

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB7533

Project Name	AF-Agricultural Diversification and Market Development Project
Region	AFRICA
Country	Burkina Faso
Sector	Irrigation and drainage (33%); Agro-industry, marketing, and trade (33%); Crops (17%); Animal production (17%)
Project ID	P147978
Parent Project ID	
Borrower(s)	GOVERNMENT OF BURKINA FASO
Implementing Agency	
	Project Coordination Unit of the PAFASP/ADMDP Ouagadougou Burkina Faso
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Country and Sector Background

1. **Burkina Faso Burkina Faso is a low-income landlocked country facing significant economic vulnerability.** Burkina has maintained economic stability in the face of structural obstacles and economic shocks, including recurring droughts. Strong production of gold and a vibrant agricultural (cotton and food grains) sector have supported a respectable economic growth rate, despite vulnerability to terms of trade shocks. Due to both its difficult geography and its good performance, Burkina has also received significant aid flows in the last decade. Partly because of a high population growth rate and a non-inclusive pattern of growth, poverty incidence has registered only a moderate decline since the 1990s and remained at 47 percent in 2009 (compared with 51 percent in 2003). Stubborn and persistently high levels of predominantly rural poverty still undermine development. There are significant inequalities by region, gender, and location (urban and rural).

2. **Burkina Faso has faced difficult years in 2012 and 2013, confronting food shocks and refugee crises.** An inflow of Malian refugees in 2012 has put fiscal pressure on Burkina's budget. The GoBF has responded by allocating close to US\$ 10 million to pay for food and schools for the Malian refugees. In relation to the food crisis, government has spent close to \$130 million as of December 31, 2012, and US\$ 64 million in 2013 to help feed the vulnerable population. So far, close to 50,000 tons of food have been sold or distributed to the rural population by the two key agencies, SONAGESS and CONASUR, together with the international aid agencies like WFP. Major famine has been averted, although there have been execution bottlenecks. The government has facilitated access to strategic grain reserves,

strengthened the early warning system to identify vulnerable segments of the population, and embarked on an ambitious program of subsidized sale of foods in food-deficit areas.

3. **Burkina Faso's agriculture-based economy is still dominated by subsistence production systems characterized by low crop and livestock productivity, low but increasing diversification, and limited participation of formal private businesses in the development of agro-pastoral value chains.** Agriculture, including livestock and agro-processing sectors, continues to account for about 40 percent of GDP, and it employs over 80 percent of the population. While becoming less dominant in total exports due to the booming mining sector, cotton exports continue to dominate total agricultural exports, despite recent increases in non-cotton agricultural exports spurred in part by ADMDP interventions. According to the 2009 Country Economic Memorandum (CEM), the most competitive products in the West African market seem to be onions, tomatoes, cowpeas, cattle/beef and maize. Burkina also has a comparative advantage in exporting mangoes, sesame, and Shea nut products to the international markets, but the country is trading these products at the lower levels of the value chain. There is also potential for rice and milk import substitution.

4. **Agriculture is one of the priority sectors of the country's poverty reduction and growth strategies.** In December 2010 the Government adopted the Strategy for Accelerated Growth and Sustained Development for 2011-15 (*Stratégie pour la Croissance Accélérée et le Développement Durable* (SCADD)). The SCADD combines promotion of growth poles to support agribusiness and small and medium-sized enterprises with pro-poor programs and critical structural reforms. A Country Partnership Strategy (CPS) was approved on September 19, 2013, by the Board, indicating how the World Bank Group will support the SCADD.

5. **The SCADD and the CPS have identified the agriculture sector and related interventions in rural development as one of the country's major source of growth with high potential for shared prosperity and poverty reduction.** The proposed AF fits within Axis 1 of the SCADD "*development of the pillars of accelerated growth*" and is consistent with the natural resources cross-cutting priority of Axis 4. It is aligned with the Strategic Objective 1 of the CPS "*accelerate inclusive and sustained growth*" whose outcome number 3 is to "*reduce infrastructure deficits and more effective value chains*" and will contribute in terms of increasing exports volumes in diversification products (72,000 tons by 2016) and reaching 60,000 ha of irrigated land by 2016. It is also aligned with the strategic objective 3 "*reduce social, economic and environmental vulnerabilities*" whose outcome number 7 is to enhance food security. A follow-up to ADMDP was explicitly identified in the new CPS. The proposed AF will capitalize on the achievements of increasing diversification in agricultural production and exports and the promotion of more competitive value chains in the country.

6. **The proposed Additional Financing (AF) operation is fully consistent with the goals set out in the CPS, the SCADD, and the rural sector strategy (PNSR).** The PNSR was adopted by the Council of Ministers in October 2012 and is the sector strategy in support of the SCADD. The PNSR supports the government's vision to modernize Burkina Faso's rural sector and to make it a driver of food security, sustainable growth, and modern job creation through the development of professional, competitive, market-oriented businesses and agro-industries. Achieving these goals requires critical investments in both institutional development and

productive infrastructures, including a significant scaling up of irrigation capacities. Support of the World Bank to the PNSR is currently being carried via a portfolio of lending and AAA activities including ADMDP, WAAPP, PAPSA, PNGT-III, the Bagré Growth Pole Project, as well as budget support operations targeting the cotton sector and food security.

2. Objectives

7. There is no change in the Project Development Objective (PDO) which is to increase the competitiveness of selected agricultural subsectors that target national, subregional, and international markets, thereby contributing to shared agricultural growth in Burkina Faso. Specifically, the key performance indicators for the project objective are expected to remain unchanged, although targets will need to be adjusted where necessary.

8. The following are the key indicators for the AF phase: (a) agricultural exports (excluding cotton) on international markets reach 106,500 tons by the end of the FA against 71,500 tons at present, (b) agricultural exports (excluding cotton) in the sub-region reach 96,000 tons against 67,500 for targeted value chains, (c) at least 60% of farmers who have benefited from project support have increased their revenue target by at least 50 percent at maturity of the AF, and (d) at least 25,000 new beneficiaries will be reached during the AF Phase over the current 350,000 beneficiaries. The only significant change is the indicator for direct project beneficiaries; it was agreed to collect information relating to gender-disaggregated direct beneficiaries (i.e. the percentage of female beneficiaries).

3. Rationale for Bank Involvement

9. **The AF is expected to contribute to reducing poverty and promoting shared prosperity.** The **value added of the World Bank** has been and will continue to be during the AF Phase: (a) help improve the business environment, and (b) promote rural entrepreneurship and micro-enterprise company success. The expected **development impact** is the result of an increased the volume of public investment in agro-forestry-pastoral sectors targeted by the project.

10. The ADMDP is a project to promote businesses in rural Burkina Faso where access to credit from commercial banks and microfinance institutions is limited. **The rationale for the Additional Financing (AF) is to consolidate and expand project activities showing strong results** with a view to securing a higher level of DO achievement over an additional two-year project implementation period. It will scale up the impact and development effectiveness of ADMDP by expending ASP activities and irrigation and marketing infrastructure to new sites and the targeting of some 25,000 additional project beneficiaries in the country to reach a total of 315,000 people by the end of the AF implementation period (the number as of 10/31/2013 is 290,000 beneficiaries; the original end of project target was: 200,000 beneficiaries)¹.

¹ The project will make a special effort to ensure that female producers and operators benefit from the project. As one of the measures a performance indicator of the project is related to the percentage of women beneficiaries of the project interventions; it is set at 30%. This indicator will be achieved through actions targeted at women in areas that mobilize the greater participation of women namely, cattle fattening, local poultry, dried mango production, and conservation cowpea.

4. Description

11. **Component 1: Improvement of ASP supply chains performance (approximately US\$ 26.0 million, including US\$ 18.4 million IDA).** The component aims primarily to increase the technical and economic performance of targeted value chains, improving their structure, strengthening the capacity of private actors to respond to opportunities and market requirements, while helping to sustainably increase agricultural productivity. This component includes the main thrust of the AF, which supports the evolution of existing microprojects (MP) into viable, profitable micro-enterprises (MEs) and Small and Medium Enterprises (SMEs), the capitalization/dissemination of successful experiences of the mother project, and the implementation of a range of quality services to meet the specific needs of MEs and SMEs. Two lines of actions will be pursued: (i) improving the competitiveness of value chains, and (ii) strengthening inter-professional (IP) organizations to enable them to support collective missions.

12. **Component 2: Development of irrigation and marketing infrastructure (approximately US\$ 26.9 million, including US\$ 18.9 million IDA).** The component aims to strengthen the links between producers and markets. In particular, the AF will help complete the construction of infrastructure and promote the management and operation of production and marketing infrastructure by the private sector. The AF will thus contribute to addressing issues discussed during the initial stage, namely: (i) the lack or inadequacy of infrastructure and equipment to support the marketing and export of products, and (ii) inadequate infrastructure and technologies adapted to the development needs of irrigated production in the targeted sectors. The component comprises two subcomponents: (i) development of irrigation infrastructure, (ii) infrastructure development and marketing.

13. **Component 3: Improving the institutional environment, regulatory framework and provision of advisory services including project coordination and management through a dedicated PCU (approximately US\$ 13.0 million, including US\$ 12.7 million IDA).** The AF will maintain support for: (i) a legal and regulatory framework conducive to private investment, (ii) capacity building support services to industries to ensure quality control and standards, (iii) the development of an improved policy environment of public and private providers, (iv) better coordination, effective management, and adequate monitoring and evaluation of the Project. The component consists of three subcomponents: (i) improving the legal, regulatory and financial environment, (ii) strengthening of support and support services sectors, (iii) coordination and monitoring and evaluation of the Project.

5. Financing

Source:		(\$m.)
BORROWER/RECIPIENT		5.00
Beneficiaries	6.58	
Participating Financial Institutions	4.33	
International Development Association (IDA)		0
IDA Grant		50
	Total	65.91

6. Implementation

14. **Implementation arrangements will remain unchanged during the AF phase.** The Project Coordinating Unit (PCU) will continue to oversee and coordinate project implementation, supported by competitively-recruited, field-based international Technical Assistance (TA) teams. Implementation will take place at the national and the regional levels (same branches of West, Center and North). The national level coordinates the administration and is composed of a strong technical team, while the branch level comprises of the technical implementation teams which coordinates project activities at different sites within several provinces. At the national level, a few subject matter specialists (irrigation, horticultural supply chain development, livestock, capacity building) have been lost by the project as they have left to assume higher leadership positions in the public and private sector. Recruitment of new specialists will be conducted shortly to fill the gaps.

7. Sustainability

15. The project aims to increase the technical and economic performance of targeted value chains, improving their structure, strengthening the capacity of private actors to respond to opportunities and market requirements, while helping to sustainably increase agricultural productivity. A key objective of the AF is help microproject to become viable MEs and SMEs that are self-sustaining. Similarly, the project seeks a consolidation of the project institutional and operational framework, and transfer of project competencies to permanent entities to ensure sustainability of project activities.

8. Lessons Learned from Past Operations in the Country/Sector

16. **Lesson 1: Strengthening mutually beneficial linkages among smallholders and rural entrepreneurs so that they work together to take advantage of market opportunities.** Inter-farmer and inter-firm cooperation in the cattle/beef and onions MPs has yielded positive outcomes for the ADMDP. In these two subsectors, operators have been successful in sharing information, technologies, inputs and buyers. In contrast, collaboration and linkages in the mango and poultry value chain have been less successful due to lack of leadership, mistrust of competitors, weak information, or lack of scale. The AF would build on the success and lessons from these collective action platforms, as well as from the experience gained by the project staff and professional organizations.

17. **Lesson 2: Identifying needed support for the development of ASP value chains; profitable value chains are supported by services that allow the chain to grow, be more efficient, and enhance their competitiveness.** The overall objective sought by ADMDP via Component 3.2 (capacity building for service providers) is to improve the depth and breadth of needed services to value chain actors, enabling them to become commercially sustainable. The availability of new and better services should enhance the profitability of the whole value chain. ADMDP has relied on the tandem private support services providers – public “deconcentrated” technical services to improve the technical and managerial performance of small-scale rural entrepreneurs and smallholders. Unfortunately, the model has not yielded the expected results as

the tandem often failed to deliver well-synchronized, good-quality and proximity services. Rather than two independent tracks for support, one focusing on technical services and the other on financing and preparation, implementation of the MPs will in the future integrate together the range of services needed by smallholders and small-scale processors (e.g. input supply, market information and product development support, business management, transportation and logistics, quality assurance, skills, extension and training, veterinary services, and credit and other financial services).

18. Lesson 3: A large proportion of the value chain activities promoted by ADMDP take place in the rural sector where growth and poverty reduction need to be improved. The rural sector within the scope of several ministries: the Ministry of Agriculture and Food Security (MoAFS), the Ministry of Animal Resources (MoAR), Ministry of Water, Hydraulic Planning and Sanitation (MoWHPS), and the Ministry of Environment and Sustainable Development (MESD). As part of the operationalization of the SCADD for the rural sector, the Ministries developed the PNSR in 2012, which helped with sectoral coordination and hopefully development impact. Also, a Public Expenditures Review (PER) supported by the World Bank was jointly conducted in 2013 for MoAFS, MoAR, and MESD. Results in terms of growth and poverty reduction were weak, due the low quality of public expenditure. The challenge is how to improve the quality of public expenditures in agriculture to achieve the objectives set by the SCADD. A portion of the Additional Financing would therefore be used to add a new TA activity requested by the Ministried operating in the rural areas to develop strategies and policy frameworks to better coordinate and implement agro-sylvo-pastoral interventions and providing support for a dedicated delivery unit (*Cellule en Charge des Reformes Sectorielles*). The content of the TA and its format have been discussed with authorities during preparation and an agreement has been reached on the set of activities to be supported by the AF and reflected in the costing.

9. Safeguard Policies (including public consultation)

19. Same as for the parent ADMDP, this AF triggered: OP/BP 4.01 on Environmental Assessment; Pest Management (OP/BP 4.09); and Involuntary Resettlement (OP/BP 4.12). ADMDP is rated as environmental assessment Category B. No additional new safeguards will be triggered. The Government is committed to take appropriate measures for the expeditious completion of ongoing studies as well as to the timely dissemination of safeguard documents (the Environmental and Social Management Plan, Pest Management Plan, and Resettlement Policy Framework).

10. List of Factual Technical Documents

[to be added]

11. Contact point

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