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Burundi Agribusiness Program: Quarterly Report

1 October-31 December 2007

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Acronyms and Abbreviations

BAP	Burundi Agribusiness Program
CNAC	Confédération National des Caféculteurs
COP	Chief of Party
CTO	Cognizant Technical Officer
CURDES	Centre Universitaire de Recherche sur le Développement Socio-économique
DG	Directeur Général (Managing Director)
ESF	Economic Support Funds
FBU	Francs Burundais
GDP	Gross Domestic Product
GOB	Government of Burundi
IQC	Indefinite Quantity Contract
IMF	International Monetary Fund
INADES	Institut Africain du Développement Economique et Sociale
MSU	Michigan State University
NGO	Non-Governmental Organization
OTF	On the Frontier
OCIBU	Office des Cultures Industrielles du Burundi (Coffee Board)
SCEP	Service Conseil aux Efforts de Privatisation
SODECO	Société de déparchage du Café
SOGESTAL	Société de Gestion des Stations de Lavage
STTA	Short Term Technical Assistance
USD	US Dollar
USG	US Government
VC	Value Chain
WB	World Bank

Introduction

This is the first quarterly report for the Burundi Agribusiness Program. It covers the period from 1 October- 31 December 2007. The first quarter was characterized by activities related to project mobilization and start up.

Administrative Start Up and Program Mobilization

The contract was signed on September 29, 2007. By October 11, DAI's Project Manager Tom Lenaghan was on the ground in Burundi. By October 12 recruitment announcements for administrative and accounting staff had been published and the dossier for "official recognition" of Chief of Party (COP) Ben Lentz had been submitted to the appropriate authorities with responsibility for Foreign NGO registration in Burundi for approval. COP Ben Lentz joined Tom on 14 October 2007. By October 31, a Phase I Value Chain study analyzing the world of potential value chains in Burundi had been submitted to USAID for review and feedback.

During October, November and December we met with many of the myriad of potential partners and stakeholders as well as with representatives of USAID Burundi, the US Embassy, the Minister of Agriculture, and the Director of Foreign NGO Registration at the Ministry of Foreign Affairs. While we learned about their organizations, programs and perspectives we also presented ourselves and our program. By the end of October we had submitted to the Director of Foreign NGO Registration a proposed amendment to DAI's convention with the Government of Burundi (GOB) for the BAP Program for appreciation and eventual approbation. The amendment to our convention was finally signed on 18 December 2007. With this amendment, it was possible to register and insure vehicles ceded to us by USAID.

During the month of October we scouted for combined office space/COP residence. Multiple discussions were undertaken with the Regional Security Officer to comprehend the current security situation, restricted areas and to garner a list of recommended precautionary measures to be undertaken to assure personal security and diminish the risk of household intrusion. After reconnoitering many different neighborhoods and inspecting different house/office combinations, we signed a one-year lease for an office/ COP residence on November 2. By November 17 most of the necessary security dispositions, electrical and plumbing verifications, painting and refurbishing were completed and we had moved in. Two telephone lines and wireless internet service were installed and security provider began furnishing service during the second week of November. During December we began the process of furnishing and rendering operational our office.

The Program opened two bank accounts at Interbank, one in USD and the other in FBU. Wire transfers arrive in 48-72 hours. Constraints are that the bank provides no monthly bank statement and charges us a fee to pull this listing. Also slight differences have been noted between quoted exchange rates in transfers from the USD and FBU accounts. Further, the bank charges for Bujumbura checks cashed upcountry and for withdrawal of USD from the USD account.

Recruitment for Admin/Accounting staff was completed by late November. We anticipated providing the new admin/accounting staff with home office training in DAI's administrative and finance systems during two weeks in December, but because of delays in receiving necessary authorizations from USAID, this training was re-scheduled for late January/early February 2008. Our office manager began in early December, but our accounting candidate only started in January 2008 due to medical complications linked to a late term miscarriage in December.

Task 1- Coffee Privatization and Market Engagement

The Program spent much of the first quarter meeting actors in Burundi's coffee sector, explaining our program, its objectives, strategies and approaches as they specifically applied to supporting the coffee privatization process at the national and field levels and market engagement.

We briefed two World Bank (WB) teams on the program and discussed with them the challenges of privatization. At the World Bank's invitation we attended a facilitated meeting between the WB new Director for Operations in Burundi, Tanzania and Uganda, John McIntyre, and the coffee sector. We had previously attended an informational workshop where different actors from the coffee sector exposed their views on privatization which was hosted by the "*Office des Filières du Burundi*". While the latter workshop engendered optimism and constructive debate, the former quickly broke down into a sparring match between opposing factions. We were thus able to perceive that, beneath a seemingly placid surface, tempers and deep rooted passions boil when options for privatization are discussed. From the World Bank meeting came two important declarations from the World Bank. First, the WB agreed to allow its monies to be used in the downsizing of OCIBU, the SODECO and the SOGESTAL in order to pay off the indemnities due to redundant personnel; and second the WB monies could be used to pay off any pre-existing debt overhang for institutions destined for privatization so that the new owners would receive them free and clear of existing liens.

We met with Stabex to discuss not only their planned rehabilitation program for Coffee Washing Stations but also their plans to assist with capacity reinforcement of the cooperative movement in Burundi. Stabex must attribute all potential contracts in 2008, but has until 2010 to complete implementation of their different actions. The Program has agreed to share information with Stabex and is actively looking for collaboration in both coffee and horticultural sectors, as well as in the reinforcement of Burundi's associative movement.

After an initial informational meeting with International Alert and sharing of documentation, experiences and contacts in Burundi's coffee sector. We discussed collaboration in the development and diffusion of content to enrich the public debate on privatization of the coffee sector using local print articles and radio broadcasts.

A meeting at INADES yielded a great deal of information concerning recent efforts to promote producer's organizations in Burundi, especially in the coffee sector. INADES has been

collaborating with OCIBU since 1996 and with the SOGESTALS since 2002. OCIBU was initially interested in organizing coffee farmers so that they could take responsibility for certain extension oriented actions, as the State budget for rural extension was diminishing. Following a series of pilot activities, the SOGESTAL became interested because farmers, organized into associations proved themselves capable of structuring the collection of cherry, distributing agricultural inputs and validating the weighing process during in processing at the washing station. INADES helped the farmers associations in the creation of their vertical structure (unions, federations, confederation) and focused much of its efforts on negotiating techniques, advocacy, and the development of communication strategies. According to INADES there is a real need to: a) revise Burundi's cooperative law; b) reinforce the cooperative movement so they are seen as valid economic (rather than social) entities; c) work on Burundi's integration into the East African Community; d) clarify who owns Burundi's coffee and accompany political declarations to this effect with applicable legislation; e) improve transparency and traceability through the sector; and f) improve the legitimacy of the cooperative movement by improving governance, increasing capacity reinforcement of cooperative members, assisting existing associations to define services responding to the interest of their members and in attracting new members to the associations/unions.

During the quarter we held two separate meetings with the President of the Coffee Reform Committee, concerning the evolution of their mandate, recommendations made and tangible steps taken to privatize the coffee sector as well as constraints they faced in accomplishing their mission.

We met with the President of CNAC and all the Coffee Federation presidents to explain our Program and to listen to their priorities for collaboration.

A meeting with the legal advisor to SCEP gave us a sense of the political will, legal precedents and tensions inherent in guiding the privatization process forward while maintaining the "sustainability" of the current system and not putting at risk Burundi's foreign exchange.

With CARE we discussed their recent, albeit unscientific, study of gender based violence related to cash infusions during coffee harvest as well as their village level microcredit activity. As part of BAP's work with farmer associations at the pilot washing station level, and in light of CARE's findings, modules will be added promoting women's empowerment/leadership and to discuss management of household financial infusions from cash crops. We note, however, that the problem of "harvest wives" and gender based violence are not unique to the coffee sector but is a phenomenon which is present for all cash crops. With cash crops, instead of successive smaller payouts from weekly marketing of food surpluses in local or regional markets, there is a larger one time payout for the commodity crop. This renders the participating cash crop farmer "flush" with an influx of disposable income, which, if not managed properly, is often dedicated to social obligations and post harvest "amusement".

In December, Dan Clay from Michigan State University arrived to attend the Project start up seminar. In addition, he invested his time in developing the detailed coffee sector value chain

analysis including meeting stakeholders and principle sub sector actors, revising the coffee chapter of our annual workplan, as well as participating in the recruitment process for the coffee policy reform specialist.

During his visit we met with members of the Resident World Bank Mission and discussed forward movement toward privatization of the coffee sector. Of particular interest was a proposal put forth by the SOGESTAL to transform them from parastatals to private sector enterprises, with the coffee farmers as shareholders and the coffee washing stations being ceded/sold to the new companies as capital assets. Both the World Bank and IMF assistance packages to Burundi are up for re-negotiation in 2008. The privatization of the coffee sector is a precondition for HIPC debt relief. The question of privatization models was raised, as was the question of how much forward movement toward privatization was enough to meet the threshold of conditionality. Another issue was the capacity of farmers to manage the coffee washing station and the potential to test different privatization methods on a pilot basis for one or two campaigns before defining a definitive way forward.

The further we delved into the subject of coffee, the more it seemed we had to learn. Very little information was available in any integrated fashion, for instance, on:

- a) who makes money and how money was made through the different levels of the coffee sector;
- b) costs of production (including labor, agricultural inputs and equipment, phytosanitary treatments, harvesting, sorting, etc..), depulping (fermentation and wet processing), dry milling, storage, transport, and marketing;
- c) processing efficiencies;
- d) financing; and
- e) how the structure of the value chain had evolved since the initial tentative steps toward liberalization which occurred in the early 1990's.

In late December, project staff held two meetings with the newly named DG of OCIBU and his department heads. The objective of the meetings was to learn as much as possible about the roles and responsibilities of OCIBU, the perception of how OCIBU's role will change with privatization, and to identify potential axes of collaboration with the BAP. We discussed problems related to production cyclicality, the need to geo-reference the coffee growing areas in order to improve traceability, the need to replace progressively coffee seed stock, the notion of coffee ownership, problems with financing of the sector, the maturity of the coffee producer's associative movement to manage coffee washing stations, the deconcentration of OCIBU's certifying laboratories to Gitega and Ngozi, the difficulty associated with political speeches which are not accompanied by a legal framework, the readiness of Burundi for privatization of the coffee sector, and the need to improve the overall quality of Burundi's coffee and coffee marketing efforts.

From our initial meetings and participation in coffee sector activities it became evident that there were forces and undercurrents at work which, while understood by the different actors of Burundi's coffee sector were undocumented but played heavily on the speed and direction

privatization was taking. We began to document these “hidden factors” in an attempt to identify potential leverage points through which BAP efforts could assist in moving the process forward.

Our initial observations from our meetings this quarter are:

1. Producers are anxious for privatization to occur, but are still looking to the State to minimize their risk in continuing to provide services related to input supply, financing guarantees and the improvement of infrastructure at the washing station level.
2. The Associative movement has a real and pressing need for technical assistance
3. The producers are waiting for the State to cede the coffee washing stations to them free of charge
4. The SOGESTAL and SODECO give lip service to privatization, yet are worried about how the current uncertainty reigning around privatization and the speed at which it will occur could impact preparations for the 2008 campaign. Both are worried about downsizing their personnel and restructuring to respond to a paradigm shift should privatization advance as anticipated for June 2008. Further, neither organization appears to be showing much innovation or creativity in trying to lead from the front, instead they seem indifferent and passive as actors watching the process unfold.
5. OCIBU says it is pro-privatization, yet this declaration has yet to be accompanied by a tangible forward and proactive action to move the agenda forward. Rather, OCIBU seems to be entrenching itself and preparing to provide an active resistance to privatization efforts by documenting areas where sector stakeholders are unprepared and/or unable to take on new roles and responsibilities.
6. The Coffee Reform Committee does not appear to have a clear mandate and has yet to develop its “*cahier de charge*”. Further the members of the reform committee appear to be disempowered and lacking in the authority necessary to execute their mandate.

Task 2- Identification of Key Value Chains with potential for a High Return on Investment

As mentioned previously by October 31, a Phase I Value Chain study analyzing the world of potential value chains in Burundi had been submitted to USAID for review and feedback. This Phase I report was meant to provide USAID and the BAP project management with a comparative analysis of various value chains to aid in the design and targeting of project activities. It was a prelude to a later series of more detailed value chain studies. Its objective was not to present an analysis of the economic dynamics of the value chains covered nor to assess what actions are required to bring about significant growth in output or rural incomes. Rather, it provided some rough quantitative and qualitative yardstick measures for comparing the scale, dynamic potential and institutional architecture of different agricultural value chains to help BAP managers and USAID focus activities during project start-up and the development of the first year work plan.

The data and qualitative judgments presented in the Preliminary Value Chain Matrix were the result of a three step process.

In the first step, a universe of nine value chains was selected for analysis. When constructing the universe of value chains, we made a conscious attempt to include examples from the major categories of agricultural GDP for Burundi. Next, within these larger categories, BAP Team members from OTF and MSU who have been participating in the PAGE Sources of Growth process were polled to identify those value chains that they felt to offer the best prospects for rapid growth. This input resulted in a menu of nine different value chains for consideration:

- Export crops (coffee, tea, fruit, garden vegetables and cut flowers/ornamentals);
- Food crops (sorghum, potatoes);
- Livestock; and
- Fisheries.

In the second stage of the process, the study team collected data from all available sources on value chain production and growth potential to develop as many quantitative measures as possible in response to the seven USAID Scoring criteria listed in the BAP contract. To minimize the subjective content of the scoring, we made as much use as possible of quantitative indicators. Where this was impossible, we relied on qualitative assessments.

In the final step, the study team consulted expert opinion within the BAP Team (Eric Kacou, Dan Clay, Luis Flores) and specific sector specialists in Burundi as well as several horticultural sector entrepreneurs. These interviews were used both to fill in specific holes in the data as well as to provide information on the qualitative aspects of the Value Chains.

This first-cut at value chain prioritization was not intended as an exercise that sets the value chain agenda in stone for the life of the BAP project. Given the unpredictability of the Burundian context and the need to seize the limited set of viable opportunities that exist in a country facing Burundi's handicaps (high transport costs, an unfavorable business environment, costly and scarce financing, low education levels and scarce managerial talent), BAP cannot afford to ignore the growth potential of any product or market just because it does not fit into a pre-defined "value chain menu" developed in the first month of the project. At the same time it is important to recognize that all value chains are not created equal, and that for the specific purposes of targeting the detailed value chain studies there was some need to develop a sharper focus.

Recognizing these contrasting imperatives, we proposed a two-level classification of value chains as follows:

Core value chains

- Coffee
- Tea
- Horticulture
 - Fruit
 - Garden Vegetables
 - Cut Flowers
- Dairy/Livestock

Opportunistic value chains

- Cereals (sorghum, rice, wheat, maize)
- Staple Food Crops (potatoes, bananas..)
- Spices
- Essential oils
- Others to be determined

Core value chains are all characterized by relatively complex multi-level relationships involving farmers, traders, processors and exporters. Achieving the growth targets for these value chains will require action not only at the firm level, but also better value chain level coordination to address common constraints (trade and regulatory policies, privatization progress, infrastructure) that will also involve public sector actors. For these value chains, we proposed conducting an initial round of **BAP value chain studies** building, where possible, on pre-existing PAGE analyses. These studies are destined to provide the structure for involvement of the major players in each sector in an iterative assessment of key constraints and opportunities to develop a common vision for each value chain and some degree of consensus about actions that are needed to attain it.

In contrast, conducting studies on the opportunistic value chains at this stage would be of lesser use to BAP or USAID. Most of these either do not have the required constellation of committed private sector actors at the top of the value, or they are so embryonic that there really is no value chain yet that one could study. In these value chains (or pseudo-value chains), BAP will be constantly assessing new opportunities as they arise, evaluating them and conducting feasibility assessments when justified. Such value chains constitute the “new business development” arm of BAP. Thus we proposed to focus the initial BAP value chain studies around the six core value chains. This methodology was agreed to by USAID Burundi.

During December four STTA teams from DAI, MSU and OTF worked diligently gathering data and meeting with potential partners, private sector entrepreneurs, government officials, bi and multilateral donors to develop detailed Value Chain Analyses for “core” sectors identified during the Phase I analysis of the VC in October 2007. These studies in: Coffee, Tea, Livestock/Dairy, and Horticulture (fruits/vegetables and cut flowers/ornamentals) sectors are scheduled to be submitted to USAID for review, analysis and comments on 31 January 2008.

Task 3- Assessing Producer Capacity Building Needs and Developing Baselines

During this quarter multiple meetings were held with CURDES in order to define objectives and study methodology for the BAP baseline study and assessment of producer capacity building needs. By the end of the quarter, the outline of each study had been agreed upon, the proposed questionnaires and geographic intervention zones for the studies were under development and a budget for the studies was being finalized.

Task 4- Targeted Training on Supply-side and Demand Side Factors among select high potential producers/enterprises

During this quarter discussions were undertaken with firms interested in GDA type partnerships with BAP to promote outgrower relationships where a firm market commitment existed. To this end we held preliminary discussions with Fruito and Brarudi, visited facilities in Gitega and with authorities and producer organization representatives in the Province of Cibatoke to identify interest, assess potential, and inquire concerning previous work accomplished with the commodities our potential private sector partners wished to source- passion fruit and white sorghum. We also discussed sourcing of improved seed and the potential for producer organization led seed multiplication with ISABU. Interest among producers for a pilot outgrower scheme for white sorghum is high and initial economic analyses suggest that the activity could be highly profitable in the Imbo plain. Concerns expressed by USAID/W concerning a potential GDA with BRARUDI and the need for successively detailed justifications, meant that by the end of the quarter we had effectively outlined roles and responsibilities of the interested parties to be included in a future Memorandum of Understanding. Given USAID/W reticence concerning this potential GDA, Heineken Breweries decided to engage a private consultant to perform a truncated value chain study on white sorghum in January 2008.

Task 5- Work plan Development

BAP's first year workplan was submitted to USAID on November 15th. After two separate revisions during the month of December it was accepted by USAID.

Other Diverse Activities undertaken during the quarter

A) Participation in the USAID Post Award Conference and Partner's Meeting

During the week of November 27th COP Lentz and Home Office Manager Tom Lenaghan participated in a post award conference with representatives from USAID/EA including the Director for limited presence countries, Regional Contracts and Legal Officer, Regional Financial Controller and Burundi Mission Staff, including the Country Representative and CTO. The IQC Contract and Task Order were reviewed in detail, questions were answered and clarifications offered.

The partner's meeting offered an opportunity to present our program and to hear what other implementing partners were doing. We explored how to share information and promote synergies among implementing partners. We talked about the need to document in-kind GOB contributions and ways and means to increase the visibility of USG assistance in Burundi. It was noted that a bilateral agreement was under negotiation between the US Government and the

Government of Burundi and that signature of this agreement, planned for 13 December should offer implementing partners better coverage and additional benefits.

B) Briefing of CTO Nibitanga on DAI's Value Chain Approach

DAI Agriculture and Agribusiness Practice Manager Bill Grant arrived for a monitoring visit from 1-6 December 2007. During this time he briefed CTO Alice Nibitanga on DAI's Value Chain Approach (December 1) and participated in the BAP Start Up seminar (December 3). He also visited with USAID Country Representative Anderson, the World Bank Resident Representative, and consulted with our subcontractors and met with implementing partners.

C) BAP Start Up Seminar

BAP year 1 implementing partners (MSU, OTF), DAI home office technical backstop, DAI A&A practice manager, Industrial Crops and Producer Organization Specialist Emile Kamwenubusa, and local consultants in coffee and horticulture participated in this one day seminar. The overarching goal for the day was to create a common understanding and team spirit for the implementation of BAP by key stakeholders. We wanted all partners on the same page concerning project coordination, implementation and approach. As the team was beginning to undertake detailed value chain studies for the "core value chains" identified in the Phase I study we felt it was necessary to ensure we were all working on a common methodological path and that each study when submitted include quantitative estimates of impact over the Life of the Project (LOP) had set benchmarks, and were mapping the value chains in a similar manner. In addition we wanted summary presentations by the VC study teams of the information garnered to date so that other implementing partners could offer suggestions/feedback/comments/ideas. Finally we wanted to stress the importance of using a participative methodology including key actor restitution sessions to incorporate subsector input into the final action plans which were designed to guide Program implementation in mutually (with USAID) agreed upon value chains, through the Life of the Project. The day was a dynamic, highly participatory, team building activity which set the stage for the detailed Value Chain Analyses which began immediately following the start up seminar.

Documents Produced during this quarter

1. Revised Scope of Work for Coffee Policy Reform Specialist
2. Initial Value Chain Selection (Scoring) Matrix
3. BAP Year 1 Workplan
4. Concept paper – Ideas for Educational Interlinks with Agribusiness
5. Concept note-BAP use of ESF funds

Conclusion

This quarter was dominated by project start up and mobilization activities. However by the end of the quarter we had met most of the major private and public sector actors interested in promoting agribusiness and private sector development in Burundi. We had a steep learning curve concerning the coffee subsector and quickly learned how complex the sector was and had identified a number of intertwining relationships and issues needing attention in order to move privatization forward. By the end of the quarter we had submitted both an initial Value Chain scoring matrix and our year 1 workplan. We anticipate that the Program will be visibly more present in the field during the next quarter and should be able to provide more quantifiable data on program activities.

ANNEXES

Meetings Held during Q1

Minister of Agriculture OCIBU Coffee Reform Committee Conseil d'Administration des SOGESTALS CNAC ISABU Observatoire des Filières du Burundi (OFB) Office du The de Burundi (OTB)	Le Ministre, Le Chef de Cabinet, le Conseiller Technique, Le Directeur National de l'Elevage DG, Directeur Agronomique, Directeur Economique, Charge de Laboratoire Coordinateur Stanislas Habonimana President & 10 Federation Presidents DG, Directeur Scientifique Coordinateur, Assistant Technique Directrice de la Production, Chef de Service des Plantations
PAGE PRASAB Dorsati Madiani Ilhem Baghdadli Alassane Sow John McIntyre Pierre Ndikumagenge FAO FIDA STABEX	Seleus Nzerwe, Tharcisse Yamuremye Salvator Nimubona World Bank- Senior Economist Africa Region World Bank- Economist- Sustainable Development Network World Bank- Burundi Country Representative World Bank- Director of Operations: Burundi, Tanzania, Uganda FAO Consultant, ex- Minister of Agriculture, Livestock/Dairy Specialist Pontien Kadirigiza, Jean Claude Noblet
African Development Fund Africare ACDI/VOCA CARE CRS CURDES Family Health International Food for the Hungry Int'l IFDC-CATALYST Pgm INADES Formation International Alert International Medical Corps Land O'Lakes RATES	Christine Fowles Country Representative, DC Food for Peace Deputy Consultant MYAP Country Representative, Head of Programs Michael Potts, Kevin Doyle Deo & Patrice Chris Degman, Percy Wilson Stephen Stordy- Agricultural Spec, Jean Nibayubahe- Planning Coord. Geoffrey Livingston, Alexis Nzohabonimana Pascal Baridomo Tracy Dexter, Maria Lange, Famoussa Kamara Consultant(s) MYAP Shem Simuyemba- Trade Policy Specialist
Agrobiotech BRARUDI Cotriex Fruito Maendeleo asbi FANISANA Rugo Farm	Theodomir Rishirumhirwa (DG) Gerritt Stolk Adrien Sibomana Joseph Kigoma Herve Tunganirwa Bernard Biranyuranwa, Immacule Ninahazene Stanislas Habonimana