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Burundi Agribusiness Program: PY 02 Annual Report

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Prepared for: Alice Nibitanga, Cognizant Technical Officer, USAID/Burundi
James M Anderson Country Representative, USAID/Burundi

Prepared by: Benjamin E Lentz, Chief of Party DAI/BAP
17 Rue de Coton, Qtr. GATOKE
BP 1643 Bujumbura, Burundi
Ben_Lentz@dai.com

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17 Rue de Coton, Quartier GATOKE
BP 1643 Bujumbura, Burundi
Tel : +257.22.25.79.52
Fax : +257.22.25.79.51

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Acronyms and Abbreviations

ADC	Agent de Développement Communautaire
AFAB	The Urundi Association of Women Entrepreneurs
ARFIC	Agence Régulateur de la Filière Café
ASBL	Association sans but Lucratif
BAP	Burundi Agribusiness Program
BBN	Burundi Bureau of Normalization
CAPAD	The Confederation of Agricultural Producer Associations for Development
CECM	Caisse d'Epargne et Credit Mutuelle
CERADER	Centre de Recherche Agronomique et du Développement Rurale (U Ngozi)
CNAC	Confédération National des Caféiculteurs
CNTA	Centre Nationale de Technologie Agro-Alimentaire
COP	Chief of Party
COTR	Contracting Officer's Technical Representative
CQI	Coffee Quality Institute
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
EAFCA	East African Fine Coffee Association
ESF	Economic Support Funds
EU	European Union
FAO	Food and Agricultural Organization of the United Nations
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
IRAZ	Institut de la Recherche Agronomique en Zootechnie
KTBH	Kenyan Top Bar Hive
LOE	Level of Effort
LOL	Land O'Lakes
MFI	Micro-Finance Institution
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
PRASAB	World Bank Funded Development Program in Burundi
PP/S	Participants per Session
PY	Project Year
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 document presents, in a synthetic fashion, an overview and discussion of results from BAP's second project year.

In this year we expanded the program both geographically, to 10 provinces, and programmatically to three value chains, as well as in the areas of gender, community water, grants and financial intermediation. Much of our financing this second year was earmarked.

Since Project inception BAP had assisted a total of 21,954 rural households in the Project Zone. A vast majority of these are households with actions under the coffee value chain, but other sectors are also represented. The average size of these households was 6.4 members[1] meaning BAPs assistance is currently benefitting directly or indirectly 140.506 Burundians in the 10 provinces of our intervention zone.

According to an internal survey conducted with 130 farmer clients in July 2009, 90% have adopted new agronomic practices/technologies promoted by the Program in the hopes of stabilizing or increasing the volume and quality of their production. Over 85% believe that BAP has contributed to an increase in rural area economic activities in the project zone, while 18.5% affirm that their revenues have increased because of BAP interventions and were able to cite examples supporting their assertions.

In terms of environmental protection and durable management of natural resources, including biodiversity, 26% of our clients surveyed have begun or expanded their micro-terracing on hillside slopes, 57% have planted deep rooted nitrogen fixing leguminous trees or shrubs on their land and 33% admit to using trees as terrace dividers on slopes or as windbreaks around their fields.

BAP has expanded the number of pilot washing stations assisted from 4 to 13 (14 if you count the UTZ certified Station at Kagombe in Muyinga Province where BAP was instrumental in assisting in the certification process and re-certification process and has consulted with UTZ (4C) concerning constraints to certification). The number of direct sales contracts for coffee negotiated this year (from 4 washing stations at the end of last Project year to 26 this year, of which 11 are project pilot sites) and percentage of the fully washed crop sold through this mechanism, which includes transparency contracts and quality premiums paid directly to farmers has increased from appx 2% of Burundi's fully washed green coffee production last campaign to appx. 10% this year. Because of BAP efforts more international buyers have come to Burundi and more are buying from project assisted washing stations. One international buyer committed to purchasing the entire production of Fully Washed AA, A, and B coffees from two pilot washing stations in Kayanza- Bwayi and Kinyovu.

In dairy, we focused our efforts on the producers concentrated around the sites identified for the eventual installation of the Milk Collection Centers and worked with them to start five nursery operations for the production of high quality leguminous forage shrubs and trees which will eventually be planted as hedging for micro-terraces on hillsides of the target area.

[1] Number derived from BAP's recent survey of project impacts with client beneficiaries and partners, July 2009

In Horticulture, we worked with export partners to reinforce their business acumen, analytical and managerial skills. Two dossiers for small grants were submitted and approved- one for diversifying the production of Solanacae for the Regional Carriage Trade and the second for the production/diffusion of improved variety, grafted Phytophora tolerant passion fruit. We assisted enterprises in the negotiation of 31 outgrower contracts and continued the development of horticulturally oriented production manuals, achieving 9 by the end of this fiscal year. In reviewing impact in horticulture we saw the devastating effect of the world economic crisis on Burundi's nascent export industry and felt it worthwhile to re-structure and re-tool our horticulture strategy for the coming years to focus more on production, small scale transformation, and the targeting of market linkages for medium sized associations in our rural target zones.

In Micro-Enterprise and Gender much effort was expended with associations and cooperatives in developing action plans, prioritizing needs, and performing feasibility and economic analyses and in reinforcing business management and operations skills as well as improving the institutional capacity and internal governance. By the end of this reporting period the number of associations legally recognized had increased to 151, 8 of 11 cooperative partners had already achieved registration in the Register of Commerce at the Ministry and three others had notarized statutes. One hundred and fifty one women's leaders were trained and had improved their entrepreneurial and/or leadership skills. This, unfortunately, was only 49.7% of our target. Entrepreneurship training has been offered in business plan development, feasibility studies, profitability and cash flow analyses, development of annual profit and loss statements, and inventory control as well as in best management practices and organizational governance.

During this Project Year 67 firms, of differing sizes, in coffee and horticultural value chains, received capacity building assistance to export compared with 14 last year (an increase of 379%), while the number of beneficiaries of trainings for improved trade and investment capacity increased from 4,206 in coffee alone to 4,488 in the coffee and horticultural value chains of whom, 62%, were women. The number of Producer Associations receiving assistance increased 297% from 90 to 357. BAP is currently offering capacity reinforcement and technical assistance from the primary to the tertiary level in all three value chains. In addition 34 enterprises in the coffee and horticultural sectors received Business Development Services and improved their operations. This is 113% of the anticipated result. In addition to this by the end of this project year BAP had assisted 43 firms to improve their business practices and to develop market oriented products vs 20 initially anticipated an increase of 115%.

By the end of PY 2, 29 of our 60 deliverables had been fully completed, another 17 have been partially completed, meaning 46 deliverables of 60, or 76.7% , are currently on track for completion. A number of the partially accomplished deliverables are those related to capacity reinforcement of farmer level organizations, those which recur in successive years, as well as ones well on their way to completion in the area of women's leadership and improved entrepreneurial skills. The 14 deliverables which have not yet been acted upon are related to delayed startup of our Grants and Community Water/Sanitation Programs or related to the external factors uncontrollable by BAP linked to coffee sector privatization or decisions on financing solely under the decision matrix of the banks and cannot be influenced by the Project.

Despite earmarks and constraints linked to the transition between years 1 and 2, including contractual and budgetary glitches, transitioning of RCO, and delays in receiving approval for our PMP and Small Grants Manual much was accomplished. Highlights are given below in response to the specific questions and format provided by BAP's COTR.

While much remains to be done and we are admittedly lagging far behind on achievements in water and sanitation and disbursement rates of grants, and development/submission of loan request documents to local financial institutions, the foundation is laid and we are already seeing a replication of achievements and tangible impacts on the ground. During this year we have increased our visibility, our proximity assistance and have diversified both the number and types of services we are offering client beneficiaries in the private sector of our target zone. We have developed excellent working relationships with the vast majority of partners in the project zone and have seen the confidence and trust of our clients grow over the course of the past two years. We firmly believe we are poised and well positioned to accelerate the intensity of our activities and assistance as we begin PY 3.

1) Major achievements for the fiscal year by Project Component

Coffee Sector

A. Unequivocal commitment to privatize the industry by the Burundian government. Although, real on the ground change remains elusive, "the mountain of hopes surrounding privatization gave birth to a mouse"; there is an undeniable sense that a process of change is underway. Some skeptics would say "*finally*" as Burundi has in the past, often appeared to signal a willingness to "*change*"; "*deregulate*" or "*privatize"* its coffee industry – only to see the public rhetoric evaporate into thin air and the status quo perpetuated. This time it may be different.

BAP is generally recognized as a positive catalyst and important influence for change. We note too that our views are generally sought and enlisted and this is underscored when note that our (exact) verbiage creeps into official documentation on the subject of privatization. In December 2008, BAP published and distributed a document to all major coffee sector actors and Ministries involved in Privatization of the Coffee Sector entitled « ***Réflexions sur l'Option Prise par l'Etat Burundaise dans son Désengagement du Secteur Café, Quelle peut être la Place des Caféiculteurs et de leurs Organisations ? »*** This document engendered much discussion and played heavily in certain policy statements made by the GOB clarifying the ownership of coffee and the "right" of farmers to their community's coffee washing stations.

B. The transformation of OCIBU to ARFIC with the eventual stripping of OCIBU's all encompassing powers and the snipping of OCIBUs once far reaching tentacles into all areas of coffee policy; marketing and finance. This is no doubt a crucial first step in ushering in a new dispensation. OCIBU has six months to effectively hand over to ARFIC - the new regulating authority. This "hand over" is unlikely to proceed without any hiccups or push back - but it is

movement in the right direction. Burundi needs real change - and not simply a "re-arranging of the deckchairs (to create the illusion of change) but new deckchairs".

C. **The "selling off" of 13 government owned, SOGESTAL managed washing stations** through a tender bidding process as part and parcel of the "privatization process. This process, the Project regrets to report was rushed; poorly communicated and poorly executed. The end result is that all who participated in the process are feeling unsatisfied; "bruised" or disappointed with the outcome. New buyers (like WEBCOR) have unfairly incurred the animosity of CNAC – hardly the start that they were looking to make. CNAC is feeling sidelined and marginalized complaining vigorously that the GOB disregarded their views on the subject of privatization. The GOB in turn has only managed to raise a very limited amount of revenue through the sales of the CWS; where the vast majority of the CWS went unsold with no bids received. At the time of writing a great deal of uncertainty still existed about the process and where to from here. We are frankly left with more questions than answers at this juncture

D. **We have witnessed the decline of the coffee crop** to levels not seen for many years. With around only 5000 mt of coffee produced this season (2009/2010) **putting the entire industry is at profound risk.** This is therefore a pivotal year. The key questions are, will the industry re-group; re-build and re-design itself out of this quagmire; or does this signal the beginning of the demise of the industry. We believe it will or must be the former. This year's devastated crop has ramifications for **all** stakeholders in coffee industry; rural communities and the country at large, as most of its foreign earnings are dependent on coffee.

E. **Expanded Outreach of Program Training Activities at and around Pilot Washing Stations** This year the number of pilot washing stations receiving consistent assistance from BAP increased from four to 13 (14 if we count the UTZ certified station at Kagombe in Muyinga). A total of 279 training sessions were facilitated for farmer leaders at the coffee washing stations, an average of 21.5 sessions/washing station. Average participation at these training sessions facilitated by the ADC was 36 participants (pp)/session(s) of whom, on average 18.8% were women. These leaders then replicated (cascaded) the sessions on their respective hillsides, facilitating a total of 955 sessions focused on improved agronomic techniques, the production and marketing of specialty coffee, institutional development, governance and business enterprise training skills for producer associations. In total participation attained 33,158 farmers of whom 12,932 were women. Average participation on the hillsides was 34.72 pp/s of which 13.54 (39%) were women. An internal evaluation of the impact of this training showed a 90% adoption rate of the agronomic practices being promoted. While it is too early to state with any certitude the long term impact training had on the producer associations and cooperatives, we note that by year's end notarized agreements increased from 29 to 159, the number of cooperatives with notarized agreements increased from 9 to 11, while the number of cooperatives listed in the register of commerce at the Ministry of Commerce increased from 0 to 8.

F. **Increase in the number of washing stations selling through direct sales mechanisms to specialty buyers** This year 26 Coffee Washing Stations, including 11 BAP Pilot Washing Stations sold a large percentage of their higher grade coffees AA, A, and B through direct sales mechanisms using transparency contracts and incorporating quality premiums to farmers. This is a significant increase over the 2008/09 season when only 4 washing stations sold coffee using the direct sales mechanism. BAPs efforts to change the marketing legislation last campaign opened the window for this dynamic. BAP furthered the cause this year by facilitating specialty coffee buyer/roaster visits and arranging meetings at both the East African Fine Coffee (EAFCA) meetings in Kigali and the Specialty Coffee Association of America (SCAA) meetings in Atlanta between Burundi coffee sector actors and key player in the international specialty coffee world, acting as a nexus in the facilitation of communications and the expedition of samples. Direct sales last campaign accounted for only 1-2% of fully washed green coffee sales. This campaign it amounted to 10%.

G. **Increased Capacity in Cupping and International Certification for BAP sponsored cuppers** BAP facilitated two cupping trainings this year and assisted in organizing a third in conjunction with EAFCA and the Coffee Quality Institute (CQI). Total participation in the BAP cuppings facilitated by Paul Songer of Songer and Associates and Sarah Kluth of Intelligentsia Coffee was 48 including 6 women. Four of the participants at the BAP facilitated cupping trainings were certified by CQI as internationally recognized cuppers. Two achieved the rank of Q Cupper, including one female student sponsored by BAP from the University of Ngozi. The other Q cupper is the quality control cadre at the SOGESTAL Kirundo-Muyinga. The two star cuppers both come from the private sector, one is an exporter and one is the quality control technician at the SIVCA dry mill. Increased national capacity in cupping and recognized international certification moves Burundi's coffee industry to a more empowered stance in negotiating with International Buyers and Roasters. Recognition of this capacity will also permit Burundi to begin grouping day lots of similarly profiled coffees for presentation to the specialty coffee market and should result in greater consistency of evaluated cupping scores.

Dairy Sector

H. **The Value Chain Study was adopted** in a workshop held in Gitega which brought together government services, dairy farmers, veterinarians with medium scale and future dairy processors.

I. **Partners were chosen for milk collection center (MCC) pilots** based on the following models:

   a. Vertically integrated dairy farmers with the potential to upgrade their systems to milk production/collection and processing/distribution
   b. Dairy farmers forming cooperative milk collection centers and entering negotiations to provide milk to urban processors ; and

c. Large individual dairy farmer upgrading system to include Milk Collection and investing with a processor to assure transformation and marketing channels

We note there is the potential for creating a processor cooperative to assure supply of fresh milk meeting minimum standards of quality on a regular basis then disaggregating milk from the MCC into its component parts so that processors could specialize on "butter", fresh pasteurized skim milk, and yoghurt

J. Feasibility Studies accomplished for models a & b above

K. Creation of nurseries for the multiplication of forage shrubs/trees (Calliandra and Leucaena) by farmer associations from 5 collines in Rutegama to provide: soil stabilization support for micro terracing and improved nutrition to dairy cattle herds in permanent stabling (intensified dairy livestock production systems). The associations have a total of 430 members (an average of 86 per association) and have begun replication of approximately 188.000 seedlings. The associations provided land, manure/compost and cinders. They built shaded hangars from local material and agreed to clear protective buffers around the nurseries, as well as providing watering and surveillance services. BAP provided technical assistance, seed, watering cans, and nursery bags for planting of seedlings.

L. Provided technical assistance to dairy farmers

Horticulture Sector

M. The value chain assessment was validated with the participation of major private sector stakeholders.

Results: BAP has established a cooperative environment with the major active entrepreneurs in the country. As small as these entrepreneurs can be, they represent an opportunity for hundreds of small producers to channel their products to local, regional and export markets. In the role of an honest broker, the BAP Horticulture team expects to take advantage of such cooperating relationships with these companies to link them to producer associations.

Challenges: It was defined that it is early for the subsector to reach a level of organization to take ownership of the vision proposed. Also, the group of companies is quite homogeneous and does not consider the strengthening of the group as a priority. From nine companies contacted only three showed some interest in organizing and pushing a common strategy together. In recent interviews with other projects it was confirmed that the same response has been received by STABEX (European Union), a project scheduled to close by the end of 2010.

N. Company-based production and marketing strategies have been finalized

Results: Modest results have been achieved in terms of field activities except for land preparation, input orders and cooperation organization with six of the nine originally targeted companies. Eleven farmer organizations have been advanced and meetings with these organizations have led to the identification of target activities for the next year workplan.

Challenges: Agricultural planting timing and input availability from Kenya and other locations has not been matched. Companies have also been slow in investing their share of costs for the proposed ventures. Dealing with grant proposals is also time consuming for project staff and private partners as both are not experienced in generating the needed paper work in an accurate and transparent manner.

O. Identification of Suppliers for Horticultural Inputs, Irrigation Systems, Packaging and Labeling Material

The Horticulture Value Chain Leader made a trip to Kenya in May to identify input suppliers and potential packaging manufacturers. Logos and Labels had already been developed with local partners to assist in branding and marketing. It was found that Kenyan suppliers didn't reply quickly to quotation requests or didn't reply at all and this delayed the profitability analyses for different crops and thus the development of grant requests. In addition, delivery time is approximately 10-12 weeks after receipt of local purchase orders for seedlings and irrigation equipment and up to six months for new strawberry cultivars.

P. Development of Production Manuals

Production manuals in French have been developed for tomatoes, green pepper, eggplant, cucumber, passion fruit, melon, watermelon and strawberries. A manual in Kirundi and French is available for Patchouli.

Q. Production Contracts and Outgrower Contracts

Production contracts were developed for two apple banana outgrowers each of whom have 0,5 ha in communes of Bujumbura Rural with DME. Outgrower contracts for Patchouli were successfully negotiated with 29 outgrowers of two associations in Cibatoke and RUGOFARM.

R. Development of Grant Requests

ATB	BAP
- Prepare project and provide requested documents to the grant committee - Prepare the soil for planting (0.5 Ha in greenhouse) - Sign the MOU and the partnership agreement; - Order seedlings from Kenya (4635 tomato seedlings, 1544 pepper seedlings, 1544 eggplant seedlings) and 1544 cucumber seedlings)	- Assisted in the preparation of an action plan for the diversification, production and promotion of green house tomatoes, open field cucumbers, green pepper and eggplant for sale to EAC Regional Carriage Trade Markets - Technical assistance offered in the preparation of profitability and cash flow analyses - Assistance in documenting ATB's administrative and accounting procedures - Prepare documents for the grant committee; - Attend committee meetings (3); - Sign the MOU, the Fixed Objective Grant grant approval (8270 US$) and the partnership agreement; - Fund transfer on September 16th, 2009
Note: ATB was not responsive in providing all requested documents timely. Some documents did not exist and had to be developed, but it was clear that ATB is not used to working with the level of transparency required by USAID projects. For instance, it was difficult to get information about the previous support from ADF and how it was used. Although it took some additional time to have documents ready, this will benefit ATB to work in a more professional and reliable manner.	

FRUITO

FRUITO	BAP
- Provide requested documents to the grant committee - Prepare the soil for plantation (2 Ha in Rutegama commune); - Sign the MOU and the partnership agreement;	- Assisted FRUITO in developing the project proposal and action plan for the production, promotion and marketing of grafted passion fruit which are Phytophora resistant; - Provided technical assistance in the development of provisional profitability analysis for this project - Assisted in development of cash flow analyses - Attend committee meetings (3);

	- Sign the MOU, the grant approval (8270 US$) and the partnership agreement;
Note: FRUITO was not responsive and had trouble prioritizing a project to undertake in collaboration with BAP. They were also slow in providing necessary grant background documentation and proved to be challenged in projecting profitability and cash flow. In the first iteration of MOU, they proposed growth trials for melon and passion fruit on 0.25 HA each. , Finally, they decided to focus on strengthening the passion fruit value chain before diversifying to watermelon. The preparation of FRUITO's project has lasted longer than expected because FRUITO preferred to postpone the melon trial and make the passion fruit trial on 2HA of their own land instead of 0.25 HA initially proposed and all calculations had to be done again.	

FERGA and DME

For those two companies, the dossiers are not ready to be submitted to the grant committee because the promoters had other priorities during the last three months, which could not allow us to proceed quickly.

FERGA has submitted the last documents at the end of September, while DME is still collecting them.
BAP Technical assistance to FERGA during this quarter included assistance in developing their proposal and associated action plan for the production of organic strawberries for export. Further assistance was given in the areas of profitability and cash flow analyses.

DME

The management team for DME was on vacation for six weeks during July and August. BAP has assisted DME is geo-referencing appropriate land for the production of organic (biological) bananas, in developing the draft proposal and associated execution plan and in performing profitability analyses for the proposed activity.

TROPICAL GREEN: Mr Patrice Faye has decided to produce organic bananas under a production contract in partnership with DME.

For NEW MAUA, the project of producing vegetable seedlings was not realistic because NEW MAUA is not able to provide the needed contribution to the investment which is required. There is also a continued interest from New Maua to invest on ornamental plants, but BAP-HORT is not supporting this culture as it is undergoing depressed market conditions.

S. Identification of Associations to be supported in year 3

Fifteen Associations in the Project Zone were identified as priority client beneficiaries for PY 3 and their individual challenges and constraints chronicled. These organizations come from the "missing middle" farmer's organizations, women's associations, and private entrepreneurs who are currently supplying local or regional Burundi markets with raw product or artisanally processed goods but who operate with little technical knowledge, with no market support, and often have great ideas and a track record of trying to make a go of things but are either constrained financially, by their education levels, their geographic isolation from urban centers, or a lack of furnished extension expertise and have thus remained below the horizon and, thus, invisible to donors, NGO, Development Projects, the GOB and Financial Institutions.

Woman's Leadership and Micro-Enterprise Development

After a little over five months in the field during this project year this component has created a solid foundation upon which to build future assistance based upon constraints which have been noted and opportunities that have been identified.

The principle realizations from this Project Year are:

T. The finalization of the recruitment process for BAP's Community Development Agents (ADC) in order to provide proximity coverage to clients in the 10 provinces covered by the project

A pre-selection of 31 dossiers including 5 women from which 18 (4 women) were chosen for a written test and interview with BAP technical/administrative staff. Following this interview 10 candidates (1 woman) were invited to a baseline training of 11 days. Nine candidates, including the woman successfully completed the training and were fielded in mid July.

U. Preparation background curriculum material in gender and producer association structure, functioning and business management practices

V. Identification of Women's Associations in the Project Zone and associations focused on value chains other than coffee

This identification occurred in two phases, once prior to the recruitment of the ADC and once following the mobilization of the ADC in the field

During the recruitment process for field agents the component leader availed herself of contacts within the development community and selected government ministries to acquire a list of women entrepreneurs and their associations in Burundi.

After assignment the ADC confirmed this pre-identification, detailed information concerning the women, their business enterprises and associations, and confirmed the existence of some of the available data.

W. Training Needs Assessment for Burundian Women Entrepreneurs and Leaders, conducted in association with AFAB (*L'Association des Femmes Entrepreneurs du Burundi*) and CAPAD (*la Confédération des Associations des Producteurs Agricoles et de Développement*). The principal training needs were identified as :

1. Market niche identification for Burundi artisanal products
2. Language courses in Swahili and English to facilitate business operations within the East African Community
3. Enterprise creation and business management skills
4. Participation in International Trade Fairs and an exposition in Burundi
5. Assist in preparing 20 business plans for women members of AFAB
6. Train Women's organizations in EAC norms and standards and offering advice for improving the quality of women's trade and artisanal goods so that they may become more competitive in the marketplace

X. Capacity reinforcement for Women Leaders and Entrepreneurs

On the basis of the needs expressed above, BAP contracted with a specialized training institute to provide English Language training for 22 women entrepreneurs and leaders. Further, BAP facilitated training in enterprise creation, association management, planning and execution of projects and business plan development for 27 women.

In addition to these discrete activities, BAP trained women leaders of cooperatives in the organization, management and governance of their cooperatives, ensured that women leaders participated in exchange visits to Tanzania and Rwanda, and implicated women agronomy students (future women leaders) at the University of Ngozi in cupper training, field visits to pilot washing stations and introduced them to the concepts of value chains and reviewed with them the skills, competencies and attitudes needed to advance as managers in private sector agro-industries.

In total BAP counts 151 women leaders who have received assistance during this project year.

Grants and Credit Intermediation

Y. Conception and Acceptance by USAID of BAP's Small Grant's Manual and translation of the key concepts of this manual into French

Z. Assistance to and collaboration with Interbank concerning the management of the Development Credit Authority resulted in financing for three loans using this window.

The loans were for a Dairy Processing Facility (IAB), the construction of three new coffee washing stations (SOGESTAL Ngozi) and a rice development project. The total amount authorized to be covered by the DCA for these three activities is approximately $552,000 USD. The two infrastructure projects are financed for five years, the Rice Development Project for two years. Interest rates vary from 15.5% (IAB) to 17%.

AA. Two training modules were developed.

One for the conception and planning of Revenue Generating Activities (Projects) and the other in the development of Business Plans

BB. Training of clients/partners in these modules.

127 representatives of 8 coffee farmer cooperatives in the provinces of KAYANZA, NGOZI and KIRUNDO and 157 representatives of 47 farmer associations in the provinces of CIBITOKE, BUBANZA et BUJUMBURA-RURAL, received this training.

CC. Preparation of an RFP soliciting small grant proposals

BAP has already received 11 grant requests in amounts ranging from 4.8 million FBU to 18.5 million FBU. The submitters of these proposals are currently receiving technical assistance to complete necessary financial analyses and advice on required documentation needed to complete the dossiers. We expect them to be submitted to the grants committee for analysis early in Q1 of PY 3.

DD. Preparation of 4 grant dossiers of which 2 had been financed by the end of the Project year

BAP small grants funds were used to finance two activities this Project Year. Both Grants were to horticultural sector operators. The first Operator Agro Trading Business (ATB) received an approval for $8270, disburseable as a Fixed Obligation Grant in three phases to diversify his production activities away from export roses and into vegetables for the East African carriage and tourist trade. He will pilot the production of green house tomatoes and grow/market improved varieties of green pepper, cucumber and eggplant. This grant required capacity assistance to the enterprise to develop profitability and cash flow analyses as well as to document administrative and financial controls. The second grant

has been accorded to FRUITO in the amount of $9950 USD. This fixed obligation grant will be disbursed in two phases. The objective is to assist FRUITO in procuring, grafting, producing then replicating to outgrowers Phytophora resistant varieties of passion fruit.

EE. Facilitated training for 24 women entrepreneurs in Project planning and Business Plan Development. (Discussed previously)

FF. Organized a seminar for participants from 13 financial institutions on the problems related to financing Burundi's Agricultural sector.

The workshop focused on constraints to agricultural sector lending, future perspectives for this type of lending, the adaptations and partnerships needed to advance this lending as well as the strategies for mitigating risk in lending to this sector.

Community Water

GG. Identification and collection of baseline data-

Visits to potential sites in the project zone : coffee washing stations, communities, and health infrastructures resulted in a better understanding of the issues related to the management of these infrastructures and a facilitation of discussions concerning the acceptance of cost recovery systems for their future management.

HH. Preparation of manifestations of interest and proposal documents.

Baseline documents prepared, including feasibility studies and technical specifications. Published, received 9 responses, four were judged acceptable for short listing. The RFP for the hygiene component of the program was sent to short listed candidates.

II. Analysis of Chemical and Physical characteristics of water samples from pilot washing stations accomplished by ISABU

Water samples before and after the water enters the washing stations have been taken during Quarter 3; as well at the return or entry point into the rivers to measure and evaluate the scope of the problem. These samples were then submitted to water management experts who then followed up with an on site visit in quarter 4.

JJ. Exchange visit with the Palm Oil Factory in Rumonge to see innovations in wastewater treatment using activated micro-organisms

KK. Signed MOU with Pathfinder

LL. Sensitization of Communities for participation in water sector activities.

Reconnaissance visits to Murima and Kayenzi to inventory breakdowns in their water supply systems. Exchanged with local authorities concerning community participation in the repairs, the need to elect a water use management committee and to mobilize funds for future maintenance of the system.

African Growth and Competitiveness Initiative

A large portion of our efforts this year in coffee, dairy and horticulture can be attributed to this initiative. This is not to say that all of our efforts succeeded, nor that all resulted in tangible, visible impacts in their early stages.

The "Missing Middle" of medium scale processors and service providers is a problem in the dairy as well as the horticultural sector. The World Economic Crisis impacted exporting companies of the horticultural sector hardest- many saw their contracts dry up and their cash flow reduced to close to zero while their fixed costs remained stable. The scale of Burundi's dairy processing enterprises has not yet permitted them to fulfill the demand for fresh milk and milk products (UHT milk, yoghurt, cream, butter, etc). Further, these dairy processing units have not yet secured a stable supply (consistent volume) of milk and thus have proven unable to contract with commercial outlets to supply set quantities of product of a consistent quality on a particular delivery schedule.

In coffee, which remains Burundi's principal export crop and source of foreign exchange income, our focus on improving quality at the production, processing and dry milling levels had, as its objective, increasing the competitiveness of Burundi coffee. Our actions in marketing and promotion were designed to assist Burundi in gaining visibility and market share in the highly lucrative specialty coffee niche. Our capacity reinforcement activities targeted producer organizations (associations, cooperatives and federations) in our target zones. The objective in this area was to create a better foundation of institutional viability and governance inside the organizations while providing them with business management tools and influencing their attitudes and comportment to shift their mission from one of social and humanitarian assistance to one of being fully capable economic operators.

During this project year period BAP:

1. Facilitated a workshop on the production of specialty coffee attended by 46 participants of whom 9 (24%) were women.

2. Facilitated a second workshop on the promotion and marketing of specialty coffee with participation from eight international buyer/roasters, two international consultants and attended by 70 coffee sector actors, including 6 women.

3. Facilitated two exchange visits- one to Rwanda and the other to Tanzania for a total of 40 participants, including 9 women (23%). Participants included CNAC, the Presidents of 5 Coffee

Federations, Cooperative leaders from 11 pilot washing stations, a washing station manager, a journalist, a student and a professor from the University of Ngozi

4. With BAP assistance the number of producer associations in the draw zones of pilot washing stations with notarized agreements increased from 29 to 159, the number of cooperatives with notarized agreements increased from 9 to 11, while the number of cooperatives listed in the register of commerce at the Ministry of Commerce increased from 0 to 8.

5. 4099 farmers, including 1599 women (39%) received training at the washing stations and on the hillsides in draw zones surrounding pilot washing stations on the theme "production and marketing of specialty coffee".

6. Two cupping trainings were facilitated by the Program for a total of 48 persons including 6 women. BAP further sponsored 3 participants to the EAFCA sponsored/CQI facilitated Q cupping course. One of these three, a female student at the University of Ngozi) had the distinction of becoming only one of two certified Q cuppers in Burundi.

7. Twenty two washing Station Managers, including 1 woman; 98 farmer association representatives, including 38 women inside the Project Zone received training and technical assistance in the introduction and application of new processing and drying technologies for coffee including: the quality of coffee cherry, single fermentation, use and recycling of depulping water to accelerate fermentation, pre-drying and pyramidal drying and the production of traceable day lots. We note that at three SOGESTAL: Kayanza, Kirundo-Muyinga and Kirimiro the heads of Production attended these training sessions. In Ngozi the session also included two production zone supervisors. This training was replicated outside of the Project Zone at the request of the DG of SOGESTAL Mumirwa, at this training in Cibatoke were present 30 Washing Station Managers, 10 zone supervisors, the head of production for the SOGESTAL and the Agronomic advisor to CNAC. All participants received technical manuals to serve as a guide when replicating the training and implementing the processes at their washing stations. Fourteen pilot CWS have adopted simple fermentation and the recycling of depulping water, two washing stations, Bwayi and Kinyovu, over the objection of the farmer's cooperative and washing station managers reverted to double fermentation based on conditions placed by a contracting international buyer.

8. BAP participated at both EAFCA and SCAA. At each BAP organized meetings for the Burundian Delegation with key importers and roasters of the specialty coffee trade as well as with potential financiers and specialists in quality improvement and assessment. BAP developed and distributed marketing materials, brochures and fact sheets for 9 pilot coffee washing stations, at both these events.

9. An impact study conducted by BAP of farmers in the draw zones surrounding the pilot washing stations showed that 20% have adopted the technology of floating their cherries to improve quality, while fully 90% have adopted the different agronomic techniques being promoted to improved overall quality and plantation productivity. The quality of coffee is at its greatest when the ripe cherry is on the tree. Processing and dry milling can only preserve the intrinsic quality. Quality product in means more competitive, higher value, product coming out.

10. 22 women entrepreneurs and association leaders received capacity reinforcement, at their request, in English which is important for them in the context of their commercial activities in the East African Community as those without conversational and writing skills in English are excluded from certain markets and limited in their ability to understand and sign contracts and in their participation in regional seminars and Trade Shows.

11. 27 women leaders and entrepreneurs benefitted from training in planning and execution of projects and business plan development, BDS skills which are important in the context of increasing market penetration in the East African Community

2) Describe how individual program activities performance achievements or shortfalls have helped or hindered progress in the program as a whole and identify prospects of achieving long-term impact.

SUMMARY AND REVIEW OF THE MAIN COFFEE SECTOR ACHIEVEMENTS AND CHALLENGES IN PY2:

Privatization

"*Privatization"* became a much talked about term in Quarter 2 often meaning vastly different things to different stakeholders! The term – often misunderstood - was bandied about, often in terms of "*privatization*" being the future panacea for all of Burundi's coffee ills.

At a meeting held in Gitega on the 5th March - the Minister of Agriculture, re-committed the GoB to disengaging from the industry; and ushering in an era of privatization. He dismissed allegations of "stone-walling" from certain elements within the GOB. He disingenuously stuck to the unhelpful party political line that "*coffee belongs to the growers all the way through the supply chain*". While this notion might be a vote winner and be a great sound bite – it is factually wrong or at the very best shrouded in legal murkiness. Our belief is that this false impression of "ownership" and exactly where it transfers - will need to be dealt with sooner rather than later, for privatization to move forward.

Subsequent remarks by government ministers have now appeared to have distanced themselves from this spurious line. That is good. We do though have our doubts though whether this reversal has been widely heard or accepted.

During this period of heightened awareness of privatization and imminent changes, CNAC became an ever increasing and more vocal stakeholder claiming to *"represent the producers". CNAC remains a force for change in the industry; but can in our view sometimes be a misguided force and often prone to brinkmanship.

The chairman of CNAC is also seemingly charting a political path and sees coffee producers as his natural constituency.

However, close ties with CNAC and the development of trust between BAP and CNAC – will be required to enhance BAP's chances of being able to inform and moderate CNAC's thinking on key issues. This too should be a focus area for Y#3 and beyond.

(*CNAC's credibility dilemma is its small signed up base of associated members +/- 17% and this undermines its claims to speak for and on behalf of "all the producers").

BAP believes that developing a better understanding amongst all stakeholders about the inherent risks of trading in the coffee industry is necessary in order to quell a tendency to over-reach through vertical integration before the fundamentals have been mastered. These risks appear under-estimated or unknown by many championing the rally call of *"the coffee belongs to the producers all the way to the final buyers".* These significant risks can be summarized as follows: Market risk; crop risk and default risk. These risks permeate all sectors of the coffee industry and must be understood by all in any future dispensation. The Project is supportive of groups wanting to move up the supply chain – so long as the risks are clear to the producer and washing station groups, who are now seeking to move up the supply chain to negotiate with the final buyers. The perception amongst many of these players is that a proverbial "*pot of gold*" awaits them if they are successful in moving up the supply chain. With reward comes risk. These risks need to be understood and quantified by all new players. This is a potential focus area of training in Y3 as the privatization era dawns.

Producer training to reinforce the capacities of farmer's associations to enter the private sector as capable, though novice, small business operators. Details on the number of participants and spread have been provided previously in this document. Training focused on organizational; financial and business management**.** Manuals were developed and the training began in the 3rd quarter and continued into quarter four. (Details to be found in Work Plan (attached) In addition the above training materials were supplemented with materials for the training in business plan development for coffee associations.

Producer groups were also trained in the legal steps to form legal entities. Materials were developed in Quarter 2, and the training began in Quarter 3 and was completed by quarter 4.

Communications:

Radio is being deployed to communicate to a wide audience about the privatization changes taking place as well as ensure producers get to hear "all sides of the story" and don't rely just on the most vocal voices. A one hour panel discussion was aired and more communication took place over the remainder of the year through participation in panel discussions arranged by: CNAC; PAGE; DAI/PAIR and GOB. BAP participated in a total of 16 emissions this year. Fourteen of these, including one panel discussion were facilitated by BAP. Two other panels at which BAP participated were organized by PAGE and International Alert.

BAP began weekly radio programming in August and has contracted for 52 weekly half hour radio shows each to be retransmitted once and six panels.

Exchange Visits:

Site visits to Tanzania and Rwanda were successfully arranged and had widespread impact as participants learned first hand some of the potential benefits of coffee production in a privatized environment. The groups saw two very different models of privatization in addition to numerous other aspects. Both exchange visits benefitted from the presence of a journalist and participants from both exchanges returned to Burundi energized by what they had seen. Most lived up to their commitment to tell the tale in their communities and thus information sharing meetings were organized at the farmer's federation offices, at pilot washing stations and on the hillsides in the draw zones of the washing stations, as well as being broadcast over Radio Isanganiro.

In Tanzania, the group of primarily farmer federation and cooperative presidents, were hosted by Sustainable Harvest in Kigoma and accompanied by Tharcisse Niyungeko the BAP QML leader. Sustainable Harvest is a specialty coffee importer with its headquarters in Portland and origin offices across the globe including Tanzania. Here the group was introduced to Kanyovu Cooperative leaders and learnt first hand of the collaboration between themselves and Sustainable Harvest. This is essentially a quality improvement and market linkages project. The Sustainable Harvest model which includes the principles of *transparency; traceability; training; technology; trade credit and quality* was explained. Attendees were also introduced to organic composting techniques (as a buffer against high fertilizer costs); modern depulping technology (which has a low water usage advantage) and a mushroom project using coffee pulp waste. Cupping training was provided to Tharcisse Niyungeko and a representative from SIVCA.

A visit to Rwanda with a separate group was lead by Emile Kamwenubusa the BAP Coffee Value Chain leader. Here the group spent additional time visiting cooperatives understanding the organizational structure of cooperatives in Rwanda. Organic production was also studied.

Feedback from the groups indicate a great desire to continue to use cross border experiences as a tool for learning and adopting new techniques.

Improving and Stabilizing Burundi's Coffee Production

BAP firmly believes there is a need to first stabilize, then raise overall productivity of Burundi's coffee plantations. Without a solid consistent volume of coffee to supply the sector, the sector will soon bankrupt itself, wither and die. International buyers will not retain interest in Burundi as a potential origin if they cannot find sufficient quantities of the correct quality profile coffees to meet their consumer demand.

This issue will require a collective focus by all stakeholders. BAP is pleased that the importance of this issue has finally reached the level of decision makers, as another poor year like the current one would be catastrophic to Burundi's Economy. We participated in workshops this year related to the root causes of coffee cyclicity and on the results of the coffee census.

This report wishes to draw attention to the different views in the national debate about the putative causes of the decline in Burundi's coffee production. One view is that old trees; the wrong varieties and application of inputs applied too late etc.. are the multiple *causes* of the decline.

The BAP team has, on the contrary, identified these factors as *symptoms* of a larger, more fundamental problem – and does not recognize these as the true underlying problems. The project views these as *the manifestations* of the fundamental problem. Rather, the Project views the widespread apathy and disenchantment of producers towards coffee production - as the primary cause. This must be addressed. Producers no longer feel that "coffee pays" and no longer see a viable future with the status quo.

Coffee farmers have lapsed into "*coffee gatherers" because farmers are either unable or unwilling to invest in their farms.*

The current system has many structural cracks:

The system does not offer producers with viable options as to where they sell their cherry; disregards individual effort with no premium payment for higher quality; treats all growers equally (badly); pays only one (derisory) advance payment, when inputs need to be procured and deploys an outdated and poorly administered tender system to market the national crop to a "small club of commercial traders". These factors lie at the heart of the issue facing the country.

BAP continued to train farmers in improved agronomic practices in the hopes of stabilizing productivity in the short term and increasing productivity of highest quality cherries in the medium term. Improved volumes of consistently high quality cherry will attract international buyers, increase competition and should result in higher revenues to the farmers. Agronomic themes were offered to coincide with the different cultural activities of coffee's agronomic season, first from ADC to Farmer Leaders and then cascaded down from Farmer Leaders to their friends, neighbors and associates on the hillsides of the

draw zones serving our pilot washing stations. Themes developed in this domain include: nursery production of coffee plants, replanting, care and feeding of young plantations, maintenance of the coffee plantation: pruning, thinning, weeding, fertilization and mulching, maintaining plant health: protecting from disease and predators, and proper harvesting of coffee.

Quality Improvement

"Best practices" training and the quality control training

Timing of this training was planned to coincide with the start of the new harvest. Marc Schonland also demonstrated a new drying technique (the "pyramid" scheme) to be tested this season. The belief is that slower and gentle sun drying (using the pyramid scheme) will prolong the cup integrity and therefore provide more consistency to Burundian coffee and therefore raise its commercial value. Thirteen washing stations have adopted this technique and comparative cupping analyses over time are being performed to ascertain the validity of the hypothesis. We note that there was initial resistance to this technology as it increased the intensity of day labor needed on the drying tables at the CWS and required close monitoring and constant reorganization of the pyramids to ensure even drying. A total of 22 washing Station Managers, including 1 woman; 98 farmer association representatives, including 38 women inside the Project Zone received training and technical assistance in the introduction and application of new processing and drying technologies for coffee including: the quality of coffee cherry, single fermentation, use and recycling of depulping water to accelerate fermentation, pre-drying and pyramidal drying and the production of traceable day lots. We note that at three SOGESTAL: Kayanza, Kirundo-Muyinga and Kirimiro the heads of Production attended these training sessions. In Ngozi the session also included two production zone supervisors. This training was replicated outside of the Project Zone at the request of the DG of SOGESTAL Mumirwa, at this training in Cibatoke were present 30 Washing Station Managers, 10 zone supervisors, the head of production for the SOGESTAL and the Agronomic advisor to CNAC. All participants received technical manuals to serve as a guide when replicating the training and implementing the processes at their washing stations. Fourteen pilot CWS have adopted simple fermentation and the recycling of depulping water. The process of pyramidal drying was also introduced as a new technology to be piloted during 2009.

1. Producers and washing station personnel received two tranches of training on Quality Control Services and Best Processing Practices. This training was initiated in March to specifically coincide with the pre-harvest period and Mid-June to coincide with the mid-point of the harvest. The training in mid-June focused on three principle elements

    a) **Picking or Harvesting**: Heavy focus was placed on only harvesting 100% ripe cherry. This is crucial but also very attainable - if Burundi aspires to penetrate the specialty market. Smallholder production - like Burundi should be able to maintain very high standards of picking. Color manuals were distributed to explain and illustrate the standards of picking

required. Despite this focus, there are anecdotal accounts (from the buyers tour see below) that the standards can still be raised.

b) Fermentation: *A single style fermentation method is being prescribed for two primary reasons: 1. Better quality (less leaching of quality occurs) and 2. Water preservation and conservation.

The coffee industry world-wide is a (notoriously) high user of limited water resources. Switching over to a single fermentation method – will reduce water usage considerably. Single fermentation practices will therefore place less burden on limited water resources and position the coffee industry as a more responsible user of water.

Producer groups were also given detailed instruction on how to use pH meters to better manage their fermentation periods and techniques. Fermentation is a key determinant in quality in (fully) washed coffees but also a highly sensitive process – with many factors (heat; water quality; water temperature) all affecting the process. Fermentation is a critical area of quality processing where acidity; body and flavor are developed – all quality aspects that are sought after by specialty buyers.

Producer group were also taught (some) of the correlations between bad processing techniques and defective cups. This was taught to provide context and give new perspectives on why some of these new techniques were being taught.

(*Under advice from a US buyer Bwayi & Kinyovu are still pursuing a "double fermentation" strategy).

c) Drying: It's become apparent that there are many instances of Burundian coffee being over dried (to less than 10% moisture). The net result of this is that the coffee rapidly fades in color - but there is also a marked deterioration in the cup (old'ish tasting; woody or paper notes). To counter act this – "pyramid–style" drying was taught in March and June, in an effort to slow the drying rate down as well as the intensity of the drying. This was broadly adopted by the CWS and cup tests are planned to validate these recommendations.

Washing stations were also advised in writing by the Project to dry parchment to a 11,5 % to 12% range. This is key if Burundian coffees are to be relied upon by the roasting industry for longer in a year. We need to add "longevity" to the Burundian cup to prolong their "commercial lives" - so that they retain value for longer. As a landlocked country Burundi transit periods are overly long and adding "longevity" to their cup profiles will help counter the effects of long transit periods.

Raising cup quality remains a pre-requisite for success in the specialty industry. It is the foundation for success in this market. However, not only do we need to raise the cup quality profile, but we also need to develop consistency from Burundi for true success. This will be a long-term exercise. Training will

need to be ongoing and in many cases repetitive to ensure growers adopt and adapt to the new practices.

NOTE: To ensure adoption of the new techniques; producers will need tangible evidence of the financial rewards for making the changes requested. This presents the Project with one of its toughest challenges. If the selling and marketing structures fail to deliver higher prices for growers, they will become (even further) discouraged. Producers will need to see the connection between the extra effort to produce quality and their returns. This lies at the very crux of transforming the industry. Therefore the selling and marketing structures must become a focus of Y# 3 and beyond.

The Project team will continue to focus on providing "context" to all producer training to improve our chances of compliance by always focusing on answering the question: "*Why* are we suggesting you adopt this".

Other Issues related to quality

Differential Cherry Pricing:
The notion of differentiating cherry prices paid at the washing stations goes counter to existing national coffee policy. (Differential cherry pricing is based on the system of paying premiums for cherry received that has been picked to a high standard).

Yet, in discussions with various DG's of the SOGESTALS, the project found good acceptance for the principle of differential cherry prices (based on quality of cherry received). Sound cherry at the reception point of washing stations underpins all our quality initiatives and hence the importance the Project is attaching to this. Devising a system that incentivizes producers to pick to a higher standard will be good for the producers; the washing stations and overall quality of Burundi in the market place.

The BAP team; provided some illustrative examples of how this could work in practice.

Traceability:
Traceability speaks to the tracking of individuals producers coffees from the point of reception all the way through fermentation; drying and dry milling and into exportable lots. This is a requirement by the specialty so that the producers behind great coffee can be:
1. Identified and 2. Recognized and rewarded.

In addition stringent food safety regulations that appear to be coming via draft legislation in the USA and Europe – might also compel the coffee industry to provide this information for it to able to sell to the US and European markets.

Having a traceability system in place will also support the local industry stakeholders to locate and identify problem areas - so that timely corrective action can be correctly targeted.

Water Contamination:

The design of the existing washings, carry an enormous river contamination risk as they were designed to dispose of all waste into the rivers. This poses an enormous health risk to the rural communities, who use these rivers as a source of drinking water and for food preparation.

The resolution of this contamination issue is important for the safety of Burundian rural communities; the ecology of Burundian rivers and for the coffee industry to obtain certification like: 4C's; Utz; CAFÉ Practices (Starbucks); Rainforest Alliance etc.

Cupper Training:

Introductory cupping programs (3x) were then successfully rolled out in subsequent quarters which signaled the beginning of this lengthy program of developing mainly female cuppers. We have only begun this process of developing a corps of young cuppers and this initiative will need to run in a structured or modular form, for the remainder of the Projects term to fully yield results. Y3 and beyond must focus on this aspect of cupper training. More detail will follow later in the report.

Paul Songer conducted and lead the first ever cupper training program from the 16th to 19th June. This was held at the offices of OCIBU in Bujumbura and a total of 16 cuppers attended from across the industry. To foster our aim of gender equality; 50% of the trainee cuppers were women. The program had some teething problems (mainly arising on the side of the OCIBU team and their ability to support the sample preparation) but by and large this was a success and this event got the cupping program off the ground.

More cupping was added when Sara Kluth (Director of Quality) from Intelligentsia in the USA followed up the training with a four day course of her own, to give this initiative additional momentum. Tim Hill of Counter Culture in the USA also did cupper training.

In her report Sara Kluth indicates there still remains plenty of scope for further training:

"General Impression:

The class appeared attentive, respectful and willing to learn. I have misgivings about their ability to discern, inconsistent cups and defects. Throughout the class week, a number of students were not noticing inconsistent cups or distinctly unpleasant coffees – particularly those with potato defect. There is a trend towards rewarding coffees with distinct acidities, but not necessarily pleasant or balanced acidities. Often times students scores reflected a quantitative representation of the acidity rather than qualitative rewarding coffees with biting, edgy acidities because there was acidity regardless of context within the cup. Additionally, there is less of an inclination to distinguish coffees that the specialty sector defines as sweet. In my opinion these trends are due to one of two things; lack of exposure/sensory experience, to the qualities sought after by the specialty sector or the physical inability to sense the distinctions."

When the SCAA sanctioned "Q" training came to Burundi, BAP sponsored three candidates who attended this training program too. One of the three, a female student from the University of Ngozi, had the distinction of being certified as only one of two Q-Cuppers in Burundi.

The Project looks to OCIBU to actively promote and elevate the importance of cupping and to financially support the extension of the program. Currently both these aspects are absent. More needs to be done to showcase cupping internally as a critical function, if Burundi is to demonstrate its credentials, as the new specialty coffee player on the continent.

Again it is worth re-stating that cupping training is a long term investment – extending over many years.

Coffee Quality Centre/ Ngozi:

Discussions took place with senior management of SIVCA (a private miller) for the establishment of a cupping training centre located on site at the SIVCA Mill in Ngozi. These discussions, aimed at establishing a MoU, were again lead by Emile and Tharcisse. These discussions formed part and parcel of the strategy to develop a corps of young female cuppers as well as provide a permanent venue for hosting buyers and be open to the Burundian coffee industry for training. On further discussion, it now appears that SIVCA will be hamstrung to further develop this project due to a lack of funding. However, OCIBU has built a quality and cupping facility in Ngozi, which borders the SIVCA mill.

The Project believes a better plan and use of existing funds is to seek formal cooperation with OCIBU or its heir ARFIC – and share these new facilities for the purposes listed above.

Promotion and Marketing

Participation at East African Fine Coffee Association (EAFCA) Meetings in Kigali

Anne Ottaway (Coffee Marketing Specialist) together with Emile Kamwenubusa (Value Chain Leader) represented the BAP team at EAFCA (the East African Fine Coffee Association) conference in Kigali (Rwanda) in February. Project personnel assisted the Burundian delegation through:

- Improved presentation of the Burundian Stand with presentation cloth branded Burundi Specialty Coffee, images of the pilot washing stations and of BAP activities designed to improve the quality of Burundian coffee
- The Program conceived and produced brochures in English for each of the four initial pilot washing stations with assistance from a Burundian Graphic Artist. These brochures which

denote the ideal environmental conditions Burundi possesses to produce high quality Arabica coffee and emphasize improvements in production techniques and processing technologies undertaken with BAP assistance, were placed at the stand and sufficient stock was provided for interested parties.

- The Program actively manned the Burundian stand and invested time and effort at the conference informing interested parties of the current evolution of coffee sector reforms
- The Program provided information on upcoming events and actions being undertaken by the Bap to raise the bar on Burundian coffee quality and improve its promotion to the Specialty Coffee world.
- BAP participants organized and facilitated meetings between International buyers, traders, exporters and certification agencies and the members of the Burundian delegation

Participation at the Specialty Coffee Association of America (SCAA) convention in Atlanta (GA; USA).

A large group of around twelve Burundian coffee stakeholders also attended. Anne Ottaway pre-arranged a series of meetings in private meeting rooms at the convention with numerous buyers and organizations.

The purpose of these meetings were:

- Share the progress and vision of the Project and the Burundian coffee industry. Appraise delegates of the new developments like “direct marketing”.
- Use the opportunity to extend invitations for the May buyers’ tour (or for a future visit).
- Besides meeting with buyers, meetings were also held with the Executive Director of the *Cup of Excellence ™* program with the view of staging a Cup of Excellence program in Burundi in the future.
- The BAP team also met with *Paul Songer & Associates* to explore staging a cupping program in Burundi. (See below).

Four brochures representing each of the four pilot washing stations were developed by the Project and disseminated at SCAA (and later during the buyers’ tour).

Lessons learnt from this trip: The group representing Burundi should be smaller to facilitate better interaction and dialogue with buyers. Big groups are unwieldy (and can be intimidating for some buyers). The introductions alone consumed a quarter of the time allotted to us by the buyers! The

attendees need to be (mostly) fluent in English. Again the translations were time consuming. The group needs to be armed with cell phones for better communication; especially when there is a venue or time change to a meeting. A Sunday morning departure should be in order too and will not dilute the experience. The convention definitely winds down starting Saturday night.

Buyers' Tour

A very successful buyers' tour coordinated by Anne Ottaway, was staged in May with a focus on introducing Burundi as a new specialty coffee player in the market. There were roaster buyers and importers from primarily the USA. There were two buyers from South Africa. Anne Ottaway in her report; summarized the purpose of the tour and forum thus:

"*Both the tour and the forum were designed to: 1) engage strategic representatives from the specialty coffee marketplace for a comprehensive first hand introduction to specialty coffee operations in Burundi and the production and processing interventions which have been applied to improve coffee quality 2) gather feedback from industry experts for bettering quality control practices and establishing proper cupping protocols 3) promote dialogue between buyers and stakeholders in order to begin a relationship building process, leading to sustainable trading partnerships*".

Buyers were given opportunity to engage with local stakeholders; gain understanding of the Burundian industry and share their expectations for success in their markets.

The Project was pleased with the large turnout of roasters we were able to get to visit. With Burundi a relatively unknown entity in specialty market; an expensive long haul flight for most - and with the global economic crisis – this was a positive turn out.

Cupping; cupping protocols and cupper training were also part of the program.
Buyers' tours whether they occur as a group or as single buyers', provide an invaluable marketing opportunity.

They provide an opportunity to collectively showcase:

1. The coffee
2. The people behind the coffee *and*
3. The country.

Buyers' visits are regarded successful when all three of these align and present themselves well. The converse is always true too! Therefore buyers' tours must always be carefully (stage) managed and well coordinated. Burundi *competes* against all the producing countries to attract buyers; and is disadvantaged due to its remoteness for many buyers and limited international flights.

In this regard, the Project considers this buyers' tour on the whole a success, as we were able to introduce Burundi as a *potential specialty player*.

Follow up was key. This was stressed in Anne Ottway's report after the tour:

"*Of greatest concern to all buyers following the buyers' tour is their ability to receive samples of 2009 coffees. All were interested and eager to buy Burundi coffee this year. It appears that BAP will need to facilitate this process between exporters and the roasters".*

The export community needed to capitalize on the visit and develop linkages. Request for samples or more information needed to be responded to. It appears from anecdotal evidence that in this regard the exporters were slow to react or respond to the opportunity presented.

Our exporter community needs additional support with market linkages. It is the exporters who are responsible for maintaining and developing the external commercial relationships.

The Project envisions working more closely with the exporter community to address "blockages" that appear to be in the system when it comes to developing and growing external relationships with buyers.

With direct sales now authorized and successful – the exporting community needs to grasp this opportunity and develop these external relationships. A few exporters are active but more could follow their example.

A Stakeholder Forum for Specialty Coffee Marketing was held on the conclusion of the buyers' tour in May 2009. The aim was to maximize the value of the visiting international buyers, by staging this event where all local stakeholders could hear directly from overseas buyers, the demands and expectations of the specialty market. This forum presented a unique opportunity for the local coffee community to get an international perspective and ask questions directly from the participants.

The forum was also used as an opportunity for the Project to gather further and final insights that could go into the drafting of the National Specialty Coffee Marketing Strategy to be drawn up by Anne Ottaway - Coffee marketing specialist.

In the development of a National Specialty Coffee Marketing policy it was suggested there are two pillars upon which this strategy can anchor itself:

1. The first is given Burundi's abundance of Bourbon Arabica trees (a traditional and high quality variety) in production, this was and still is being viewed as a possible foundation pillar on which to build a component of a national marketing strategy. Before committing to this strategy, a due diligence process was embarked upon by the QML specialist to confirm the true Bourbon production. Despite some official literature suggesting that the majority of trees are Bourbon – the BAP Coffee QML Specialist was tasked to verify beyond doubt the data from a varied number of independent sources. If Bourbon was indeed the dominant variety, the plan would be to position Burundi in the market place as "*the Bourbon producer of east Africa*"

   However, conflicting data and a degree of cumbersome bureaucracy, has made drilling down to the correct number or percentage of Bourbon trees difficult. Initial findings suggest it is not as

dominant as first thought or hoped by the BAP team. The number of Bourbon still appears significant though – circa 40% to 45%. This does still create a future opportunity to encourage / coach coffee washing stations (CWS); Sogestals and exporters to create 100% Bourbon blends for export. The creation of 100% Burundian Bourbon blends ("100% BBB") as a trial; should be targeted in Y3 and tested. These tests should have a quality component (are they superior in cup in general?) and crucially; will the market "reward" the effort and uniqueness by paying a premium?

2. A second potential pillar to the future national marketing strategy was to position the Burundi coffee sector, as a sector actively promoting gender equality. Gender equality was identified as an issue in Africa in general; and experienced throughout the coffee globe. Championing "gender equality" is believed to be good for the country as well as an opportunity to draw attention to Burundi and help build a positive image. To this end, the plan was to train and develop predominantly young Burundian females as "cuppers". Trained cuppers the world over, enjoy status and senior positions within many different types of coffee companies and institutions. Trained cuppers can and often do get promoted because of their knowledge and abilities to understand quality and the needs of the market place.

This would achieve two broad objectives:

1. Develop and train young female Burundians for careers in coffee that will also prepare them for future senior positions in the industry.

2. Develop a culture now for future generations that recognizes that "cupping" (or tasting) allows Burundians to fully participate in negotiations about the true value of their coffee. Since the specialty market values or prices coffee essentially on cup ("taste") – this skill is vital for Burundians to understand, if they are to participate as an equal negotiating partner in the supply chain.

This final version of the Marketing Strategy is now available.

SUMMARY AND REVIEW OF THE MAIN DAIRY SECTOR CONSTRAINTS ENCOUNTERED DURING PY 2

Below are constraints BAP has identified disaggregated by their level in the Value Chain:

<u>Dairy farmers</u>:

- Lack of available cash and capital for expansion/improvements to current Operations
- Hand out mentality promoted and cultivated during and post crisis by Humanitarian Assistance Organizations

- Lack of confidence that the crisis is really over, manifesting itself as hesitancy to engage with others and to increase herd size beyond what can be maintained in "hidden" rooms of their current farms
- Technical knowledge base of dairy farmers is quite low

Dairy Processors (the « missing middle »)

- Hesitation to invest in the sector for those with sufficient resources
- Access to credit restricted for those without sufficient guarantees
- A limited number of trained personnel with technical skills available on the Burundian market
- Limited interest in collaborating with other processors
- Tepid market penetration- are currently testing the market for their goods rather than regularly maintaining supply to distributors
- Small scale (almost artisanal quality) of currently available processing Units
- Over-design of processing plants promoters want to build, thinking Chateau rather than Starter Home. There is a real need for Burundian dairy processing entrepreneurs to touch base with the market as it currently exists and then to project out a reasonably growth for the disaggregated products over a moderate time frame and find suppliers willing to work with them to build "modularly" capacity as demand for their product increases.
- Little price differentiation in the Bujumbura market to "pay the price" for pasteurized products and support the additional operating costs linked to "upscaling"
- Lack of linkages to outside suppliers and sources of financing, equipment, spare parts and the technical knowledge to maintain processing equipment

BAP Technical Assistance Partners : The feasibility study for the Milk Collection Centers performed by Land O'Lakes took an inordinate amount of time and was "over-dimensioned" for the current status of Burundi's industry. This study which focused on the feasibility of two models of MCC and the feasibility of those models in the current environment and assessed the openness of actors to future collaborative relationships was a precursor necessary to promote the MCC as a pole for development concept in order to get buy in from farmers, processors, veterinarians and government technical services.

However, all is not doom and gloom for the dairy sector. Better understanding of BAP's approach and the value chain methodology led IFAD programs to change their approach from one focused on promoting mini-dairies managed by farmer associations to one where they would promote the development of milk collection and relationships with existing dairies to speed development of the value chain.

Further the Ministry of Agriculture asked BAP's Dairy Value Chain Specialist to serve on a working group looking to operationalize the Burundian Agricultural Strategy in the areas of Livestock raising and Dairy and have decided to adopt a value chain approach for their new program development planning.

SUMMARY AND REVIEW OF THE MAIN HORTICULTURE SECTOR ACHIEVEMENTS AND CONSTRAINTS IN P Y2:

FY-09 focused on strengthening the business activities of horticulture companies with active regional and export sales. Specifically, this year's workplan was three-pronged:

(1) Validation of the horticulture value chain assessment with major stakeholders.
(2) the development of company-based work plans.
(3) Organization of the subsector private sector representatives.

As the FY-09 arrived to its final quarter, the Horticulture Value Chain team developed an inventory of planned activities that had been successfully carried out, while also assessing those activities that needed special attention. As a result, it was concluded that the progress achieved with private sector partners was modest with a slow response to invest that mirrors a generalized aversion to produce more under highly uncertain market conditions.

For instance, initiatives on expanding fresh flower and ornamental plants have been halted temporarily as Burundian (and also Rwandan) companies have spent nearly four months without purchase orders from Europe.

In Burundi alone this has led one of our target companies (ATB) to abandon exports, leading to lay-offs of over 60 permanent jobs. Despite this situation, other companies working with fruits and vegetables remain active slowly expanding regional exports to Rwanda and Uganda and looking forward to production and market expansion during the next BAP workplan.

Under the current scenario, a change of focus has been adopted during the last quarter of FY-09 towards increasing the list target companies from private entrepreneurs to organized farmer organizations. Three major areas of need categorize the challenges these organizations face to expand production and market penetration capabilities.

First, there is a lack of basic know-how on production, packing and shipping practices that can be performed with locally available resources and trainers.

Second, training on best agricultural practices is needed before market expansion can be achieved. And

Third, technological upgrading from improved seeds to basic marketing skills is necessary to link them to other value chain actors.

A major shortfall this year has been the postponing of the organization of the Burundian Association of Horticultural Producers and Exporters (APEHBU). The timing was not the most appropriate for this activity due to a generalized lack of interest from the private sector partners.

The BAP Horticulture team expects that as more positive experiences take place in accessing markets, more companies will see the need for such organization. This shortfall, however, has helped us refocus

our attention from working with the top of the pyramid in terms of private sector partners with the highest levels of market penetration preparedness to the middle portion of the horticulture subsector. This middle portion is composed mainly by organized farmer organizations. The challenge with the former remains to increase their marketing capacity while with the latter BAP will concentrate on increasing production and attaining improved quality in preparation for expanded market access.

In general, the horticulture value chain is missing major links from availability of local input suppliers to more effective participants in gathering, sorting, transporting and marketing products to local and regional markets.

The original plan was to pull the top first creating a vacuum effect for suppliers, but the progress of that strategy has been slow. The effort is now concentrated on pulling top and middle portions in tandem to create a different and numerous mix of alternative links downstream in the value chain for small farmers.

Additional noteworthy constraints include:

- the unexpected delays in getting information for input procurement, and further delays when sources experienced unexpected insect infestations and labor shortages delaying the time between placing an order and receiving shipment.
- Delays by year 2 target companies in providing full and complete disclosure of on-going activities and resources and producing the documentation required by the grants manual for companies soliciting Fixed Obligation Grants and economic analyses requested by the Grants Review Committee.

It is interesting to note that even the most “well established” advanced level horticulture value chain processing and exporting companies seem to lack vision, a durable business plan accompanied by basic profitability analyses. Many of these firms seem to rely on the availability of donor subsidies and grants not only for their expansion plans but to cover basic operational costs. There is distinct lack of urgency to achieve durable profitability and to wean themselves from the donors. There is a lack of transparency in their accounting and a real tendency to co-mingle funds, play partners against one another in the hopes they are not communicating, investing in objectives, other than those for which they received capital resources, and profit taking in the early stages rather than planning and setting aside monies for future capital investment or to cover equipment depreciation and repairs. Some of this may be due to the uncertainty of their economic environment, or to the holes which they found themselves in during the crisis and ensuing embargo. Many have debt overhangs which render them less than attractive to local financial institutions. With the world economic crisis this year, cash flow was restricted, export contracts were delayed or cancelled, time to payment was extended and this created a certain economic environmental fragility for these actors. But beyond this, these enterprises appear to have made certain strategic choices which increase their fixed costs and may not offer them the maneuvering flexibility they need- holding onto vast tracks of land in peri-urban settings rather than selling some off to pay debts and seeking land in more rural areas; refraining from belt tightening, either of their enterprises or their own personal spending habits, retaining more personnel than their enterprises can support and often not in critical functions but in support roles.

SUMMARY AND REVIEW OF THE MAIN GENDER, PRODUCER ASSOCIATION AND MICRO-ENTERPRISE SECTOR OPPORTUNITIES AND CHALLENGES IN Y2:

Opportunities we perceive for this sector include: women's ability to multi-task and plan the confluent accomplishment of many tasks on a daily basis, managing shifting priorities based on critical need and ensuring their households are run efficiently. Women tend naturally to group themselves in associations by affinity and because « many fingers make lighter work ». They also tend to manage credit better than men and are more likely not to deviate from the objectives fixed for their credit in the execution of their priority projects. Women are noted for their honesty and their diligence which are two of the reasons they are often chosen as association treasurers and secretaries.

We note that many of the associations have opened bank accounts at micro-finance institutions, while the cooperatives have mobilized funds and deposited them with banks at the provincial capitals. This is a positive indication that the message BAP has passed concerning the need to mobilize funds in order to be viewed as a viable private sector player is being heard and acted upon.

We note that the experience garnered and proximity we have obtained through the placement of the ADC in the rural communes means gives us greater knowledge of the community's needs, its personalities, and builds confidence between the Program and our clients which may be leveraged going forward.

The challenges BAP has identified related to gender and women's leadership are : the heavy workload of women, the difficulty in scheduling and timing of assistance so that it fills a window of opportunity for women and does not impede them in the accomplishment of pre-existing tasks, the hand out mentality which was engendered by humanitarian assistance organizations during food distribution exercises post-conflict have created a mentality which some might characterize as "the Village of Waiting" and have acted as a disincentive to individual initiative, competitiveness and a hunger to succeed individually in a differential pattern from ones neighbors. In the coming years we must stress the need for up front participation, elicit from women particularly their priority needs and consult with them concerning their windows of availability for assistance. Further, BAP needs to continue fielding more women ADC and technical area managers as it is only through example that others may gain inspiration.

Associations and cooperatives need to render service to their members. They need to define what services are of interest to current members and design and implement economic activities designed to respond to these needs, or designed to provide services, or which are designed to generate augmented revenues to meet these needs. In planning and executing successful economic activities, associations/cooperatives earn the trust of their members, engender a sense of well being and contribute to the meeting the community's defined development needs. Tangible economic activities being run and managed in a transparent, participative manner provide the bones upon which business development services, record keeping, and capital investment may occur.

During BAP's identification of associations in the rural communes the following dynamic was noticed- where associations exist and are male dominated they exist to produce and market goods in order to increase revenues; women's associations however, are obliged to rent land for production due primarily

to current inheritance laws, and the produce, when harvested, must be split between family consumption and the market. It is perceived that women's associations exist to facilitate their efforts to obtain food security for their families or to produce food and condiments so they will not need to be procured in the local markets.

SUMMARY AND REVIEW OF THE MAIN CHALLENGES IN GRANTS AND FINANCIAL INTERMEDIATION

- Delay in the approval of BAP's Small Grants Manual delayed implementation as we were unable to grant loans until Q4 of PY 2.

- An insufficient number of dynamic farmer associations in the value chains targeted by BAP and inconsistent capacities to manage goods, funds and activities among those currently partnering with the program. This has led to delays in the development and transmission of credit and grant dossiers.

- Most partner organizations are accustomed to receiving subsidies and grants where there was no anticipation of initial capital mobilization nor reimbursement following the successful execution of activities. Dossiers submitted for consideration by BAP are poorly developed and often lack critical information which means that much back tracking must be done to fill the information gaps before dossiers may pass before the grants committee.

- There is a noted lack of entrepreneurial spirit among private sector entrepreneurs and producer associations

-Reticence of Banks and MFI to lend to the agricultural sector because of perceived levels of risk to capital for enterprises intervening in these areas.

-Lack of resources at micro-finance institutions (credit funds) to support new loans, longer term loans or to hire more people to offer technical training and monitoring of loans to rural populations.

SUMMARY AND REVIEW OF THE MAIN CHALLENGES IN COMMUNITY WATER

Impacts in the field for this component are not yet visible.

We are only in the beginning stages of our interventions under this earmark. Progress was slowed when the cadre initially hired for the position in February 2009 resigned in late April to take up a position with UNICEF, forcing a new recruitment. The current component leader has only been active since July.

Delays in approval of the grants manual and complexities linked to the competitive bidding process, need to identify and short list organizations with the capacity to perform the necessary engineering and community mobilization work have meant that progress in this area was slower than anticipated.

However, we are now poised during Q1 of PY 3 to start seeing tangible activities occurring. The contracting process takes time, even following the identification of operators because feasibility studies must be conducted, cost estimates developed and the work contracted. Then too, PAIR is not working in isolation.

To avoid the errors of the past which resulted in non-sustainable systems which broke down after between 3 and 5 years of use, often for nothing more than a missing washer or a stripped faucet, there must be real, tangible community appropriation of the system, mobilization of funds and acceptance to maintain the system in case of breakdown. The communities must understand the systems belong to them and that they are responsible for them. They must comprehend the benefits accruing to them from proper hygiene and clean water and must accept to contribute actively to the process, rather than waiting passively for the GOB or next development assistance program to come to their assistance.

All of this foundation building and contracting takes time, which in PY 2 was BAP's principle limiting factor.

Other constraints include:

- A lack of qualified private environmental labs with the proper equipment, reagents and protocols for chemical, physical and biological testing of water samples in a timely fashion.
- Existing laboratories, especially those linked to government parastatals like REGIDESO have non-transparent pricing systems for sample analyses and heavy pre-conditions concerning the minimum requirements samples must meet for analysis.
- The plans (engineering diagrams) for infrastructures to be renovated do not exist. BAP has found it necessary to use key source personnel in the communities to assemble information on the systems of interest
- At the pilot washing stations where effluent work is scheduled to be done, it is difficult to identify who is responsible for decision making concerning modifications to the system. In the transition to privatization neither the managers of the washing stations nor the government services who rent these washing stations to the SOGESTAL are ready, willing and able to commit resources for their rehabilitation.

3. What is the impact of the host country commitment and performance on program performance?

Coffee Value Chain

- **GOB attitude in the definition of modalities for the operationalization of coffee sector liberalization and privatization policies**: Since 1 May 2007 when President Nkurunziza declared coffee farmers to e the proprietors of their coffee "from the plantation to the cup" and dictated that they receive 72% of the value from all export sales of green coffee, there has been confusion (either real or fabricated) as to the notion of coffee ownership. For two years the GOB was silent and chose not to define the notion of

ownership. During this period the coffee farmers sought their "rights" as "owners", through letters, the media, and group meetings claiming ownership of the GOB washing stations, the stabilization fund for coffee, and to shares held by OCIBU in different entities as well as to the land holdings (offices, residences, and warehouses) constructed to benefit the coffee sector using remittances from coffee sales through the years. It wasn't until 25 June 2009, during the bidder's conference for investors interested in purchasing lots of coffee washing stations, that the GOB began to clarify its position on certain situations raised by the farmers. The delay by the GOB in clarifying its perspective on these issues acted to constrain BAP implementation because:

- Farmers spent a majority of their time and energy over the past two years manifesting for their "rights" but without any real tangible success which elevated frustrations between the farmers and the GOB
- The SOGESTAL and OCIBU were hesitant to undertake initiatives and adopt new technologies being promoted by BAP that were designed to improve the quality of coffee at the CWS because they were unsure as to the future management/ownership of the CWS
- Personnel employed by both the SOGESTAL and OCIBU were unmotivated and unwilling to undertake new initiatives because the future security of their positions was at risk
- Potential investors were hesitant to engage in the bidding process because of the unresolved conflicts, disinformation and lack of clarity concerning the farmer's claims

- **The Run up to the 2010 general elections**: The elections are anticipated for May/June 2010 which is the height of the coffee harvest/wet milling season. Already we are seeing signs that administrative authorities and farmers are putting political interests before technical interests and that the decision making matrix has altered to try and account for where the most votes may be garnered. Certain decision makers are putting their own personal interests/agendas before those who they are supposed to be representing.

- **Lack of Proactive decision making by OCIBU and the Coffee Sector Reform Committee**: Certain decisions concerning amendments of existing legislation and to procedures linked to the "hows" of privatization are in limbo, leading to uncertainty and immobility in the coffee sector. This has led to augmented frustration levels among the coffee sector actors. Among other issues hanging in suspense among others are:
    - Amendment of the legislation governing placement of coffee washing stations to eliminate the separation "distance" criteria
    - Clarification on how revenues from coffee sales will be distributed among sector actors in the coming years- will the RCA remain in some form or another? Or will a fee for services rendered system be adopted?
    - Management issues related to washing stations that have not been sold. As the more productive assets of certain SOGESTAL are divested can the SOGESTAL break even with the remaining stations they are managing under lease?

- How will the downsizing of the sector occur? How will the transfer of personnel from the SOGESTAL to the WEBCOR be accomplished?
- How will the transfer from SOGESTAL management to private sector management be implemented for the 13 stations recently sold to WEBCOR?
- What are the procedures for paying cherry next campaign? Will the government fix a base price in advance? Will differential pricing for different quality of cherry brought to the washing stations be permitted?
- How will financing be obtained for the 2010/2011 coffee campaign?
- How will the input supply system function once OCIBU converts to ARFIC?
- What are the procedures for farmer's organizations to begin paying for the shares being reserved for them in the newly privatized washing stations?
- Are cooperatives able to purchase shares in an anticipated fashion in government owned, SOGESTAL managed, washing stations?

- **Weak productivity and waning interest among farmers to grow coffee**: The continued confusion of how the GOB strategy for coffee sector privatization will be implemented and in what time horizon, coupled with poor production, the high cost and relative unavailability of agricultural inputs/extension services targeting coffee has contributed to poor yields and given rise to a general feeling of dissatisfaction , if not disinterest, on the part of coffee farmers, many of whom are ignoring their plantations or abandoning them altogether.

Dairy Value Chain

In Dairy we find the GOB is engaged in collaborating with BAP. Recently the Ministry of Agriculture instituted thematic working groups and invited BAP cadre to join them for the coffee sector and dairy sectors in order to operationalize, over the coming years, Burundi's agricultural strategy in these two key areas.

Gender, Producer Associations and Micro-Enterprises

The government assists these sectors through the acceptance and coordination of programs targeted for these sectors by implementing partners for development. In certain sectors, notably agriculture, there has been great effort to promote and cultivate income generating activities. For example the UN's Project for Peace Consolidation has a component, UNIFEM, which assists women entrepreneurs at all levels to obtain credits through Micro-Finance Institutions. Women, in associations living in BAP intervention zones, having targeted programs for development, may benefit from credit under this window, an opportunity which was closed to them in the past.

On the other hand, the GOB commitment to women's economic development has not translated into greater budgetary allocations for the Ministry in charge of Woman's Promotion.

Concerning producer associations and cooperatives, the structuration of this sector and the articulation of the different levels: association, cooperative, cooperative union, federation and confederation still drags because of laws and codes which are inadapted to Burundi's current level of development. There remains confusion between ASBL (NGO) and Cooperatives and the laws which govern each. The statutes are housed under different ministries and the interpretation of the texts differs depending on the day and the person talked with. Texts are not readily available in local language for diffusion to the rural areas and should be simplified and streamlined.

Grants and Financial Intermediation

Government policy facilitates the creation and legalization of associations and cooperatives, however there is no formal policy for facilitating the creation of micro-enterprises or for promoting agricultural sector private investment. Further, there is no policy in place to encourage banks and MFI to lend to the rural, agricultural, or agribusiness sector, nor any window through which the GOB has anticipated placing credit funds with financial institutions to promote rural sector lending. Finally, it appears as though the Ministry of Agriculture has not focused attention on the need for rural sector financing in its recent sectoral policy.

Community Water

In 1991 the GOB established an institutional cadre for management of water through Communal Water Management Services (Regies Communauales des Eaux) who had responsibility for managing and repairing the water systems. The crisis intervened and these RGE are now faced with multiple constraints notably:

- Infrastructure destroyed during the war
- Refusal of populations to pay for "free" water provided through the efforts of Humanitarian Assistance Organizations
- Weak management capacity by the RGE which has resulted in funds being poorly managed or, in some cases fraudulently used without sanction; and
- A lack of focus on campaigns linked to hygiene and sanitation and proper water etiquette among the populations who are supposed to be clients of the system.

In 2000 the RGE were "privatized" and established as ASBL in their communes. They were tasked by the GOB with the management of the systems, but without the resources and capacity necessary to accomplish this. BAP must work in synergy with these institutions who expect to be "supported" but who do not benefit from the confidence of their communities.

4. What, if any, was the gender factor critical to the success of the program activities?

Women are not the primary producers of or beneficiaries of the revenues derived from coffee and thus are not the principal client beneficiaries of this value chain. However, they are increasingly present on the boards of producer associations and cooperatives and represent 18,8% of lead farmers chosen by their hillsides to represent them at trainings facilitated by BAP hosted at the washing stations and then to replicate this training on the hillsides. On the hillsides surrounding the pilot washing stations women represent 39% of all training participants be it for improved agronomic practices or association institutional capacity strengthening or business management training. A woman is the Washing Station manager at Ngogomo in Muyinga and has participated actively in Program workshops and exchange visits. Women participants at workshops were not only active participants but volunteered to present the findings of break out group work and displayed little hesitancy in letting their opinions be known and in challenging others, no matter what their social rank or stature when they felt they were wrong. Two women, one student and a quality control specialist at the SIVCA dry mill received highest accolades and were certified for their skills during cupping training. We found women actively participating in floating cherry at the washing stations, hand sorting for defects, and particularly interested in how different aspects of processing and drying can either maintain value or decrease it. Women are noted for their attention to detail on the conditioning tables and, have a world wide reputation for finesse in cupping. We will continue to promote women's participation and women's facilitation skills over the coming years and will continue to engage them in discussions elated to producer association's governance, leadership and transparency.

In the Dairy sector we note that the associations in Rutegama already had six women integrated into the managing boards. Women also provided much of the labor in the planting, weeding and watering of the forage nurseries.

The BAP Horticulture team is pleased to see about 40% of the private firms and farmer associations are led by women. Also, from a total of 666 members in the target farmer associations, 57% (377) are women. This situation points out the important role of women in the subsector both at the production as well as at the entrepreneurial level.

BAP has negotiated partnerships with two of the most influential third tier Women's Associations in Burundi, AFAB and CAPAD. Together we have identified training needs and priorities and we have begun responding to those needs through targeted training planned and scheduled at times and for durations identified by the participant representatives as being accessible for them. We have offered individual technical assistance on a case by case basis to women artisans and entrepreneurs over the course of the past year.

Gender issues will also be critical as we negotiate protocols with communities and seek community participation and "buy in". Water, Sanitation and Hygiene activities gain better traction when they are targeted directly to women, mothers, and their children.

5. If you conducted a program evaluation during the fiscal year, kindly discuss the findings and how recommendations are being used to improve program performance.

   Not Applicable

6. The status of environmental compliance is a mandatory USAID requirement. Please provide us with a paragraph on: a) Project name; b) Type of 22 CFR 216 Determination that was approved by Bureau of Environmental Officer (BEO); for the project (Categorical Exclusion, Negative Determination, Environmental Assessment); c) A note as to whether compliance issue were encountered and, if so, what action(s) was/were taken to resolve the compliance issue(s).

   In dairy one of the major problems noted was hillside erosion. The Farmer's associations have decided to plant the forage crops as anti-erosive barriers on their hillsides, to create micro-terraces and to intersperse elephant grass, Calliandra, and Leucaena with fruit trees to promote soil retention and diversify economic opportunities.

   In dairy too, there are issues related to waste, overflows and effluents, especially when one is partnering with operators having more intensified operations in urban, peri-urban, or semi-urban areas. BAP discussed the initial assessments we undertook to mitigate potential environmental contamination in targeted MCC zones in our second quarterly report.

   The BAP Horticulture team has been emphatic with all stakeholders in that no agrochemicals will be purchased through BAP funds and the project will not endorse the use of harmful agrochemicals in pest control activities. Best agricultural and manufacturing practices will specifically target the use of integrated pest management techniques for several crops and the use of agrochemicals approved as safe for the environment.

   Most, if not all the coffee washing stations are problematic in this area. Many have no sources of potable water and no latrines for use either by personnel working at the stations or farmers supplying the stations with cherry. The effluents from the process are not being treated prior to re-entering the groundwater and the pulp pits acidify the soil, create noxious odors and attract flies during the wet milling season.

7. Success stories/lessons learned from your program.

Coffee

1) Article published on the DAI Website

"Burundian Farmers Earn Quality Premiums for Specialty Coffee Sales"

Burundi, one of the poorest countries in the world, was plagued from 1994 until 2005 by a brutal civil war that, in addition to its human toll, devastated the country's one major export – coffee.

Even as the war ended and coffee production rebounded, the coffee cherries and beans within continued to be carelessly harvested and processed within the state-run system, resulting in a product of unremarkable quality that brought low prices for the farmers, whose receipts were further diminished by the government's use of middlemen -- brokers and wholesalers -- to bring the coffee beans to the market.

Meanwhile, buyers for the world's burgeoning specialty coffee market, who desired hand-selected beans grown in favorable microclimates, were traveling to neighboring Rwanda and other eastern African countries, dealing directly with farmers, and paying a good price to bring choice product back to the United States, Europe and Japan.

But Burundi's coffee industry is finally stepping up to meet international demand, as proven on February 24, 2009, at a celebration at the Bwayi coffee washing station in Kayanza Province, where more than 3,000 farmers came to collect 21 million Burundian francs, or U.S. $17,605.98, in quality premiums for higher-grade coffee lots that they recently developed and sold directly to international buyers.

"I used my rebate money to purchase improved seed and fertilizer and pay labor costs toward land clearing and planting" for the March-June growing season, said Germain Simbayobewe, president of the Bwayi Cooperative of coffee growers.

This marked the first time that Burundian farmers made significant direct sales to specialty market roasters, and by doing so they commanded a higher price for their coffee beans than the price set by Burundi's regulating body for the coffee industry.

Simbayobewe and others in Burundi's coffee value chain are being assisted by the Burundi Agribusiness Program (BAP), a U.S. Agency for International Development-funded project started in October 2007 by DAI and implemented with support from Michigan State University.

Others who earned a quality premium – additional money for meeting a quality standard – included Bibiane Ntibibuka of Burengo, who used her 28,000 francs to buy a new hoe and seed and put money

aside for day labor and mulch; Herman Samandari of Burarana, who purchased clothes for his children and paid for their quarterly school fees; and Charles Sindekemwa of Ruvumu, who invested in organic fertilizer for his food crops and vegetable garden.

"Today, the coffee producers who supplied Bwayi in 2008 are better able to pay for field work (day labor) necessary to weed and mulch their plantations because of the quality premium they received," said Emile Kamwenubusa, BAP's coffee value chain leader. "However, the price of chemical fertilizer urea is still too costly for most of them to afford."

To enable this initial entrance into the specialty market, BAP convinced the Burundian government to give the producers a chance to sell coffee beans directly to interested specialty coffee buyers. Farmers and others, however, also had to take steps to improve the quality of their goods.

To this end, producers picked coffee cherries only when they were exactly ripe and not overripe; the cherries were washed of their pulp and the resulting beans sorted and dried to precise standards; and beans were shipped and stored quickly to assure freshness and avoid overexposure to high heat and humidity.

The BAP team arranged for coffee buyers in the spring and summer of 2008 to visit Burundian coffee farms and processing sites. This ultimately resulted in sales by the Bwayi Cooperative to Stumptown Coffee Roasters of Portland, Oregon, and Dunn Brothers Roasters of Minneapolis in the United States. Café Imports of Minnesota and Schluter of Switzerland also purchased coffee for their specialty clients.

During 2008, Bwayi bought 808.5 metric tons of cherry, which was processed into 169.6 metric tons of parchment. The cooperative sold 52.8 metric tons of green coffee directly to international buyers, generating for the coffee producers their premium.

Coffee accounts for about 80 percent of Burundi's export earnings, and nearly one million workers make their living from the crop. When the civil war struck, coffee production dropped from 36,800 metric tons a year in 1996 to 15,000 metric tons in 2001, and 7,000 metric tons in 2003. Production has since returned to its prewar level.

Burundian farmers possess conditions in which to succeed. Mild Arabica trees of principally Bourbon and Jackson varieties -- introduced decades earlier by colonialists – grow in volcanic soil on misty, rolling hills in equatorial temperatures. In an effort during the 1980s to spark the industry, the Burundian government planted tens of millions of coffee trees and built 133 coffee washing stations, where the coffee cherries are processed, as well as two modern dry mills. But the industry never grew beyond producing commercial grade coffee to be mandatorily sold at state auction for low prices, with minimal benefit to the coffee producers.

The country is moving toward privatizing its coffee assets, in particular by selling its 133 coffee washing stations, two dry mills and other holdings.

By introducing quality standards and new processing procedures, linking international buyers to Burundi's coffee farmers, and persuading Burundi's state coffee authority to allow further sales of specialty lots, the Burundi Agribusiness Program expects more days like February 24, where rural smallholders and other coffee sector actors will reap greater rewards for their efforts, benefiting their families and communities.

The event should also help farmers to understand that that, if they are prepared work in cooperation with processors to produce a good product, they can make more money, and do so without heavy-handed regulation and intervention from the public coffee authorities.

2) The first group of mixed private sector investors and farmers are building a washing station in the commune of Kabarore in Kayanza. Investors include the President of CNAC and the President of the Farmer's Federation in Kayanza are both investors.

3) Last year 4 washing stations in 2 SOGESTAL sold a total of 352 mT of coffee by direct sales with premiums for quality accruing to farmers- this equals approximately 1% of Burundi's Total Green Coffee Production (Washed and Fully Washed- appx 25,205 mT[2]) and2.1% of the 2008/09 production of fully washed coffee (16,872 mT). This year 26 CWS in 4 SOGESTAL have negotiated direct sales contracts for 305.2 mT of coffee which is approximately 10%[3] of Burundi's 2009/2010 production of Fully Washed Green. These direct sales contracts have been negotiated with/ or on behalf of at least 6 different International Specialty buyers including- Café Imports, Stumptown, Intelligentsia, and Counter Culture Coffee.

4) CWS Kagombe in Muyinga Province is the first UTZ certified Washing Station in Burundi. Last campaign one buyer purchased 80% of the production from this washing station. The certification premium attributed to farmers translated to an extra 20 FBU/kg of cherry brought to the station by farmers. This year, BAP has continued to provide technical assistance and training modules through the agronomist based at the station and has continued to invite the farmer leaders to participate in the different workshops organized by the project. In this year of extremely poor production, the volume of cherry bought by the station represents 20,5% of the entire volume of cherry bought by the fully washed value chain in the SOGESTAL Kirundo-Muyinga. The same buyer, Paragon Coffee, has committed to purchasing 108 mT, this season.

5) The exchange visits organized to privatized coffee sector actions in Tanzania and Rwanda opened the participants eyes to the opportunities offered by privatization including contracting specialized coffee agronomists, direct relations for farmer cooperatives with financial institutions for capital investment loans for washing stations and dry mills and access to operating funds for the purchase and processing operations, and direct partnerships (contractual relationships)between farmers and international buyers. Excited by the prospects offered in a privatized environment, there was a noticeable attitude change among farmers post visit. First they held numerous meetings in their

[2] Source OCIBU, Personal Communication with the Service Economique
[3] Ditto

zones informing the population of what they had seen and learned. Second, during the panel discussion facilitated by BAP in Ngozi, instead of revindicating their "rights", the farmers focused their questions and discussion with sector actors and the Minister of Privatization on clarifications of the process, "how things will work". At the end of the panel discussion, participants at previous panels felt that real progress had been made and that the exchange visits resulted in a "rebooting" of the farmer's attitudes to a more constructive and positive mindset.

Lessons learned in Horticulture:

The BAP horticulture team has some difficulties with two companies that have been continuously favored by previous and current project grants. While this is not a positive situation in the country, the lack of partnering companies to choose from leads us to continue engaging them in development ventures. Under the current horticulture subsector size, the challenge of not working with these companies is harder than doing an effort to show them a different way to engage in business through development programs such as BAP. We will continue to strive in helping them achieve sustainability, but with closer monitoring and evaluation of their business practices.

Success Stories from Gender

1. The English Courses being offered to women entrepreneurs under a cost share agreement with the participants and their host organizations normally require 40 hours of lessons over 10 weeks at an average of 4 hours of course work per week. One of the five women's groups decided to intensify their coursework and finished their first sequence of lessons in seven days, then requested further, more intensified language training.

2. Women have resolved the land tenure/inheritance issue in the short term by renting land in order to run agriculturally based revenue generating activities. They manage their activities in association so that the workload for each member remains within their defined acceptable levels and does not impede their capacity to manage their existing daily loads.

Youth

Since BAP began we have hosted a total of six (6) interns in two years, five of whom are college graduates. Three of these five have degrees in Administrative Sciences and Management, one has a degree in Economics, one has a Masters Degree in Business Administration. The sixth intern, hosted by the Program, is in her Junior Year of Studies in Communications for Development. The internships, excepting that of the student in communications, are accorded for six months. Internships offer students practical work experience and the possibility of developing an independent project in an area of interest to them which is related to our program interventions. Internships for BAP are a great way to add the dynamic enthusiasm, new ideas and energy of youth

to our staff. It allows us to promote our values, approach, strategies and processes while mentoring future leaders of Burundi.

In addition to our continuing (and growing) internship program which has seen students and recent graduates from local universities receive operational experience in administration and finance, monitoring and evaluation, enterprise development and business management skills training, and communications, we have progressively intensified our relationship with the Agronomic Department of the University of Ngozi. University faculty and staff have benefited during this project year from a field visit to a coffee washing station, an exchange visit to Rwanda, a seminar on value chains and private sector agro-industry opportunities for new graduates, and sponsorship for three different sequences of cupper training which saw one student certified as only one of two qualified Burundian Q cuppers. In addition we have offered students the possibility of participating in field surveys, data collection and analysis. By assisting the University to modify their curriculum to include more practical experiences, we hope that Burundi's private sector will seek to recruit new graduates as junior managers. The students will recruited by these firms will bring with them their pragmatic and operational field experiences.

In addition, BAP has hired literate youth from communities adjacent to pilot washing stations as surveyors to document the historical coffee production of a representative sample of coffee farmers and to assist the program in linking these historical data with the census performed on the number of coffee trees each farming household has in its plantation.

Conclusion

We hope that this succinct discussion of BAP PY 2 qualitative accomplishments and challenges will be useful to our client USAID. We certainly are taking it into account as we proceed forward with our PY 3 planning activities and strategic visioning for years 4 and 5. We recognize that while much progress has been made, much remains to be accomplished. The BAP team is looking forward to accelerating and expanding activities in PY 3.

As we enter PY 3, we are optimistic that Burundi is poised for long term sustainable economic growth and diversification and are prepared to accompany this effort. Lessons learned during implementation this first project year will be integrated to increase our intervention efficiency and bringing to scale our assistance.

We are pleased to have seen our relationships with the Ministry of Agriculture reinforced and to have our technical excellence recognized by Ministry Officials, other development organizations and funding agencies and the elected officials and public administrators in our intervention zone. We complete our second project year on an upswing of momentum and though the challenges ahead are great we have a solid foundation upon which to build solutions to the challenges. We are optimistic about Burundi's future and the added value our Program brings to the private sector in catalyzing expanded sustainable growth and assisting Burundi to increase its competitiveness and thus fully leverage its share of benefits through integration in the East African Community.

We close in thanking USAID for its continued support, frank collaboration, trust and assistance in the implementation of our Program.