continues to control marketing of coffee through OCIBU
- The marketing commission is not independent and is obliged to follow directions received from OCIBU
- There is very little intercommunication between the SOGESTAL and the Federations
- The sale of coffee passes through many intermediaries (CNAC and OCIBU) each of whom takes a cut of the sales with the resultant effect that the coffee farmers receive less money than they would if these intermediaries didn't exist
- The landlocked nature of Burundi and constraints linked to overland transport of coffee to the ports in Dar Es Salaam and Mombassa mean that Burundi has difficulty respecting delays negotiated with international buyers.

Recommendations

- Reinforce communication between the SOGESTAL and the Federations
- Modify the legislation governing the marketing of green coffee to enable flexibility in negotiating pricing with buyers
- An effort must be made to bring naysayers into line and have them respect negotiated agreements

4) Financing of and improved communication between sector actors

- Farmers need to prepare for a privatized environment in the coffee sector by constituting their own stabilization fund. This fund which will serve to guarantee campaign financing should be managed by CNAC
- Farmers associations need to manage their resources transparently in order to maintain confidence with their members and ensure recovery of outstanding inputs credits
- Campaign financing for coffee should be negotiated by coffee farmers with interested financial institutions using their production and cooperative savings as guarantees against non-reimbursement of funds received.
- Overall the workshop participants recommend that the State organize a large communication campaign to explain the proposed strategy for privatization before it is implemented.
- All participants noted that information is stove piped and that each works isolated from the other receiving information or injunctions only from their unique hierarchies. There is little dialog or feedback permitting discussion between sector actors at the same level or between different levels of the hierarchy. Edicts are issued without context and there is very little opportunity to ask questions or clarification.
- All participants recommend that there be increased consultation –
 - Between farmers
 - Between farmers and the management team of the CWS
 - Between SOGESTALS and Federations
 - Between OCIBU and CNAC
- They recommend increased frequency in the dissemination of information via the radio, SMS, and mobile phones

- Participants request that more information be communicated concerning:
 - On-going reforms in the coffee sector
 - World Coffee prices and trends
 - Updates on the sales volumes, pricing and terms of Burundian coffee
 - New technologies and best agronomic practices for coffee
 - Information on experiences from other coffee growing countries in the sub-region.

Radio Emissions designed to increase debate among coffee sector actors on privatization and on going efforts to improve coffee quality, direct sales and Burundi's entry into the specialty coffee market niche.

BAP arranged media coverage of the Ngozi Forum and diffusion of the discussion, debate and recommendations from the workshop on the airwaves in local language.

A second radio emission on the on going movement for disengagement of the State from Burundi's Coffee sector included interviews with the BAP COP and Coffee VC Team leader as well as participants at the Ngozi Forum.

Policy Paper

During this reporting period one Policy Paper drafted and disseminated to key coffee sector actors and GOB officials in French *Réflexion sur la Privatisation du Secteur Café : « Quels Place et Rôle des Caféculteurs et de leurs Organisations ? »*. While there was no reaction from USAID, there have been mostly favorable reviews from CNAC, the World Bank and the AGRER/Marlagne Capital privatization team as well as from exporters and local financial institutions. This document proposes a national debate to accompany the State's disengagement from the coffee sector. It delineates eight major topics for discussion. These include:

- Improving coffee productivity and stabilization of the amplitude of production cyclicality
- The place and role of coffee farmers in the reform process of the sector
- Viability and Competitiveness of Coffee Washing Stations
- The Coffee Market
- The Coffee Farmer's Interest
- Promotion of Competitiveness and Attracting outside investors
- Free Cession of Washing Stations and
- Financing

The overall vision espoused in the document is that Burundi's coffee industry depends on the engagement of its coffee farmers. Farmers are the foundation of the industry. They are rational beings and need to be presented with a maximum of choice (options) from which to choose and need to have access to the information necessary to develop and defend their negotiating

position.. BAP is pro competitiveness, pro-private sector and pro transparency. BAP proposes to implement a series of panel and round table discussions on these themes throughout the year, but is already noting that the level and frequency of debate and of press conferences related to privatization of the sector has increased since dissemination of this document.

Training Sessions

During this reporting period BAP expanded its outreach from 4 to 13 coffee washing stations in the 4 SOGESTAL of Kayanza, Kirimiro, Kirundo-Muyinga and Ngozi. Themes during this quarter focused on best agronomic practices, notably use of organic fertilizers and compost, plant protection from disease and pests, nursery replication of coffee plants and planting and maintenance of new trees.

Training of lead farmers at Coffee Washing Stations in the project zone by ADC implicated 3850 participants of which 19% were women. Female participation was highest in Kirundo Muyinga (27.2%) and lowest in Ngozi (10.4%). In total 85 training sessions were held during this quarter with an average participation of 45.

Participants at training sessions with ADC at CWS during Q1 PY 2

SOGESTAL	Station	PARTICIPANTS		
		Hommes	Femmes	Total
Kayanza	Bwayi	137	32	169
	Kinyovu	161	31	192
	Kiryama	246	42	288
	Butegana	231	65	296
	Total	775	170	945
	%	82.01	17.99	100.00
Kirundo-Muyinga	Ngogomo	250	39	289
	Rugerero	304	143	447
	Gasura	345	113	458
	Murago	158	100	258
	Total	1057	395	1452
	%	72.80	27.20	100.00
Ngozi	Murambi	282	34	316
	Rugabo	349	41	390
	Ruhama	248	22	270
	Gatukuza	282	37	319
	Total	1,161	134	1,295
	%	89.65	10.35	100.00
Kirimiro	Teka			
	Mahonda			
	Butemba	118	40	158
	Kibuye			
	Total	118	40	158
	%	74.68	25.32	100.00
Total General		3,111	739	3,850
%		80.81	19.19	100.00

Information on the cascading training by lead farmers at the sub-colline level during Q 1 is not fully available. Information received suggests that a total of 216 sessions were held with coffee farmers in the provinces of Kayanza (49 sessions), Kirundo-Muyinga (25 sessions) and Ngozi (142 sessions). An overall participation of 11, 240 farmers was registered of whom 37% were women. See Table below.

SOGESTAL	Station	PARTICIPANTS		
		Men	Women	Total
Kayanza	Bwayi	1102	622	1,724
	Kinyovu			
	Kiryama			
	Butegana			
	Total	1102	622	1,724
	%	63.92	36.08	100.00
Kirundo-Muyinga	Ngogomo	985	590	1,575
	Rugerero	1243	795	2,038
	Gasura			
	Murago			
	Total	2228	1385	3,613
	%	61.67	38.33	100.00
Ngozi	Murambi	1284	653	1,937
	Rugabo	1094	607	1,701
	Ruhama	1097	770	1,867
	Gatukuza	284	114	398
	Total	3759	2144	5,903
	%	63.68	36.32	100.00
Kirimiro	Teka			
	Mahonda			
	Butemba			
	Kibuye			
	Total			
	%			
Total Général		7,089	4,151	11,240
%		63.06	36.94	100.00

Much ground work was laid during this quarter at the pilot and hub washing stations to characterize the associations, unions and cooperatives, to understand their structure and functioning, critical elements for their sustainability and to assist them in obtaining their legal paperwork, in mobilizing funds and in identifying services which can be provided differentially to the members vs other citizens living on the collines. Further training sessions included topics on organization of associations into unions, identification of differential services associations may provide to their members, conception of a plan for implementing a community activity and discussions on the best way to divide revenues among farmer members of coffee associations.

An interesting phenomenon we are noticing is that, as the PAGE ordered study on State disengagement from the coffee sector prepared to present its findings to the government, there was renewed interest in the creation of cooperatives at the washing stations. The cooperatives are perceived to be analogous to the Unions already in existence with the difference being that the Unions are tasked with extension and technical assistance to the associations and with the mandate of improving on farm productivity and overall quality, while the cooperatives are focusing on marketing the coffee, becoming shareholders in the CWS, and in providing agricultural inputs to member farmers and in negotiating credit with local financial institutions.

The leadership of the “old” unions has moved over “en bloc” to manage the new cooperatives and new leaders have been identified for the unions. The new leadership has neither the institutional memory nor has received the capacity reinforcement to the same extent as the cooperative leaders. Further the Unions and Cooperatives are seen hierarchically as being at the same level. Normal progression would be informal associations/OPA/or pre-cooperatives at the colline level, followed by cooperatives at the CWS level, followed by a grouping of cooperatives, often by geographical proximity if they all intervene in the same sector into Unions, then moving up to Federations at the Provincial Level and finally the Confederation at the National Level. We find that cooperatives are currently soliciting membership from associations, individual members of associations, the unions and, less frequently, from individual, non- affiliated smallholders.

Information in the following table provides detailed data from the initial 4 pilot washing stations, re the number of colline level associations affiliated with the CWS Union, their legal status, membership, and the percentage figures for women, as members of the associations and for association members as a percentage of farmers serving the CWS. We remind the reader that each CWS has a union and, now, a cooperative.

These four CWS regroup 93 associations with a total of 3,306 members of whom 23% are women. Sixty-three percent of the associations (59) currently possess legal recognition of one form or another, however, only 31% have notarized documents which are a precondition for accessing credit through formal financial institutions.

Of the 29 associations with notarized statutes 59% are associated with the Murambi CWS which is in the commune of Ngozi and thus in close proximity to available notarial services. Thirty six point six percent of associations have no legal paperwork, the greatest number of these are associated with the CWS at Bwayi. We note that no associations associated with CWS Teka have notarized legal statutes.

Thirty eight point three percent of farmers serving the four pilot washing stations are affiliated with farmer associations. This is more than double the national average. The CWS with the greatest number of associated members is Teka with 74.2%. If you extract Teka from the analysis, the percent of farmers affiliated with farmer associations drops to an average of 26.3% which is still 55% higher than the national average of 17%.

Sogestal	CWS	# Assns	Legal Status			Members in Assns affiliated with Pilot CWS				Producers Serving CWS	% farmers in Assns
			Notarie	Commune	Zero	men	women	total	% women		
Kirundo Muyinga	Ngogomo	29	7	7	15	461	111	572	19.41	2298	24.89
Kayanza	Bwayi	29	5	5	19	600	169	769	21.98	3181	24.17
Ngozi	Murambi	20	17	3	0	485	216	701	30.81	2360	29.70
Kirimiro	Teka	15	0	15	0	1055	263	1318	19.95	1776	74.21
Total		93	29	30	34	2601	759	3360	23.04	9615	38.25

We are currently collecting information on the 9 CWS, but initial information suggests that these stations regroup an additional 312 associations. For the five washing stations in provinces where the information is complete as of 31 December 2008 the table below presents information on the number of associations (164), number of total members (3416) and the percentage of women, members in these associations (34%). Of the 11,476 farmers serving these washing stations, 30.9% are members of these associations. The highest percentage of farmers which are members (40.8%) occurs at CWS Rugerero in the province of Muyinga, the lowest at CWS Rugabo (19.7%) in the province of Ngozi.

Sogestal	CWS	# Assns	Members in Assns affiliated with Pilot CWS				Producers Serving CWS	% farmers in Assns
			men	women	total	% women		
Kirundo Muyinga	Rugerero	37	608	374	982	38.09	2098	46.81
	Gasura	33	409	181	590	30.68	1711	34.48
	Murago	35	454	298	752	39.63	2479	30.33
Ngozi	Rugabo	33	402	194	596	32.55	3032	19.66
	Ruhama	26	353	143	496	28.83	2156	23.01
Total		164	2226	1190	3416	33.95	11476	30.86

Funds Mobilized by Cooperatives at BAP assisted CWS

Cooperatives at 10 of 13 BAP assisted CWS have mobilized funds, mostly through the sale of shares in the cooperative. As of 31 December 2008 a total of 16.980.150 FBU had been mobilized of which 97.6% is in savings accounts at 3 provincial financial institutions- Interbank, Bancobu and the BCB. More than 50% of the funds mobilized is on account at Interbank, 3.66 million is on account with the Bancobu and the rest is at the BCB. On average the cooperatives mobilized 1.698.015 FBU. The greatest mobilization occurred in cooperatives at the CWS of Kinyovu (4.1 million FBU) and Bwayi (3.55 million FBU) in Kayanza province. The least mobilization occurred at the cooperative associated with the CWS of Murambi (380,000 FBU) in the province of Ngozi.

We note that these figures do not include monies destined for coffee farmers from premiums negotiated with international buyers for direct sales of coffee from pilot washing stations, notably Bwayi and Kinyovu.

Sogestal	CWS	Amt Mobilized in FBU	Amt in Bank (FBU)	Bank
Kayanza	Bwayi	3,549,000	3,549,000	IBB Kayanza
	Kinyovu	4,100,000	4,100,000	BCB et IBB Kayanza
	Kiryama	nd	nd	
	Butegana	1,593,800	1,593,800	IBB Kayanza
Kirimiro	Teka	nd	nd	
Kirundo Muyinga	Ngogomo	1,500,000	1,500,000	IBB Muyinga
	Rugerero	1,900,000	1,900,000	Bancobu
	Gasura	1,190,000	790,000	BCB Kirundo
	Murago	1,010,000	1,010,000	IBB Kirundo
Ngozi	Murambi	380,000	380,000	IBB Ngozi
	Rugabo	802,000	802,000	Bancobu
	Ruhama	955,350	955,350	Bancobu
	Gatukuzi	nd	nd	
Total		16,980,150	16,580,150	

Inventoring the Coffee Plantations

With 84 of 93 associations reporting in (90.7%) at the initial 4 pilot CWS we have inventoried a total of 1,307,446 trees in member plantations or an average of 389.4 trees per plantation. Associations affiliated with CWS Ngogomo have, on average, the greatest density of trees per farming household 587.4 while those of associations affiliated with Murambi CWS in Ngozi have, on average, the smallest plantations (308.2 trees per farming household).

SOGESTAL	CWS	# Assn	# Assn reporting	% Assns	# of Trees	Mean # Trees per Assn member
Kayanza	Bwayi	29	29	100	267,571.00	347.95
Ngozi	Murambi	20	16	80	148,257.00	308.23
Kirundo-Muyinga	Ngogomo	29	24	82.76	478,503.00	587.84
Kirimiro	Teka	15	15	100	413,115.00	313.44
Total		93	84	90.69	1,307,446.00	389.37

Dissemination of Market Information and comparison of direct sales contracts vs tenders in providing value to coffee farmers

BAP continued its program collecting, analyzing and diffusing data from the tenders and direct sales contracts through the end of 2008. What is clear from the data, presented in Annex 1 is that direct sales contracts are more profitable for farmers than tender or auction sales held in the historic tradition of OCIBU. These sales, principally of commercial grade coffees, move greater volumes of coffee, but at discounted prices. Direct sales agreements based on the quality of the

coffee as adjudged by the cup produced higher prices and premiums for parties participating in the production of this quality.

Farmer premiums from direct sales at BAP assisted pilot washing stations resulted in premium payments of \$17,605.98 in Bwayi and \$5291.09 for farmers at Kinyovu in addition to the advances received for their cherry and independent of any end of campaign rebate which may be in the offing once 2008/09's coffee is fully sold.

Dairy Value Chain

Dairy Value Chain Validation Workshop

A joint dairy mission from DAI and Land O'Lakes occurred during this reporting period. They were accompanied and assisted by CCN Consultant Pierre Ndikumagenge. The study team leader presented the findings of the value chain assessment conducted in December 2007 in a workshop for value chain actors in Gitega on November 20, 2008. Present at this workshop were 21 participants, including 3 women. Participants, by category, excepting BAP staff, are presented in the following table.

Category	Men	Women
GOB		
MINAGRIE		
Direction Ntl de la Production Animale	1	
Direction Ntl de l'Elevage	1	
Direction Ntl de la Sante Animale		1
Direction General de l'Abatoir de Bujumbura	1	
Dairy Farmers	10	
Veterinarians	1	
Flour Mill Fanisana (Also Dairy farmer)	1	
Dairies		
MilkChel		1
Nyabisabo	1	
Milk Distribution ASBL from Kamenge	1	
NGO	1	
USAID		1
Total	18	3

The action plan for the sector which is given in full in Annex A was presented to the workshop participants, who were invited to give their comments, ideas and criticisms. The major axes of the action plan for sector growth that were presented are as follows:

- Axis 1: Development of a program of production support activities to be led by local producer associations with support from BAP and the DGE.

- Axis 2: Develop an association-based collective marketing system for milk with improved storage and transport logistics.
- Axis 3: Help improve the supply and demand conditions for veterinary supervision of bovine health.
- Axis 4: Spur the development of commercially provided local livestock feed supplement.
- Axis 5: Provide assistance to milk processors in form of technical processing, know-how, staff training and financial/business planning.

In general, the workshop validated the general thrust of the action plan, which was to:

- (1) strengthen the dairy value chain through a program of support focusing on improving supply linkages from production areas beyond the peri-urban core to emerging industrial dairies in Bujumbura; and
- (2) focusing on eliminating production constraints in areas that will benefit from these improved supply linkages. The participants noted in particular that the emergence of a “modern” dairy sector would play a much needed role as a stimulator of production in rural areas driven by a stable large-scale demand for significant volumes.

In the debates and break-out sections the participants identified a number of important points for the team to take into consideration that had not been taken into account by the team in its presentation. These are summarized briefly below for production, collection, processing and for sector coordination. A complete synthesis of the workshop proceedings is provided in French in Annex B.

Production

The team’s action plan emphasized mainly the development of controlled breeding farms as a method of overcoming the widely recognized problem of high cost/lack of supply of improved race dairy cows. Many participants thought that artificial insemination (AI) needed to be added to the mix of program activities as it could significantly increase the rate of growth in improved animals of known genetic quality.

The final objective of the production program proposed in the action plan by the BAP team was stated to be the acceleration of the adoption rates for both completely enclosed production and semi or partially enclosed dairy production. A strong component of the participants felt that promoting semi-enclosed production should not be a long-term objective of the project as it was inherently less efficient than completely enclosed production methods. This was generally agreed to, but it was also recognized that there may be a role for semi-enclosed production as an intermediate step for small farmers in a transition from extensive to intensive zero-grazing modes of fully enclosed production.

Fodder crop cultivation efforts should not only focus on improving tropical grasses and leguminous fodder crops—but also maize and soya. These are most important needs at the

moment and in most short supply. The possibility of mounting large scale corn and soya cultivation schemes on state lands was mentioned as an issue that needs to be pursued—possibly at the national policy level with the MAE and public authorities responsible for land use rights.

The participants noted that the adoption of fully enclosed dairy production leads to rapid improvements in soil fertility for farms that are able to make the transition from open grazing. The value placed by small farmers on manure production is as valued as much as the income they get from increased milk sales. This aspect of dairy production is not often appreciated by donors and some participants felt that BAP should sponsor a study looking into all the benefits to agriculture as a whole from the adoption of intensive modes of dairy production by numerous small multi-crop farms.

Collection

The action plan is heavily driven by the proven benefit of bulk milk collection using refrigerated storage technology. However, as pointed out by some participants, the viability of milk collection centers without a larger centralized buyer is questionable. The existence of dairies thus appears to be a **precondition** for investments using improved technology for milk collection.

The participants felt there was no clear management model that could be blueprinted for milk collection centers. Actors at all levels (individual producers, associations, traders and projects) need to work together to create a model that works for milk collection centers. Many felt that farmer associations, in particular, needed to be involved in some capacity in order to ensure that the centers would be well received by local populations.

Processing

The existence of demand from the modern dairy sector is critical to the entire value chain. Demand from dairies will be the factor that drives up prices in rural areas facilitating the growth of intensive production methods which will play benefits in terms of reducing land pressure (and conflicts) and improving soil fertility. The promotion of this segment of the value chain should be a national priority for Burundi—as other countries of the region have moved much more aggressively to foster investments in milk processing.

The financing constraint is a critical issue for dairies. High interest rates make long-term investment financing through bank loans quite problematic. This limits the pool of potential investors and adds to high carrying costs of debt that will constitute a drain on dairy profitability.

Some participants noted that the action plan seemed to be too heavily oriented towards pasteurized fresh milk to the exclusion of other dairy products—notably cheese. The team responded by noting that the largest segment with unmet demand was certainly for fresh milk rather than for cheese, but that in isolated areas of production that are not linked to the strong consumption market for fresh milk in Bujumbura, cheese could represent a viable source of value added from a livelihoods standpoint.

Sector Coordination

The public sector has an important role to play which was signaled in two main areas:

- Setting norms and standards for milk quality, which although they exist on paper are not actually monitored nor enforced; and
- Providing a services needed by the dairy sector such as guaranteeing and monitoring the genetic quality of dairy cows; making liquid nitrogen available for privately provided artificial insemination; clarifying the role of actors involved in providing veterinary services.

The participants recognized that the lack of any coordinating body for representing the dairy sector with public authorities was hindering their ability to lobby public authorities for regulatory measures, financial subsidies and facilitating public investments.

The feedback received from workshop participants as described above and in Annex B, was considered by the study team and incorporated into the refined action plan that is presented in the section below entitled “recommended BAP activities.”

BAP Dairy Strategy, and Vision

Proposed Strategy

As diagnosed in the value chain report and the workshop, Burundi’s milk market is suffering from both an overall shortage of fresh milk and from a poorly integrated market. National per capita consumption (6 liters/year estimate according to World Bank data) is significantly under both the WHO norms (50 liters/year) and levels in neighboring East African Community countries (18-23 liters/year in Rwanda and Uganda). Milk prices are highest in Bujumbura. Even nearby farmgate prices in Bujumbura Rurale and Bubanza provinces are at or above retail prices in other major urban consumption centers. High prices relative to other markets in the region constrain consumption in urban areas. At the same time, farms beyond the immediate peri-urban areas suffer from low prices due to their inability to produce a product that will sell into the informal Bujumbura market because of high transport costs, spoilage due to primitive transport methods, expensive and fragile distribution networks that have a limited capacity to absorb larger quantities of fresh milk.

At the same time, two new dynamic trends are opening up possibilities for interventions that are extremely relevant to BAP:

1. There is a widening spread of farms practicing intensive production (*stabulation permanente* in French) that is being driven by donor programs for cattle distribution and by unsubsidized investments by richer farmers in improved-race dairy cows in areas beyond the main peri-urban dairy production zones. Thus there is a growing core of potential commercially oriented dairy

farmers in rural Burundi—although the participation of smaller and poorer farmers in this growing core is lagging.

2. At least one small industrial dairy (IAB, SA) is poised to begin production of pasteurized milk with a well-conceived modern processing line that will require large bulk purchases to be viable. Another serious dairy investor (Milk Chel, SA) is planning to open a similar line by the end of spring 2009. These two projects alone have the potential to make a significant contribution to the supply of the Bujumbura market (around 25%-50% of estimated total volumes in Bujumbura if they attain their medium term sales projections of 10,000 Liters per day for each of them.)

Donor approaches to dairy sector support to date have centered mainly on small scale cheese production as a way of utilizing milk from rural areas that is not finding an attractive outlet as fresh milk. This product is marketed to a small segment of elite urban consumers as well as rural consumers at a much lower price.

BAP can contribute to accelerate structural changes in the Burundian market for fresh milk and yoghurt by adopting the following **strategy**:

Target rural areas that have the potential to supply fresh milk to the Bujumbura market, but are insufficiently integrated with the market through project interventions that have three highly complementary objectives:

1. increase the supply of milk in these zones by accelerating the adoption and expansion of intensive bovine dairy production systems—particularly targeting smaller farmers who can increase milk yields significantly by adopting improved intensive production methods in place of extensive grazing;

2. introduce improved technology for milk collection and storage linking producers in the targeted regions to dairy processors capable of purchasing high volumes as they come on-stream; and

3. support the development of industrial dairy processors.

Proposed Vision

Taking into account the current state of the value chain, a proposed vision of what a reinvigorated dairy value chain would look like in five years is given below.

Output levels and consumption in 2012

A significant increase in urban consumption of milk is realized with a greater per capita consumption fueled by a decline in the relative retail price of milk in Bujumbura.

At least two industrial milk processors are in operation with a combined volume of over 20,000 liters per day of well packaged products meeting international food safety standards.¹ These processors' products are sold both into the high-end market in Bujumbura and into the mass urban market in the capital and major provincial cities.

At least 5 provincial milk collection centers (MCCs) located beyond the current Bujumbura market draw area are managed by local producer associations or private investors using appropriate cold storage and food safety techniques. These centers are set up in targeted dairy production areas as part of supply arrangements with industrial dairy processors.

Production systems

At least one commercial bovine reproduction farm is functioning on a sustainable basis under private management with adequate supervision and certification of the genetic purity of its products by the DGE.

A marked acceleration in the rate of adoption of intensive dairy production techniques has been observed in the areas around MCCs.

Market infrastructure

Banks and microfinance institutions are making loans to small farmers to finance the acquisition of improved race dairy cows.

Privately practicing veterinarians are providing preventative and curative animal health services for dairy farmers in several high production zones. AI services are also offered on private basis by these veterinarians with access to publicly provided AI infrastructure belonging to the CNIA, as part of a public-private sector agreement with the DGE.

A commercial dairy-cattle feed mix has been formulated by a local supplier using mainly locally available components and is beginning commercial sales after several market tests.

Impact

The vision statement above sets some ambitious objectives. In particular, If the dairy industry can grow to at least 20,000 L/day, it will be the first purely private sector led agro-processing value chain in the country that will be directly taking the product of small farmers and producing a modern value-added product responding to international norms. All existing attempts to create agro-industrial value chains linking small farmers to processors (e.g. coffee, tea, cotton & sugar) have been led by massive parastatal investments in a context where economic incentives are

¹Realistic estimates of current marketed volumes of milk entering Bujumbura range from 36,000 L/day (BAP value chain study) to 80,000 L/day (Milk Chel, SA market study). It is reasonable to assume that the true volume lies somewhere within this range.

blurred because of administered pricing, public assumption of risky debt or limits on competition in final markets. With this sort of heritage, the development of the dairy value chain would be a showcase example of the type of mutually beneficial economic relationship that can develop between small farmers in isolated rural areas and the urban business elite. This would pay dividends in terms of providing Burundians with a much needed example of private sector led development that is based on inclusive relationships spanning geographic and social divisions—without state intervention in the market. On another level, it will also help equalize income inequality by providing a level to raise rural incomes in rural areas by linking them to markets where the demand is the highest. In terms of quantitative estimates of impact on households, there are two main categories of beneficiaries: direct and indirect. Each is detailed below.

Direct beneficiaries would mainly be the households that become suppliers of milk that is bought by the new dairies and runs through MCCs. Assuming that the average farm family supplies 4 liters of milk per day (which would be a good estimate of the median volume of suppliers to existing informal sector collectors), and a collection volume of 2,000 liters per day at the end of year one—this would imply 500 direct beneficiaries in year one. With volumes rising to the 2012 goal of 20,000 liters per day this would imply a “draw” of approximately 5,000 households. In reality, the beneficiaries in the zones of production would be much larger as even households that sell milk locally or in other distribution circuits will benefit from the projected rise in prices due to larger quantities of milk “exports” from regions with generally low milk prices.

Indirect beneficiaries would be households in consuming markets that benefit from a larger supply of clean, safe milk. Such households benefit from both increased milk availability and lower prices due to increased supplies. Assuming that new dairies are able to reach the 2012 goal of 20,000 liters per day and that this represents from 25% to 50% of the current marketed supply of fresh milk in Bujumbura, such volumes will easily make an impact in terms of market prices—lowering them for a minimal estimate of 45,000 consumers².

² The 45,000 figure is calculated using the following assumptions: 80% of households consume milk or yoghurt (Milk Chel market survey); there are 6 persons per household; Bujumbura’s population is 340,000; and only 1 person per household consumes milk or yoghurt. This estimate should be considered to be a minimum. In reality the number could be twice as big.

Key Technical Issues in Dairy

During the study team's mission a number of important technical points were raised that are likely to pose critical implementation challenges for BAP as it implements the suggested dairy value chain activities that are detailed in the final section of this report. These succinctly developed are:

1. Capacity issues at the dairy level
2. Milk testing
3. Milk standards
4. Competition and pricing
5. Producer organizations
6. Poverty & social equity considerations and
7. Financing of investments in the value chain

A brief discussion of these issues follows.

Capacity issues at the dairy level

As pointed out in the stakeholder workshop, the existence of “modern dairies” capable of receiving large volumes (on a Burundian scale) is a central requirement for the success of BAP's dairy strategy. As the team left Burundi on Dec 5, 2008, no dairy had yet begun to purchase milk. Only one dairy belonging to Mr. Juma Mohamed, IAB S.A., appeared to be on the verge of producing both pasteurized juice and milk on the same production line. While IAB production personnel may be adequately trained to run the equipment, they lacked the depth of understanding of physical and micro-biological factors affecting food safety of the finished products.

IAB projected to begin milk purchases on a trial basis in January 2009 after having begun to process juice from imported concentrate during the team's mission. The Team's dairy technologist judged that the plant equipment and physical set-up put into place by IAB to be of good quality and design and can easily handle the initial volumes of production that are foreseen during the first year of production (up to 4,000 L/day by April 2009). Furthermore the plant has the capacity to expand within the existing space with minimal modification to its process flow. Several problems related to Good Manufacturing Practices (GMP) and plant hygiene were noted in a plant inspection/audit conducted for IAB

With only one potential buyer of raw milk, the risk of interruptions in milk demand because of problems at the dairy processing level is quite high. The likelihood of technical problems related to food safety and mechanical malfunctioning of the processing and packaging line during the first year of operation cannot be underestimated. Dairies such as IAB and Milk Chel, with un-experienced managers, will need help in devising pro-active quality control procedures to

identify and resolve problems before they reach a critical stage in order to keep work stoppages at an absolute minimum.

As both Milk Chel and IAB are planning to include products in their mix that are processed by UHT lines, a process which is much more susceptible to very high bacterial loads of contaminants in raw milk, the Study Team believes that the technical staff will require hands-on training from dairy product quality and testing experts, especially as they come on-stream with their planned UHT processing lines. Thus it will be important for BAP to maintain a close watch on the technical processes in dairies and help them develop pro-active food safety/product quality monitoring programs to prevent minor technical problems from becoming major commercial and financial problems that could have a disastrous chain-reaction throughout the entire dairy value chain. Such an event could severely damage the reputation of a dairy plant with a large segment of the consuming public.

Milk Standards

As previously noted, the issue of milk quality standards is critical to both the dairies and the suppliers who send them raw milk. Raw milk standards currently in force in Burundi are at the low end of quality standards set by international norms. Milk at the threshold levels specified for permissible bacteriological contamination in Burundi would, in the EU or United States, not be considered to be fit for consumption as pasteurized milk or as unprocessed liquid dairy product, but would be used only as an input for manufactured dairy products. However, even these less stringent standards are, in reality, probably too high to be applicable given current market practices.. The state of quality conditions in the informal sector of the milk collection system makes it virtually impossible for any appreciable quantities of raw milk to be delivered that would meet the level of standards currently in force elsewhere.

In reality, dairies will be forced to begin operations with milk of questionable quality with respect to several parameters. . The agency charged with enforcing compliance, the Bureau Burundais de Normalisation (BBN) in any case has no program for testing raw milk, although it does collect samples of IAB's juice products and will also collect samples of pasteurized milk for testing. The issue of enforcing standards is a delicate issue. Clearly the existence of a mass market in milk products in the informal sector outside of all control mechanisms and quality standards is tolerated and probably rightly so for reasons related to livelihoods.

However, for modern dairies to operate at an acceptable level of food safety, they will need to rapidly move to a more controlled supply chain where the risks of contamination and testing procedures are in place at each step of the chain. In such a controlled supply chain, anchored around MCCs at which milk quality can be tested and at which screening can occur, the issue of regulatory standards will not be irrelevant—as they are now for the informal sector.

The East African Community has instigated a consultative process on the adoption of new milk standards that are likely to set the norm for the region in years to come. It will be important for the Burundian dairies and regulatory authorities to follow this process and ensure that proposed

regional standards and regulations governing the uses of different classes of milk do not impose unrealistic obligations on Burundian stakeholders in what is very much an infant industry.

Milk Testing

Testing for milk quality needs to happen at different stages in the milk supply chain. Tests in the field at the MCC reception point can be used to convince the producers to do a good job of milking under hygienic conditions. Tests at the exit of the MCC can provide assurance to the dairy about the product it is receiving and validate the efficacy of the MCC in maintaining quality. Finally tests at the dairy plant are necessary both to verify raw product quality on intake and to check the quality of pasteurized products in order to detect variances before they have a large impact on finished products placed into distribution to consumers.

Competition and pricing

The very fact that there are, as of the date of this report, no dairies in Burundi—means that issues of market concentration and asymmetric relationships between buyers and sellers of milk will inevitably arise. Indeed, this is to be expected and is completely normal in an emerging industry context. As IAB is likely to be the only purchaser of bulked raw milk in 2009, it will initially have considerable market power. It cannot, however, determine alone what prices it will pay for raw milk from MCCs, as it is competing with informal sector buyers for raw milk. If it fixes its purchase price from MCCs at a level that renders the MCC non-competitive with other local buyers—it will simply not get the volumes it needs. In fact, IAB will have to buy at prices that are significantly above going market prices not only to reach its volume targets, but also to compensate farmers for the extra costs and effort of adhering to improved standards of milking hygiene that it will need to require.

Thus, although the first dairy in the market will have some market power, the new source of demand it represents can only serve to raise prices above their current equilibrium levels in the areas where it starts buying. So, while the potential for abuse of market power exists at the dairy level, the new demand that is being created can only push prices in a way that favors producers.

At the MCC level, the possibility for the abuse of market power by MCC operators also needs to be considered. The pricing strategy of a MCC will be highly dependent on its business model and ownership structure.

Producer organizations

No matter what institutional model is selected for the initial MCC pilot initiative, producer organizations will be critical partners. At the very least their participation will be vital to the successful organization of farm level production and milking hygiene training activities, as well as representing farmers' interest in commercial negotiations surrounding the activities of MCCs. However, the existence of functioning producer organizations cannot be taken for granted. Discussions with regional officials from the DPAEs in Cibitoke and Muramvya and with the

team's local livestock expert reveal a general lack of producer organizations focusing on livestock in general and dairy production in particular. To some degree this is a reflection of the relative dearth of grassroots level organizing, in stark contrast to the coffee sector where the GOB and OCIBU have made a concerted effort to organize farmers around coffee washing stations.

Poverty & social equity considerations

The issue of social equity and the poverty impact of a program to improve dairy production need to be considered. In many rural areas the lead adopters of intensive dairy production practices are relatively wealthy civil servants who have large farms that can grow fodder crops for several improved breed dairy cattle under zero grazing conditions. Such farms generally range from 4 ha and above. While these farms form an important part of the regional resource base for developing a low-cost extension and improved heifer breeding programs, they would not be the main targets of BAP's proposed production activities. Rather these would be directed at more modest households who have the land resources necessary to raise one or two improved-breed cows under intensive conditions. With 0.3 ha/head required for fodder cultivation to support a crossbreed heifer, this would mean that such households should be able to afford planting at least this much land in fodder crops. A second condition would be that they should also have at least as much land planted in food crops as in fodder, so that households with less than 0.8 ha of land would not be a choice candidates for an improved dairy herd program. While this certainly eliminates the poorest and most vulnerable rural households from the target beneficiary pool of BAP's dairy production activities, it does leave space for the inclusion of a wide swath of rural households who can hardly be considered to be wealthy.

The basic strategy of the project would be to use the core of lead-adopters as trainers and sites of demonstration farms with a breeding program to expand the number of nearby poorer farm households adopting enclosed intensive production.

MCC profitability and financing

As Burundi is the only member of the EAC in which modern refrigerated milk collection centers have not yet entered in to operation (indeed informants report that they did not even exist in the pre-war period when there were industrial dairies), there are no reliable existing cost models of MCC financial profitability. Two key parameters for MCC profitability are the price differential between its milk purchase and sales prices and the degree to which it can reach significant daily volumes to spread out its fixed costs.

The need for investment financing for MCC investments is also closely related to the question of who will own the initial MCC or MCCs. Obviously, MCCs in which a single large dairy farm provides up to 1,000 liters of milk from its own production and bulks the production of small farmers should be able to raise significant amounts of its own capital for investment. Similarly, private investors who seek to run MCCs and have other business interests that can serve as collateral should also be able to mobilize significant funds. MCCs operating under these types of

arrangements should require little or no financial support from the BAP grant pool. On the other hand, financing the investment shares of farmer association will likely require much more significant levels of support from BAP.

The team's proposed action plan for PY 2 was incorporated into the BAP workplan and accepted by USAID. For more detail on the action plan the reader is referred to the Team's report which was submitted on 12 January 2009.

A Few Remarks on Horticulture

In Ngozi there are a number of women's associations which have expressed an interest in producing grafted avocados.

In Kayanza's Matongo Commune there are three associations which currently work on production and processing of passion fruit. In high season they are able to produce and market 50mT/week. The lions share (40mT) is bought by collectors and exporters who sell the fruit in Rwanda and Uganda. Another 3mT per week is adsorbed by both FRUITO and the CNTA (Centre Nationale de Technologie AgroAlimentaire), the Association Trans Juma Akarenzo purchases 2 mT/week, while local consumption and sales in the communal market to local populations adsorbs another 2mT.

Development Credit Authority (DCA)

Introductory/Orientation session on DCA by USAID/W EGAT DCA Mgr Joseph Obi. Two days of meetings internal to BAP and USAID were held to discuss the structure and functioning of the DCA, the relationship between the implementing partner, Interbank and USAID and the overall expectation of what the DCA should accomplish. Introduction to performance monitoring and use of the DCA database was included. A session was also held with key Interbank staff. Discussions with Interbank over pre-conditions, interpretation and execution of DCA facility, as well as on the type of dossiers, potential borrowers and the micro-finance window occurred. The sessions were extremely positive and informative. We perceive that Interbank is reaching out and seeking to be a good partner. The staff we met are motivated, private sector oriented and ready to innovate. Further technical discussions were put on hold until the end of January 2009 to permit Interbank to close their fiscal exercise and hold their annual board meeting. The next steps include detailing our working relationships, determining the review/consultative process and determining the essential elements to include in dossiers for submission using this facility.

Business Incubator Assessment

The three person business incubator assessment team analyzed the situation and potential for incubation services in Burundi from 9 -20 December 2008. They found it very clear that the need for the kind of focused support provided by a business incubator was a critical first step to the

development and expansion of small enterprises in Burundi, in particular in Bujumbura. Once the notion of the incubator was fully explained (or at least sketched), their interlocutors tended to respond enthusiastically, no matter what sector they belonged to- private entrepreneurs, government officials, and/or donor representatives, leading them to believe that real demand for this type of service exists..

The team believed that the key to understanding and managing these needs is an aggressive pre-incubation program that seeks to recruit potential candidates, and to work with them in developing sound business plans.

The team felt that while Burundi's culture may not favor entrepreneurial activity, the evidence shows that there are many activities and ideas that could greatly benefit from the guidance, training and ongoing support provided by an incubator, with the prospect of leaving this "halfway house" within two or three years and continue in a more independent fashion.

The draft report received many comments from the review team and is currently undergoing a thorough re-write in order to be more responsive to the tasks and subtasks in the delivery order.

Conclusion

BAP's team faced many challenges during the first quarter of this project year and, we feel made a great deal of progress, though the longer term impact of certain activities will become evident in the quarters ahead. Staffing up proved more onerous than expected and we really felt the absence of a targeted M&E specialist, throughout.

As the quarter ends, farmers and field personnel are thoughtful about the possibility of the State's disengagement from the coffee sector and are looking for innovative solutions to their major concerns; but looking at solutions which utilize the relative strengths of others to compensate for current weaknesses, constraints and uncertainties. At the pilot washing stations we see signs of increased confidence between neighbors, linked to the cascading training sessions and improved dialog between farmers and washing station managers. In some ways this quarter was the down time for the coffee industry as most effort focused on the sales of the 2008 crop and repairs/renovations necessary for the new campaign. The incertitude over the timing of downsizing and the criteria of who will be downsized has led to a certain stagnation and overall reticence to undertake new innovations or make new investments until the air clears.

As we start the second quarter of the year we are excited by the possibilities which are opening before us. The farmers are starting to see the first fruits of their efforts to improve quality, dialog is being engendered where it matters most between the associations, unions, federations, and processors at the grass roots level. Women members are taking on leadership roles in the cooperatives and were not shy about expressing themselves outside their washing stations and their local communities when they participated in the BAP facilitated workshop in Ngozi.

With the foundation now properly laid, we foresee an active, dynamic, and motivated push toward increased project impact in the coming quarters.

ANNEXES

Burundi Auction Data 2008- Source CNAC Commission de Commercialisation

Date	FWAA		FWA		FWB		FWTT		FWT		Prix Moyen EQC/ Cafeiculteur en FBU
	PV marchand en FBU	EQC/Cafeiculteur en FBU	PV marchand en FBU	EQC/Cafeiculteur en FBU	PV marchand en FBU	EQC/Cafeiculteur en FBU	PV marchand en FBU	EQC/Cafeiculteur en FBU	PV marchand en FBU	EQC/Cafeiculteur en FBU	
13-08-08			3625.78	407.26	3460.33	388.68	3381.33	379.81	3229	362.70	384.61
20-08-08	3644.5	409.37	3625.93	407.28	3466.29	389.35	3422	384.37	3227.67	362.55	390.58
21-08-08					3470	389.77					389.77
27-08-08			3722.5	418.13	3585.2	402.71	3502.22	393.39	3429.5	385.22	399.86
03-09-08	3700	415.60	3554	399.20	3422.13	384.39	3391.17	380.91	3298	370.45	390.11
10-09-08			3415.83	383.68	3308.78	371.66	3336	374.71	3208	360.34	372.60
17-09-08							3203.50	359.83			359.83
24-09-08	3406.33	382.61	3399.71	381.87	3244	364.38	3245.6	364.56	3103.33	348.58	368.40
01-10-08											
08-10-08	2814.5	316.14	2843.44	319.39	2804.00	314.96	2702.5	303.56	2556	287.10	308.23
15-10-08	3144.02	353.15	2987.27	335.54	2908.9	326.74	2804.4	315.00	2699.91	303.27	326.74
22-10-08			2921.54	328.16	2846.88	319.77	2757.5	309.73	2658.67	298.63	314.08
29-10-08			2812.64	315.93	2756	309.57	2344.5	263.34	2502	281.04	292.47
03-11-08	3059	343.60	2982.25	334.98	2959	332.37	2870	322.37	2749.75	308.86	328.44
12-11-08	2976	334.28	2956.33	332.07			2825.84	317.41	2790	313.39	324.29
19-11-08	2885.26	324.09	2953.25	331.72	2872.75	322.68	2805	315.07			323.39
26-11-08	2969	333.49	2962.16	332.72	2915.67	327.50	2830.17	317.90	2762.5	310.30	324.38
03-12-08	3037	341.13	3010	338.10	2861	321.36	2793	313.72			328.58
10-12-08	2785	312.82	2729.67	306.61	2708.4	304.22	2705	303.84	2623	294.63	304.42
17-12-08					2810	315.63	2738.6	307.61	2628.67	295.26	306.17
Prix Moyen	3129.15	351.48	3156.39	354.54	3082.31	346.22	2981.02	334.84	2897.73	325.49	
Prix moyen des moyens en EQC FBU/kg cerises											342.51

Ramadan

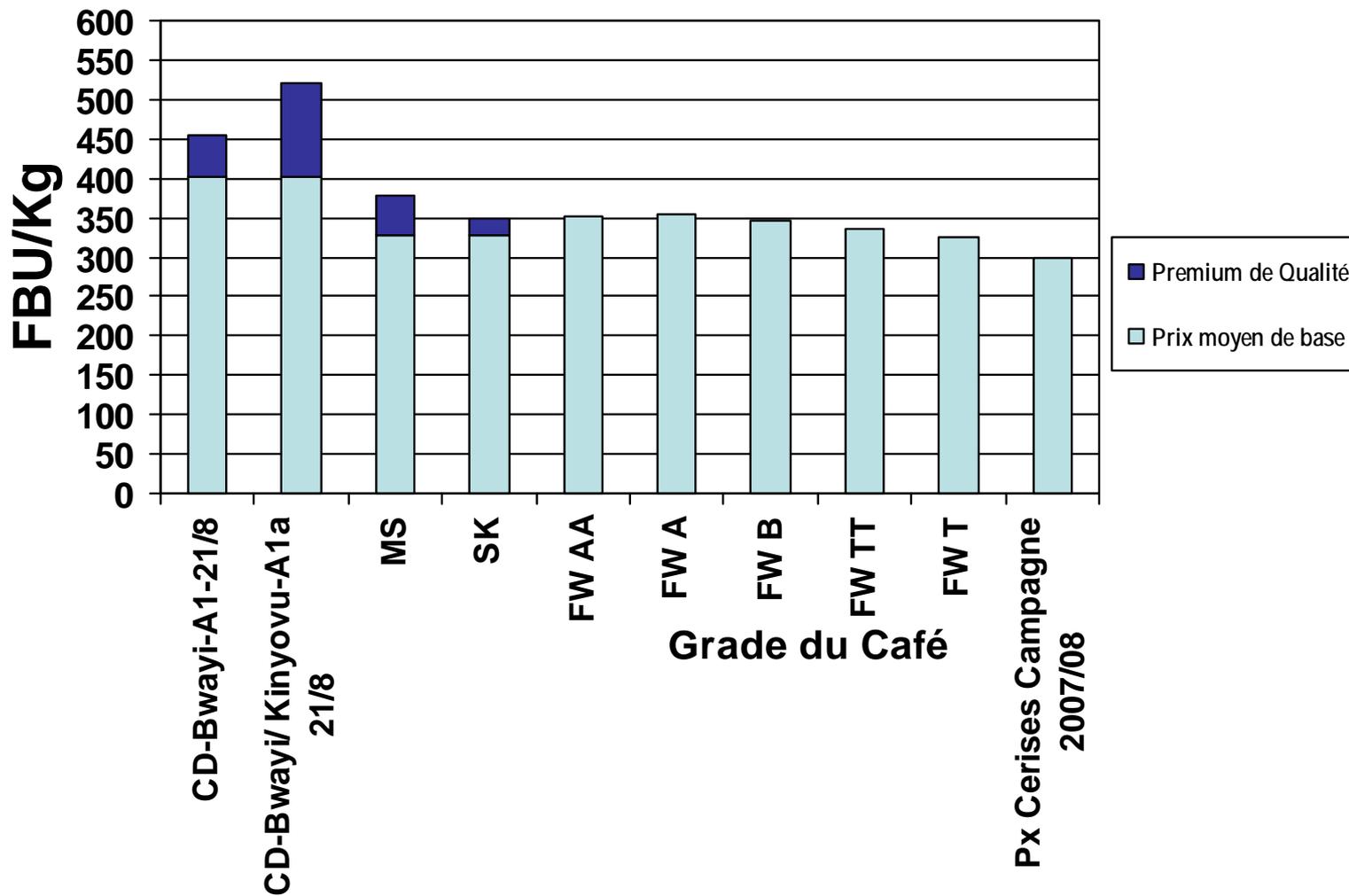
Ventes Directes

Date	Station	Purchaser	Base Price \$/lb	Base Price in FBU/Kg marchand	Base EQC/Cafeiculteur en FBU/kg cerises	Quality Premium for cafeiculteur in \$/lb of green	Quality Premium EQC/Cafeiculteur en FBU/Kg cerises	Total EQC (Base + Premium) for Cafeiculteur en FBU/kg cerises	
21-08-08	Bwayi	Acheteur 1	1.40	3576.61	401.74	0.13	51.81	453.55	7 lots
21-08-08	Bwayi	Acheteur 1a	1.40	3576.61	401.74	0.30	119.57	521.31	1 lot
21-08-08	Kinyovu	Acheteur 1a	1.40	3576.61	401.74	0.30	119.57	521.31	1 lot
30-09-08	Kinyovu	Acheteur 2	1.40	3654.42	410.48	0.30	122.17	532.65	1.85 fot
30-09-08	Bwayi	Acheteur 2	1.40	3654.42	410.48	0.15	61.08	471.56	1.70 fot
30-09-08	Gakenke	Acheteur 2	1.40	3654.42	410.48	0.15	61.08	471.56	100 sacs lot # 7
		MS	1.12	2923.54	328.38	0.12	48.87	377.25	100 sacs lot# 9
		SK	1.12	2923.54	328.38	0.05	20.36	348.75	100 sacs lot #12

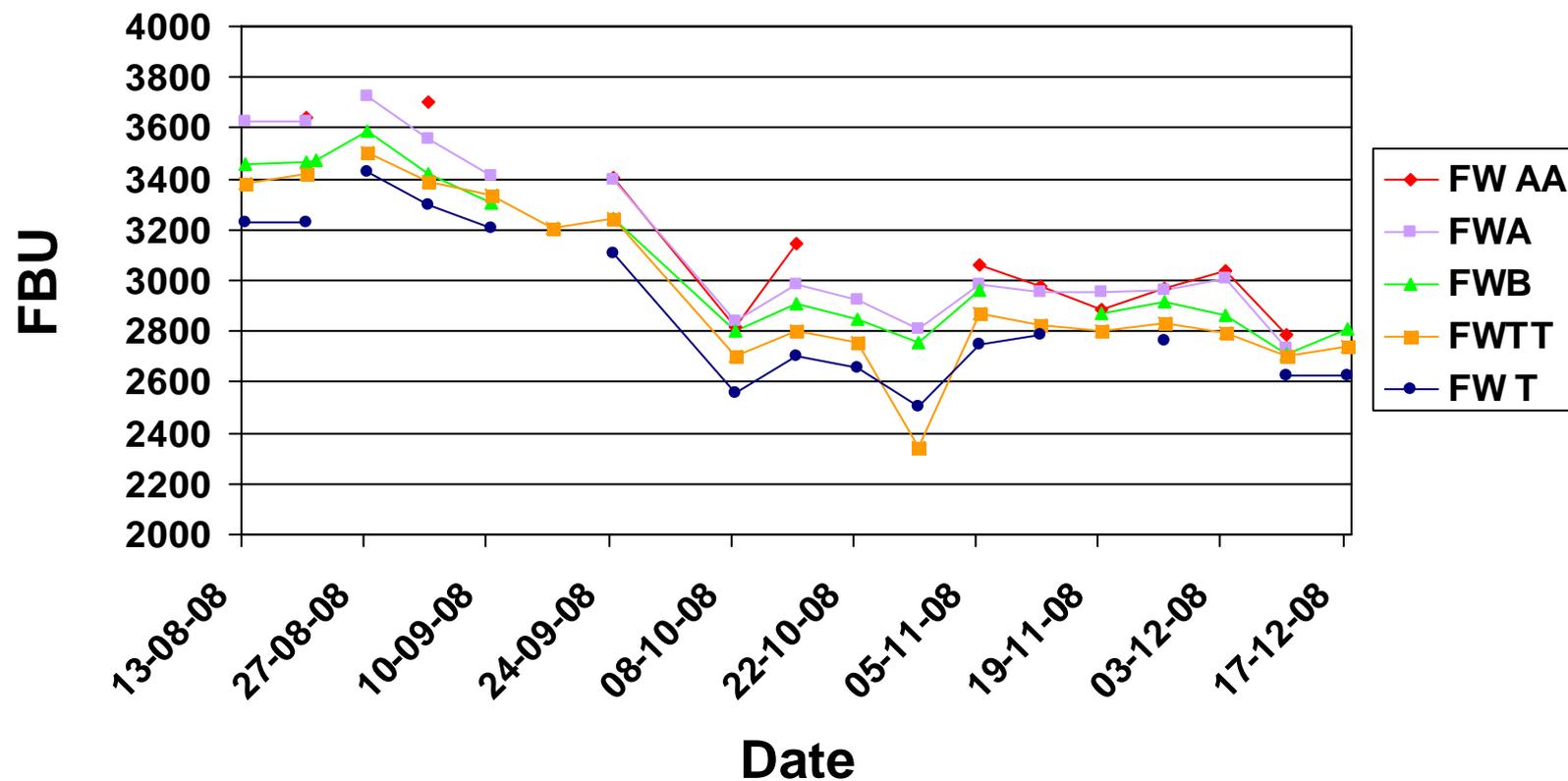
Notes

EQC=Equivalent Price of Cherry- Calculated as the price of Green Coffee *72% divided by 6.41 (transformation efficiency ratio of cherry to green coffee)
EQC for Farmer Premium = quality premium for farmers per pound of green converted to FBU/kg and divided by 6.41

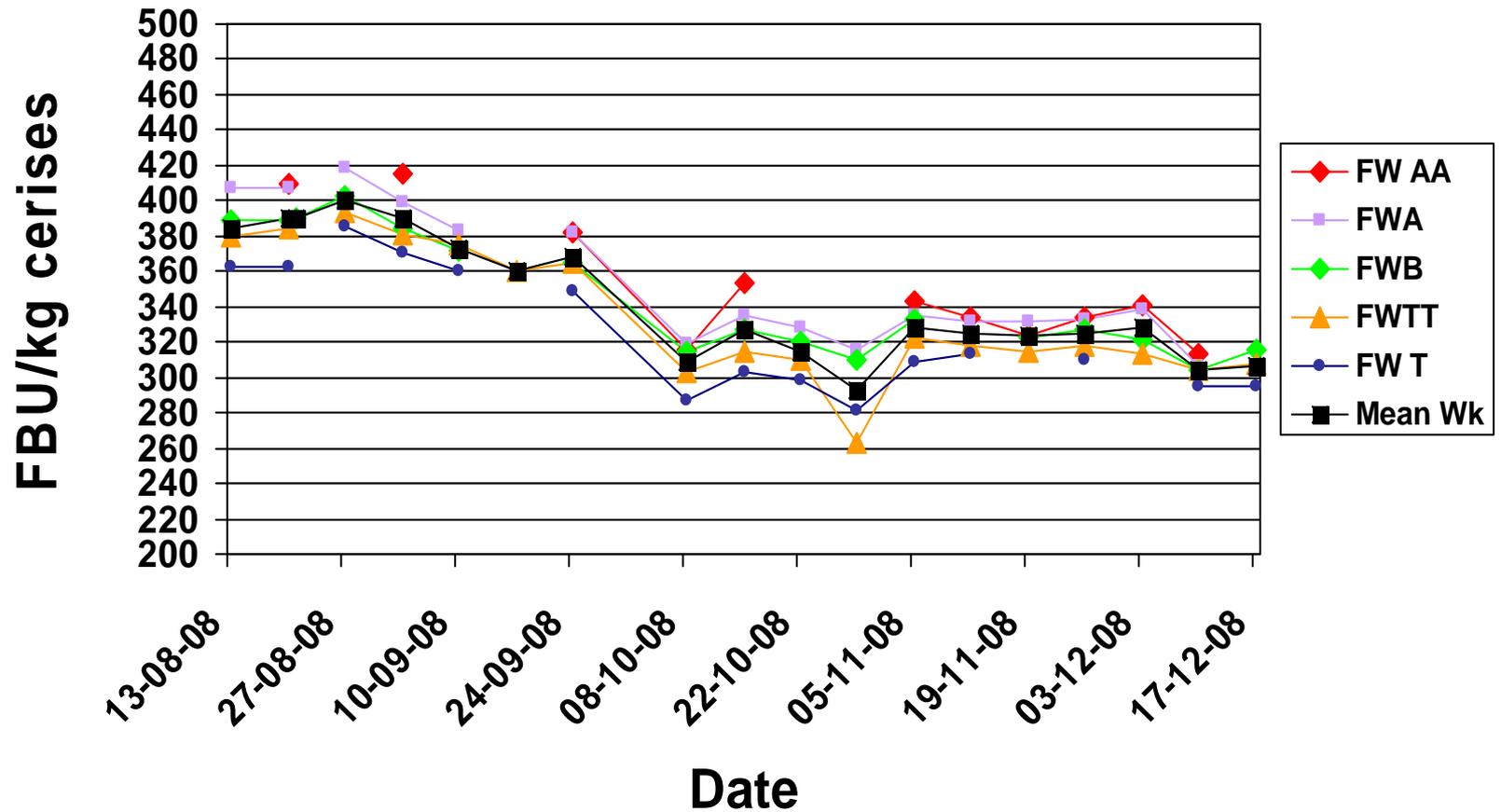
Comparaison des prix au producteur (EQC) reçu par des ventes par appel d'offre et des contrats directs
Au 17 decembre 2008



Prix du Café Verte en FBU/kg par Grade, Acheté aux Auctions 2008



Prix du Café Equivalent en Cerises (EQC) reçu par des cafeiculteurs en FBU/kg par Grade, Acheté aux Auctions 2008



Task 1.2- Support Field Level participants in privatization				
1.2.a	Train Leaders and Managers from 11 anchor project CWS in operational, financial and strategic management	Partial Achievement	4 Pilot Washing Stations received assistance in this area	
1.2.b	Train members from 50 Producer Organizations in privatization concepts	Completed	90 Producer Organizations at the 4 pilot washing stations	
1.2.c	Develop case studies for CWS in what to do in forming cooperatives, joint ventures and management contracting	Achieved	Program collected and analyzed existing texts governing ASBL (NGO) and Cooperatives in Burundi and prepared field agents to facilitate sessions with Producer Organizations destined to facilitate the reorganization of coffee sector PO into commercial entities (ie- coops).	Models (Case Studies) presented in Dec 08 thought piece on Farmers and their Assn's in a post privatized coffee sector
1.2.d	Train producer organization leaders and CWS managers on how to access financing	Partial Achievement	ADC focused on the need for PO to mobilize funds, open bank accounts and render differential service to their members	
1.2.e	Support Producer organizations that need to transform into cooperatives	On-going- can be considered completed for PY 1	90 producer associations have received information detailing the differences between ASBL and Cooperatives	
1.2.f	Broker Privatization transactions linking producers, private investors and financiers	Nothing Done		Sales of GOB assets are not yet on the table
1.2.g	Work with banks, microfinance institutions and government to improve access to financing for CWS purchase	Partial Achievement	Met with 2 banks- IBB and Ecobank concerning interest and opportunity of financing rural PO/coops	Met with IBB to discuss structure, functioning and implementation of DCA
Task 1.3 Market Engagement				
1.3.a	Train targeted producer associations and private enterprises in seasonal campaign planning, direct sales negotiations, pricing strategies, sales contracting conventions and risk reduction strategies	Partially Achievement		On-going
1.3.b	Develop informational sheets and other promotional materials for marketing specialty coffee aimed at Coffee Washing Stations and Regional Cupping Service Providers	Partially Achievement	The Program developed 2 brochures with the Sogestal Kirundo-Muyinga, one for Kagombe CWS UTZ certified coffee and the other for coffee from the pilot CWS at Ngogomo. These were prepared for use at SCAA in Minneapolis In addition 2 articles were published in International Trade Journals - Fresh Cup and Roast	
1.3.c	Conduct Buyers tours to foster stronger producer-buyer relationships and increased coffee sales	Completed	2 formal buyers tours 1 in February and one in June were arranged by the Program. Additionally the Program facilitated the visit of 2 buyers in late August and met with representatives of Schluter, Stumptown, Kawa Afrika Cooperative, Starbucks, and Supremo Coffee. A total of 5 containers of coffee from pilot washing stations were sold using direct sales contracts. Additionally, the Program developed and distributed to all key coffee sector stakeholders a list of potential specialty coffee buyers with their contact information	
1.3.d	Implement Projects to build regional coffee quality centers	Nothing Done		
1.3.e	Work with SIVCA and SONICOFF to improve dry mill processes and quality control procedures to meet specialty grade standards	Partially Achievement	On 2 occasions specialty coffee buyers visited SIVCA and offered suggestions destined to improve quality of dry milling. They also explained their particular needs and exigencies	

- 1.3.f Design a national level coffee marketing campaign in conjunction with OCIBU and the East Africa Fine Coffee Association (EAFCA) Nothing Done
- 1.3.g Begin developing an information communication technology based coffee marketing tool with traceability information on lots at the CWS level Nothing Done

Task 2- Identifying Key Value Chains with Highest Potential for Returns on Investment				
2.1	Conduct an analysis to identify and develop up to 5 additional value chains with potential for high returns on investment	Completed	6+ Initial Matrix - Coffee, Tea, Fruits, Vegetables, Cut Flowers, Dairy/ Livestock	
TASK 3-Assessing Capacity Building Needs among Potential Producer's Organizations/Institutions/Firms with a Focus on Supply Side Constraints and Opportunities				
3.1	A Baseline assessment will be carried out which will cover aspects such as knowledge and practice of agricultural productivity enhancing technologies, applied natural resource management technologies, productive assets, food consumption habits, knowledge of market information, associations membership, organizational structure, gender roles and history of income management	Completed	Baseline completed & accepted by USAID; Focus Group report completed and accepted by USAID	
TASK 4- Targeted training on supply side and demand side factors among select high potential producers/enterprises				
4.2	Train farmers and producer organizations in intensified production techniques	On-going- Can be considered completed for PY 1	Producers of 90 Farmer Associations received training designed to improve the productivity of their coffee plantations	An additional 312 farmer assns at 9 CWS are receiving training designed to improve the productivity of their plantations
4.3	Train producer organizations and private collection agents in quality standards and post harvest handling requirements	Completed	4 pilot washing stations, 4 producer unions, 4 cooperatives and 90 producer associations- a total of 3359 farmers, including 1879 women received assistance in this area. With OCIBU's financial assistance processing facilities at 4 pilot washing stations were upgraded. An additional 5 washing stations proceeded to renovate their facilities and adopted single fermentation wet processing techniques with an impact on an estimated 8000 additional farming households	
Task 5- Annual Workplan 45 Calendar Days after Date Award is Signed		Completed	Accomplished	
Task 6- Monitoring and Evaluation Plan 90 Calendar Days after Date Award is signed		Partial Achievement		Available 31 march 2009

PY 2 Deliverables

		PY 2					
Objective	Q1	Q2	Q3	Q4	Total PY 2		
Activity 1-Improved Agricultural and Natural Resource Governance							
TASK 1.1- Advancing Reforms in the Coffee Sector							
1.1.a	Producer Organizations in target areas are legally registered and/or incorporated and are functioning commercially and own assets with a clear institutional status under Burundian Law					59 of 93 Farmer Assns at the 4 initial pilot WS are legally registered at the comune level or above. Only 29 of these have notarized agreements permitting them to 60 entertain relations with FI	
1.1.b	Training modules to strengthen the role of women and their voice in producer associations or cooperatives enhancing their ability to address conflict both inside and outside the associations are developed/updated, conducted and participants use of new abilities is documented					300 women have participated in women's leadership trainings	
1.1.c	Training modules on organizational, financial, business development and management capabilities for coffee producer associations, federations and confederations are produced/updated, training is conducted and their impact is documented					20 organizations /institutions/firms have received assistance to improve their business practices and develop market oriented products	
1.1.d	Coffee Washing Station Business Plan documents are developed					8 Pilot CWS	
1.1.e	A Fee based coffee processing structure is in place and operational at USAID supported Washing Stations during the 2009-2010 coffee campaign					8 Pilot CWS	
1.1.f	Periodic situations analysis/updates on key developments concerning the liberalization/privatization of the coffee sector are produced					Provided- 1 policy/discussion paper, 1 luncheon briefing US embassy ppersonnel on coffee privatization. Shared numerous documents and e-mail traffic destined to inform USAID on key developments	
1.1.g	At Least 1 training session/meeting is held with key coffee sector actors per quarter					Ngozi Forum held with 46 provincial level 4 and below coffee participants	
TASK 1.2-Develop Innovative Models for Structuring in Coffee, Horticulture and Dairy Value Chain Enterprises							
1.2.a	Training material/modules on successful management models for creating marketing and quality control service functions for CWS association members are produced/updated and delivered					???	
1.2.b	At least 4 CWS start implementing marketing and quality control service functions for CWS association members					At least 4 CWS	
1.2.c	Information materials on the USAID supported DCA loan portfolio guarantees are produced and information/training sessions are held with all BAP Project participants						
1.2.d	Financial Management and basic business development for micro, small and medium sized enterprise training modules are produced/updated, training sessions are held and impacts are documented						
1.2.e	Loan Applicants from coffee, horticulture and dairy sectors are assisted to develop bankable business plans					20	
1.2.f	Information/analysis of producer/producer association/firms performance vis a vis the DCA are included in semi-annual DCA performance narrative and performance indicator reports						
TASK 1.5- Support Women's Equitable Participation and Leadership Role in Burundi's Agricultural Sector							
1.5.a	Microfinance, microenterprise development, business development, financial management and value chain training modules/material are developed/updated and training is conducted for women in all BAP target sector and geographical areas					300 women benefit	

1.5.b	Grass Roots women's associations involved in the agricultural sector in BAP target areas have received small awards and strengthened their institutional and advocacy capacity	10+ associations	
1.5.c	Information/Analysis of the impact of small awards are produced		
Activity 2- Strengthened Domestic Markets			
Task 2.1.1- Train producers to stimulate improved production in Coffee, Horticulture and Dairy Value Chains			
2.1.1.a	Training modules in improved production are produced/updated and training sessions are conducted for at least 1500 BAP project participants		85 training sessions were facilitated by ADC this quarter, average participation per session was 45 (appx 630 direct participants). An additional 216 sessions were held by lead farmers on the collines. Average participation at these sessions 1500 was 52 farmers
Task 2.1.3- Introduce appropriate low cost productivity enhancing technology such as drip irrigation, micro-dosing of fertilizers, nitrogen fixing green manure production, improved genetic materials and crop rotation to increase productivity while reducing soil "contamination" degradation			
2.1.3.a	At least 2 appropriate low cost productivity enhancing technologies increasing productivity while decreasing soil degradation related training modules are produced/updated and disseminated to BAP participant producers/firms		Composting and Organic manuring were promoted to farmers during this reporting 2 pd
2.1.3.b	Relevant low cost productivity enhancing technologies/equipment is made available by DAI to at least 10 producer associations	10	
Task 2.5- Introduce Techniques to improve financial incentives to farmers in coffee, horticulture and dairy value chains			
2.5.a	New farmer associations are created and at least 10 of them successfully reduce production/marketing costs and conduct favorable negotiations	10	
2.5.b	Information materials on production techniques, domestic markets, market prices and financial products are produced		Information brochure on coffee market prices and their evolution were produced and disseminated monthly. This information was used during group sessions with farmer leaders at pilot cws and furnished to CNAC
2.5.c	Regular Radio Announcements are broadcast and other information dissemination methods implemented for at least 10 months of year 2	10 months	2 Rado programs were developed and broadcast with BAP participation this quarter 1 in November and the second in December. The first on pilot ws activities and the 2nd on privatisation
2.5.d	6 Input distribution systems are created and functional and their efficiency documented	6	
2.5.e	Coffee Cherry Price differentiation and scheduled payment plans are implemented at 8 USAID assisted CWS	8	
Task 2.6- Develop new market based approaches to extension			
2.6.1	Training modules on the role of extension agents, costs of their services and alternative methods for extension service procurement are produced and disseminated to coffee, horticultural and dairy producer associations in the BAP project zone		
2.6.2	At least 3 activities linking agricultural research and coffee, horticulture and dairy value chain development interventions are identified and implemented	3	
2.6.3	Small awards or matvhing funds or in-kind donations of equipment and inputs are made to at least 3 associations/private extension service provider enterprises	3	

Activity 3-Expanded Regional and International Trade through Enhanced Competitiveness of Agricultural Enterprises and micro, small and medium sized enterprises (MSMEs)

Task 3.1- Increase the competitiveness of private firms/cooperatives in coffee, horticulture and dairy value chains through training, technical assistance and small awards

3.1.a	At least 4 coffee cupping and quality control trainings are held in cooperation with EAFCA and the SIVCA based center for quality control in Ngozi	4
3.1.b	At least 2 buyers tours are conducted	2

3.1.c	At least 20 Burundian coffee, dairy and horticulture entrepreneurs are sponsored to make site visits to Rwanda, Kenya or Tanzania and to participate in other learning and exchange events, including trade fairs, if organized, in the region	20
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3.1.d	At least 6 associations/firms engaged in coffee, horticulture or dairy receive small awards or matching funds to acquire small equipment/technologies or receive in kind donations to enhance the competitiveness of their products	6
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Task 3.2-Strengthen the Trade Facilitation Capacities of Business Associations and the Public Sector

3.2.a	Trade Show preparation training materials are developed and at least 3 trade show trainings are delivered in relation with coffee, horticulture and dairy	3
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3.2.b	Marketing tools and promotion strategies for differentiated higher quality products in coffee, horticulture and dairy value chains are developed and implemented	
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Task 3.5-Support Cleaner Drinking Water Supply, improved hygiene and sanitation promotion and cleaner production technologies that reduce river and ground water pollution

3.5.a	Training modules on clean water use, water source protection, water purification, water harvesting and storage workplace and household hygiene and sanitation are produced/updated and at least 2 rounds of training sessions on the above topics are delivered to farmer associations and health care workers in BAP/Pathfinder target areas	14
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3.5.b	At least 20 community clean water sources/water harvesting/ storage facilities are built in BAP/MCH target areas	20
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3.5.c	Sanitation facilities are built or rehabilitated and appropriate systems to reduce volumes of water used and to treat runoff water are established at 8 USAID supported CWS	8
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