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IDA/R2017-0282/1

August 3, 2017

Closing Date: Tuesday, August 22, 2017 at 6:00 p.m.

FROM: Acting Vice President and Corporate Secretary

Burundi - Local Development for Jobs Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed grant to Burundi for a Local Development for Jobs Project (IDA/R2017-0282), which is being processed on an absence-of-objection basis.

Distribution:
Executive Directors and Alternates
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The World Bank

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Report No: PAD2390

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 36.2 MILLION
(US$50 MILLION EQUIVALENT)

TO THE

REPUBLIC OF BURUNDI

FOR A

LOCAL DEVELOPMENT FOR JOBS PROJECT
AUGUST 1, 2017

Trade and Competitiveness Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective May 31, 2017)

Currency Unit =	Burundi Francs (FBu/BIF)
1,725 FBu =	US$1
US$ =	SDR 0.72237633

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Makhtar Diop
Country Director:	Bella Bird
Senior Global Practice Director:	Anabel Gonzalez
Practice Manager:	Catherine Kadennyeka Masinde
Task Team Leader(s):	Megha Mukim, Brahim Ould Abdelwedoud

ABBREVIATIONS AND ACRONYMS

ABELO	*Association Burundaise des Elus Locaux*
ABUTIP	Burundi Agency for Public Works (*Agence Burundaise pour la Réalisation des Travaux d'Intérêt Public)*
API	Investment Promotion Agency
AWPB	Annual Work Plan and Budget
BDG	Business Development Grants
BDS	Business Development Services
CCDC	*Comité Collinaire de Développement Communautaire*
CDC	*Comité de Développement Communal*
CFCIB	Federal Chambers of Commerce
CMU	Country Management Unit
DA	Designated Account
DCF	Discounted Cash Flow
DRC	Democratic Republic of Congo
EAC	East African Community
ECVMB	*Enquête nationale sur les conditions de vie des ménages au Burundi*
EFA	Economic and Financial Analysis
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESIA	Environmental and Social Impact Assessment
FCS	Fragile- and Conflict-Affected Situations
FCV	Fragile, Conflict, and Violence
FM	Financial Management
GDP	Gross Domestic Product
GIZ	German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit)*
HIMO	*Haute Intensité de Main-d'Oeuvre*
IC	Investment Climate
IFC	International Finance Corporation
IFR	Interim Financial Report
IPF	Investment Project Financing
IPMP	Integrated Pest Management Plan
IT	Information Technology
LG	Local Government
M&E	Monitoring and Evaluation
MDC	*Ministère du Développement Communal*
MIS	Management Information System
MSME	Micro, Small, and Medium Enterprises
NGO	Non-governmental Organization

NPV	Net Present Value
PCDC	Investment Plan (*Plan Communal de Développement Communautaire)*
PDLE	*Projet de Développement Local pour l'Emploi* (Local Development for Jobs Project)
PIU	Project Implementation Unit
PIA	Project Implementing Agency
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PMP	Pest Management Plan
PPA	Project Preparation Advance
PPD	Public-Private Dialogue
PRSP	Poverty Reduction Strategy Paper
PSC	Project Steering Committee
RAP	Resettlement Action Plan
SCD	Systematic Country Diagnostic
SME	Small and Medium Enterprise
T&C	Trade and Competitiveness
TMEA	TradeMark East Africa
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
VC	Value Chains
WBG	World Bank Group
WDR	World Development Report

BASIC INFORMATION

Is this a regionally tagged project?	Country(ies)	Financing Instrument
No		Investment Project Financing

[ ] Situations of Urgent Need of Assistance or Capacity Constraints

[ ] Financial Intermediaries

[ ] Series of Projects

Approval Date	Closing Date	Environmental Assessment Category
22-Aug-2017	29-Jul-2022	B - Partial Assessment

Bank/IFC Collaboration
No

Proposed Development Objective(s)

The project development objective is to create income generating opportunities for individuals and businesses and improve access to basic infrastructure in selected regions, targeting vulnerable populations and MSMEs in selected value chains.

Components

Component Name	Cost (US$, millions)
Component 1: Investments in Local Public Infrastructure	32.50
Component 2: Support for Value Chain Development	13.50
Component 3: Project Management, Coordination, and Monitoring	4.00
Component 4: Contingency Emergency Response	0.00

Organizations

Borrower :	Ministère des Finances, du Budget et de la Privatisation
Implementing Agency :	Ministry of Finance, Budget and Privatization

PROJECT FINANCING DATA (US$, Millions)

[ ] Counterpart Funding	[ ] IBRD	[ ] IDA Credit	[✓] IDA Grant	[ ] Trust Funds	[ ] Parallel Financing

Total Project Cost:	Total Financing:	Financing Gap:
50.00	50.00	0.00
	Of Which Bank Financing (IBRD/IDA):	
	50.00	

Financing (in US$, millions)

Financing Source	Amount
IDA Grant	50.00
Total	**50.00**

Expected Disbursements (in US$, millions)

Fiscal Year	2018	2019	2020	2021	2022	2023
Annual	1.61	3.50	7.45	15.55	19.25	2.63
Cumulative	1.61	5.12	12.57	28.12	47.37	50.00

INSTITUTIONAL DATA

Practice Area (Lead)

Trade & Competitiveness

Contributing Practice Areas

Finance & Markets
Social, Urban, Rural and Resilience Global Practice

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

Yes

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	High
2. Macroeconomic	High
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	Substantial
7. Environment and Social	Moderate

8. Stakeholders	● Moderate
9. Other	
10. Overall	● High

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✓	
Natural Habitats OP/BP 4.04		✓
Forests OP/BP 4.36		✓
Pest Management OP 4.09	✓	
Physical Cultural Resources OP/BP 4.11	✓	
Indigenous Peoples OP/BP 4.10	✓	
Involuntary Resettlement OP/BP 4.12	✓	
Safety of Dams OP/BP 4.37		✓
Projects on International Waterways OP/BP 7.50		✓
Projects in Disputed Areas OP/BP 7.60		✓

Legal Covenants

Financing Source	Sections and Description
	Recipient shall recruit, inter alia: (A) a coordinator, a procurement specialist, a financial management specialist and an accountant and (B) no later than six (6) months after the Effective Date, a private sector development specialist and a monitoring and evaluations specialist all in accordance with Section III

	of this Schedule 2 and with qualifications and terms of reference acceptable to the Association; and (ii) be responsible for the day-to-day Project coordination and implementation of the Project, including: (A) preparing proposed annual work plans of activities for inclusion in the Project, and updating the procurement plan and related budgets and preparation of the Project Reports for the Project Steering Committee's review; (B) carrying out the Project financial management and procurement activities; (C) ensuring compliance with all safeguards-related obligations; and (D) monitoring and evaluating the Project. (Schedule 2 Section I.A.3(b))
Financing Source	Sections and Description For the purpose of supporting ABUTIP in the implementation of Part 1 of the Project, the Recipient shall recruit in accordance with Section III of Schedule 2, not later than three (3) months after the Effective Date, one or more non-governmental organizations, with terms of reference, experience and qualifications acceptable to the Association, which shall be responsible for, inter alia, overseeing, targeting, and mobilizing support to Beneficiary Communes, as further detailed in the Project Implementation Manual. (Schedule 2, Section I. F.4)
Financing Source	Sections and Description To facilitate the proper implementation of Part 2(b) of the Project, the Recipient shall recruit in accordance with Section III of Schedule 2, not later than three (3) months after the Effective Date, an independent agency, with terms of reference, experience andqualifications acceptable to the Association, which shall be responsible for, inter alia, carrying out the technical and financial evaluation of Business Development Grant applications, as further detailed in the Project Implementation Manual ("Business Development Grants Independent Agency"). (Schedule 2, Section I G.4)

Financing Source	Sections and Description
	Without limitation upon the provisions of paragraph 4 of Section I.G of Schedule 2, not later than three (3) months after the Effective Date, the Recipient shall establish, and thereafter maintain for the purpose of Part 2(b) of the Project, a selection committee, with a mandate, composition and resources satisfactory to the Association, which shall be responsible for approval of Business Development Grant allocations to MSME Beneficiaries, upon the recommendation of the Business Development Grants Independent Agency, as further detailed in the Project Implementation Manual ("Business Development Grants Selection Committee"). (Schedule 2, Section I G.5)

Financing Source	Sections and Description
	In furtherance of the provisions of Section II.B of Schedule 2 to this Agreement, the Recipient shall install within the PIU, not later than three (3) months after the Effective Date, a computerized financial and accounting system and thereafter train the relevant staff in the use thereof, all in a manner satisfactory to the Association. (Schedule 2, Section II B.4)

Financing Source	Sections and Description
	In order to ensure the timely carrying out of the audits referred to in Section II. B.3, the Recipient shall recruit, in accordance with the provisions of Section III of Schedule 2 and not later than six (6) months after the Effective Date, an external auditor with qualifications, experience and term of reference acceptable to the Association.(Schedule 2, Section II, B.5)

Conditions

Financing Source	Type	Description
	Effectiveness	The Recipient has established the Project Steering

		Committee in accordance with the provisions of Section I.A.1 of Schedule 2 to the Financing Agreement.
Financing Source	Type Effectiveness	Description The Recipient has established the Technical Committee in accordance with the provisions of Section I.A.2 of Schedule 2 to the Financing Agreement.
Financing Source	Type Effectiveness	Description The Recipient has established the Project Implementation Unit and recruited to said Project Implementation Unit, a coordinator, procurement specialist, financial management specialist and an accountant in accordance with the provisions of Section I.A.3 of Schedule 2 to the Financing Agreement.
Financing Source	Type Effectiveness	Description The Delegated Contract Management Agreement has been executed on behalf of the Recipient and ABUTIP in accordance with Section I.B of Schedule 2 to the Financing Agreement. (Article IV, 4.01 (d))
Financing Source	Type Effectiveness	Description The Recipient has adopted the Project Implementation Manual in accordance with Section I.D of Schedule 2 to the Financing Agreement. (Article IV, 4.01 (e))
Financing Source	Type Disbursement	Description Notwithstanding the provisions of Part A of Section IV of Schedule 2, no withdrawal shall be made under Category (5), unless the Association is satisfied, and so indicates by written notification to the Recipient, that all of the following conditions have been met with respect to activities under Part 4 of the Project:(Schedule 2, Section IV, B 1(b))

Financing Source	Type	Description
	Disbursement	(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities under Part 4 of the Project in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; (Schedule 2, Section IV, B 1(b)(i)

Financing Source	Type	Description
	Disbursement	(ii) the Recipient has prepared and disclosed in country and in the Association’s InfoShop all Safeguards Instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said safeguards Instruments, allin accordance with the provisions of Section I.I.3(b) of Schedule 2; (Schedule 2, Section IV, B 1(b)(ii)

Financing Source	Type	Description
	Disbursement	(iii) the Recipient’s Coordinating Authority is adequately staffed and resourced as provided for under the provisions of Section I.I.2 of Schedule 2, for the purposes of said activities; and (Schedule 2, Section IV, B 1(b)(iii)

Financing Source	Type	Description
	Disbursement	(iv) the Recipient has adopted an CERC Operations Manual in form, substance and manner acceptable to the Association and the provisions of the CERC Operations Manual remain or have been updated in accordance with the provisions of Section I.I.1(c) of Schedule 2 so as to be appropriate for the inclusion and implementation of said activities under the Part 4 of the Project. (Schedule 2, Section IV, B 1(b)(iv)

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Megha Mukim	Team Leader(ADM Responsible)	Urban & Private Sector Development	GSU19
Brahim Ould Abdelwedoud	Team Leader	Urban Development	GSU11
Melance Ndikumasabo	Procurement Specialist(ADM Responsible)	Procurement	GGO05
Christian Simbananiye	Financial Management Specialist	Financial Management	GGO19
Alice Museri	Team Member	Program Assistant	AFMBI
Andre A. Bald	Team Member	Program Leader	AFCE1
Anne Ytreland	Team Member	Results Framework	GTCID
Barbara Weber	Team Member	Quality Control	GTC10
Barbry R. Keller	Team Member	Quality Control	GSU19
Catalina Quintero	Team Member	FCV	GTFMR
Clarette Rwagatore	Team Member	Executive Assistant	AFMBI
Diana Hristova	Team Member	M&E	GTCCS
Eric Ngendahayo	Team Member	Private Sector Development	GTCAF
Gilles Philippe Dominique Pasc Cols	Team Member	Private Sector Development	GTC05
Hamidou Sorgo	Team Member	Private Sector Development	GTCAF
Hugues Agossou	Team Member	Financial Management	GGO31
Issa Thiam	Team Member	Finance	WFALA
Jean Edouard Albert Saint-Geours	Team Member	Private Sector Development	GTCCS
Jonas Ingemann Parby	Team Member	Co-TTL at PCN stage	GSU10
Kaliza Karuretwa	Team Member	Private Sector Development	GTCA1
Marie Roger Augustin	Team Member	Legal	LEGAM
Mary C.K. Bitekerezo	Social Safeguards Specialist	Social safeguards	GSU07
Michael J. Goldberg	Team Member	Finance & Markets	GFMSO

Monica Patricia Rivero Riveros	Team Member	Private Sector Development	GTC01
Nneoma Veronica Nwogu	Team Member	Legal	LEGAM
Paul-Jean Feno	Environmental Safeguards Specialist	Environment Safeguards	GEN07
Puja Guha	Team Member	Urban Development	GGSCE
Syed Estem Dadul Islam	Team Member	M&E	CSECR
Yutaka Yoshino	Team Member	Program Leader	AFCE1

Extended Team

Name	Title	Organization	Location

BURUNDI
LOCAL DEVELOPMENT FOR JOBS PROJECT

TABLE OF CONTENTS

I. STRATEGIC CONTEXT

A. Country Context

1. **Burundi is a small landlocked country marred by chronic fragility and poverty.** Covering 27,830 km^2, it is densely populated, with approximately 10.6 million residents. Burundi's gross domestic product (GDP) growth had been moderately positive over the past decade of relative peace, with an average growth of 4.1 percent (2005-14)—although this was not high enough to reduce poverty significantly. But, since April 2015, the political crisis[1] reversed many of the gains, which then triggered an economic crisis. Real GDP contracted by 3.9 percent in 2015, and official development assistance, which accounted for 50 percent of the annual budget in 2014, fell sharply. Evidence from previous crises suggests the impact on public consumption levels and access to services will be considerable and long lasting.[2]

2. **Despite the stresses of rapid population growth,[3] Bujumbura (the capital) and secondary cities were bastions of growth compared to the rest of the country:[4]** They reduced poverty by 11 percent and 16 percent, from 2006-12, respectively. Also, living standards improved, which even extended to incoming migrants (Burundi Poverty Assessment, 2016). Still, Burundi's urban population (11 percent) is one of the lowest in the world and the urban centers, especially Bujumbura, have been a magnet for the rural poor seeking economic opportunities. Many are settled in poor neighborhoods, which have put further demands on infrastructure and services. Further, urban areas will need to accommodate new, young job seekers entering the labor market (Strategies for Urbanization and Economic Competitiveness in Burundi 2015).

3. **Economic growth has come from the urban, non-agricultural sector, particularly services and small industries.** Most economic activities are still linked to the primary sector, and thus agribusiness value chains are the mainstay of the economy. However, the service sector also expanded by 7.1 percent annually and the small-scale industry by 5.7 percent from 2006 to 2014; most employment (over 90 percent) is still informal. The urban regions, including Bujumbura, have borne the brunt of the crisis, and commercial activities came to a standstill in April-May 2015, and have largely remained that way. Post-election recovery has been constrained due to weak domestic demand and the threat of violence. Thus, industrial production declined by 8.5 percent in 2015 across all manufacturing sectors, and the service sector contracted by 5 percent, with trade, tourism, and transport hit particularly hard. Out of the firms interviewed from April to June 2016 46.2 percent reported that employees had been dismissed since the beginning of the crisis [*Impact de la crise sur le secteur privé (Impact of the crisis on the private sector) 2016*)], alluding to the lack of stability across different sectors. Further, regional trade and investments decreased. Moreover, donors reduced their support, which constituted up to 50 percent of the budget

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[1] Violence exploded in Burundi in April 2015 after the ruling party announced that President Pierre Nkurunziza would seek a third term in office, despite a constitutional limit of two terms. An attempted coup d'état on May 13, 2015, failed to depose him and triggered a severe political crisis.

[2] The Burundi Fragility Assessment 2016 notes that Government access to financial resources, both internal and external, has diminished since the political crisis. The tax-to-GDP ratio declined to 10.4 percent in 2015 (compared to 12 percent in 2014), while, due to the unstable environment, donors reduced aid from 13 percent of the GDP in 2014 to 10.3 percent in 2015.

[3] Burundi has experienced rapid urbanization in the last decade, at rates of over 5 percent a year, much higher than the average for Sub-Saharan Africa

[4] Preliminary analysis of the 2014 Household Survey suggests that poverty is 2.5 times greater in rural areas than in cities (68.8 percent versus 27.6 percent).

and two-thirds of foreign reserves. This has affected investments in infrastructure and delivery of basic services.

4. **Bujumbura, the economic and administrative hub of the country, is at the center of the crisis and is under pressure to improve services and create employment, especially for youth and those in particularly vulnerable areas.** Of the nation's unemployed, 54 percent live in Bujumbura, which causes frustration that can turn violent, or be channeled against state actors.[5] Moreover, the city's neighborhoods have gradually polarized, as different ethnic groups feel unfairly targeted by riots and crackdowns.

5. **Due to the political crisis, demand dropped precipitously and real GDP contracted for the first time since the end of the 2006 civil war.** Persistent political instability and deteriorating macroeconomic conditions will have a longer-term effect on consumption, through lack of jobs, weak demand and inadequate investments in infrastructure. It is particularly problematic that the immediate impact is likely to be felt in the urban areas where social and political tensions are the highest. Thus, lack of employment in urban centers, especially for youth and women, threatens to fuel further instability and violence.

B. Sectoral and Institutional Context

6. **The political crisis negatively affected basic services in both rural and urban areas causing large groups of the population to leave.[6]** In addition, the fiscal deficit increased from a target of 2.3 percent to 6 percent,[7] which severely affected the Government's ability to maintain and finance infrastructure and services. At the same time, the reduced foreign aid caused an even further drop in public procurement and services.[8] Thus, the crisis exacerbated existing economic stresses, especially those related to (a) deteriorating service delivery in certain areas, (b) increased weakness of already vulnerable groups and households[9] and (c) urban youth unemployment: they account for the highest unemployment rates (three of every five are jobless) and which forms a large percentage of the population, with a high dependency ratio.[10]

7. **Burundi's development strategy has focused on urbanization and consolidating the population into denser areas**: The *Vision 2025* aims to increase the urbanization rate from 11 percent to 40 percent by 2025, through rural-urban migration, provide non-agricultural urban employment opportunities, and reduce the risks for social conflict and economic fragility.

8. **However, the impact of the crisis on basic services and the increased unemployment rate have made urban areas, particularly Bujumbura, the center of discontent and violence.** Also, the crisis exacerbated inequalities in different neighborhoods. These factors perpetuate the political crisis, because many young people feel helpless, and join the civil and armed opposition. At the same time, the exodus from some of

[5] Given the lack of jobs and opportunities, including for educated youth in the capital, the risks of social unrest and violence have increased (Burundi Fragility Assessment 2016).

[6] In February 2016, 246,000 Burundians were estimated to have left the country for neighboring regions (mostly since April 2015), and 70,000 were internally displaced due to the political crisis.

[7] World Bank: *Impact of the Crisis in Burundi on the Private Sector,* p. 12. August, 2016.

[8] World Bank: *Impact of the Crisis in Burundi on the Private Sector,* p. 24. August, 2016.

[9] Based on interviews conducted during preparation missions, including discussions with local business associations, and central and local government (LG) bureaus, and site visits in more vulnerable communities.

[10] Burundi's population is very young, as the working-age population accounts for only slightly more than half (51.7 percent) of the population (2014), and only 40 percent were in the labor force.

the city's areas (to neighboring countries, including Tanzania, and the Democratic Republic of Congo) combined with the continuous influx from rural zones maintain pressure on services and urban land. Groups (for example, female-headed households, children, and people with disabilities) that were already challenged in the pre-crisis context are further stressed; and, the challenges could increase the intensity of the conflict and crises.

9. **Given Burundi's history of conflict, the country aims to strengthen national and local institutions and, in turn, increase the interaction between the state and citizens.** Throughout the crisis, the Government has sought to decentralize institutions to improve social cohesion and local governance, and promote access to basic infrastructure and services. However, several challenges exist, including weakness in the communal tax system, low mobilization of local revenue, and non-existent (current) or negligible (capital) transfers from the national budget—which threaten the financial viability of communes that struggle to support basic operating costs (Fiscal Decentralization and Local Governance Study, 2014). The Government sees this as an important agenda and emphasizes that fiscal transfers to communes will increase dramatically (from FBu 50 million per commune to FBu 500 million/commune) once the budget stabilizes. However, the Fonds National d'Investissement Communal (FONIC), which manages fiscal transfers to the municipalities, is cited as inefficient and ineffective by several Local Governments (LGs). Thus, further reforms are needed to develop a fair, transparent and efficient system for fiscal transfers.

10. **The Government also introduced a performance assessment system to review commune performance annually** with various indicators related to their capacity to deliver on their mandates. The assessment serves mainly to top up allocation of funds for performing communes and identify capacity building and technical assistance needs. However, since the assessment is made by the same civil servants, who supervise LGs, it can be compromised; and, given its importance (to show how the Central Government allocates funds and provides technical support to different communes), LGs are concerned about the lack of transparency and clarity. The *Association Burundaise des Elus Locaux* (ABELO), which works with the municipal and local authorities around the country, has stressed the importance of revising the assessment process and providing support for implementation. Also, even where performance issues are clear, communes lack the capacity to address them. Thus, the project will help strengthen these systems so that they can better provide services, with accountability, and build institutions that can survive the crisis.

Conditions in the Private Sector

11. **Formal and informal micro, small and medium enterprises (MSMEs) are at the core of Burundi's private sector development.** Having 1–99 employees, they represent over 90 percent of firms and are the real engines of Burundi's job growth[11]. Indeed, the industrial sectors, even those with large and medium-size firms, still rely on hundreds, if not thousands, of these mostly informal small-scale suppliers, which are sometimes grouped in associations or cooperatives. As an example, the agribusiness value chains encompass activities that take place at the farm, as well as in rural settlements and urban areas. They require input supplies (seeds, fertilizers, pesticides), agricultural tools and machinery and irrigation equipment, services such as handling, storage, processing, packaging and distribution, and other elements

[11] According to the firm survey *Recensement Général des Entreprises* conducted in 2015 by the Chamber of Commerce, 58.9 percent of firms in the formal sector have 1 to 5 employees, 16.2 percent have 6 to 10 employees, and 17.5 percent have 11 to 50 employees.

such as power generation and logistics[12]. Because informal firms account for over 90 percent of all local enterprises, the success of Burundi's private sector will depend on addressing the challenges of these micro, small and informal firms. Indeed, by supporting MSMEs, private sector development has the potential to lead to broader economic opportunities and poverty reduction.

12. **The private sector plays a critical role in recovery from conflict.** According to the 2011 World Development Report (WDR) on Conflict, Security and Development, longer-term recovery and growth depends on a healthy private sector, which underlies all aspects of future stability, including planning and large-scale investments. A more vibrant private sector would be able to provide more income-generating opportunities to youth in the population and as such could be a deterrent to social discontent and violence. Evidence from projects that support private sector in fragile situations, for instance across four cities in Afghanistan[13], find that helping firms, value chains and business associations, puts in place elements that tackle head-on short-term needs while investing in medium-to-long term stability. In December 2016, the 18th replenishment of the International Development Association, put private sector development squarely at the heart of the commitment to end extreme poverty and boost shared prosperity. Ninety percent of the jobs that will be needed to meet these goals will come from the private sector, a sector that has already demonstrated its resilience in the face of conflict and fragility. In Burundi, the lack of investments in physical capital and the loss of employment has created further challenges for the private sector in terms of access to financial and human capital. Thus, the 2011 WDR emphasizes a combination of short-term and medium-term measures to combat fragility, such as creation of employment, harnessing high-potential business opportunities, especially related to investments in infrastructure, building key skills, facilitating access to finance and strengthening community-level institutions and processes.

13. **The private sector is constrained by several supply-side challenges, often related to agri-business and construction.[14]** Access to power and credit are huge challenges, especially for MSMEs: fewer than 20 percent of the population have access to electricity and for those who do, power cuts are frequent. Further, MSMEs have very limited access to credit with, at best, a seven-year loan and a 20 percent interest rate, with high collateral and down-payment requirements.[15] Also, MSMEs lack access to technical and marketing expertise, and capital and equipment. For instance, agro-processing firms do not have storage capacity (for example, the post-harvest loss of tomatoes is often above 50 percent and can even reach 70 percent) and must struggle with an inefficient and costly transport system. Moreover, lack of information exacerbates the challenge of managing stock, diversifying production, and expanding to new markets (for example, regional markets that were not affected by the crisis). In construction, the business environment is particularly problematic, because there are no architecture or civil engineering colleges, the system for obtaining construction permits is inefficient, and infrastructure, nationwide, is poor.[16] The

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[12] For detailed information on agribusiness value chains in Burundi, see World Bank (2015) Strategies for Urbanization and Economic Competitiveness in Burundi.

[13] Afghanistan New Market Development Project (P118053) (approved in May, 2011). The project provides support to SMEs and business association with business development services, along with elements of urban economic development.

[14] Data in this paragraph are based on surveys and on numerous discussions with firms, business associations and commercial banks. The Survey on Households' Living Conditions, Workforce, Social Security, and Nutrition in Burundi 2013-14 shows that the top three constraints for informal micro firms are the lack of access to equipment and credit, and low local demand. Large firms worry mainly about energy supply, the regulatory framework, and the quality of local inputs.

[15] According to the World Economic Forum 2015, access to finance is the second major constraint faced by small and medium enterprises (SMEs) after corruption. In 2017, Burundi was ranked 175 on the "Access to Credit" Doing Business Indicator.

[16] National Quality Infrastructure (NQI), the institutional framework that establishes and implements standardization, including

lack of a skilled workforce is also a constraint in both sectors. However, if companies could organize themselves, to identify and address common constraints together, and interact with the public sector, they might be better equipped to deal with these problems: for example, the coffee sector is better organized and speaks with one voice when describing its needs to the Government.

14. **These supply-side challenges were compounded by the current economic downturn from the political crisis, which has substantially depressed domestic demand.** Although the impact varies across sectors and types of firms, the private sector has been hit severely: 61.5 percent of formal firms interviewed in June 2016 reported demand had dropped and 47 percent had lost more than 25 percent of their sales. The MSMEs seem to be hit the hardest: formal MSMEs' revenue turnover decreased by 44.6 percent from 2014-15, and large firms' turnover fell by 9.1 percent (although they show some signs of recovery). The construction sector is among the hardest hit: public sector works had accounted for 60 percent of construction contracts, but demand for construction (infrastructure and buildings) dropped. Indeed, the sector reported an average 73 percent reduction of labor force and 30 percent fall of their turnover since the beginning of the crisis.

15. **Besides the problem of depressed demand, the private sector cannot find critical inputs for production.** Firms relying on imported inputs have suffered because of a continuing shortage of foreign exchange.[17] Thus, most have cut imports of raw materials, machinery and other goods, which has decreased production even when there was still some demand for their products (for example, some flour mills had to close since they could not import wheat): 44 percent of processing firms reported that they used under 50 percent of their capacity. In general, because of the weakened economy, the private sector has closed shop or cut production, resulting in huge job losses.[18] In the formal sector, while 4,435 net jobs were created in 2014, 6,346 were lost in 2015; and, it can be assumed that low-paid and vulnerable jobs are the hardest hit.[19]

16. **The sectors with the greatest potential for growth and job creation in the short and medium term are construction and agri-business (with a focus on fruit and fish)** [20]. To maximize both the economic and resilience potential of value chains, the selection of a sector considers its potential to create jobs (particularly for youth), broaden overall access of poor people to markets, products and services, and diversify the economy. Agribusiness and construction value chains were analyzed in detail as part of a World Bank study completed in 2015 on economic competitiveness in Burundi[21]. While reliable data at

conformity assessment services, metrology, and accreditation.

[17] Of firms interviewed in June 2016, 61.5 percent said lack of foreign currency was an important constraint to production.

[18] As another indicator of the crisis, non-performing loans rose from US$62.8 million at the end of 2014 to US$90 million a year later. Over the same period, non-performing loans as a percentage of total loans rose from 13.7 percent to 21.4 percent.

[19] These observations are based on a WB mid-2016 study to evaluate the impact of the crisis on the private sector (*Impact de la crise sur le secteur privé 2016)*. The results are based on a questionnaire completed by 191 firms, focus group meetings with key sectors (construction, agri-business and tourism), and interviews with firms from other sectors, including banking and insurance.

[20] The term value chain refers to a set of activities that firms operating in a specific sector perform to deliver a valuable product or service for the market. Agribusiness and construction are sectors, within which several value chains can operate, leading to specific products – thus the use of sub-sector value chains, such as the fruit and fish value chains.

[21] Value addition in high-potential sectors was seen to be labor-intensive and linked to growth in urban regions in the country. In fact, even though processing activities were concentrated in some parts of Burundi, the location quotients showed that employment effects were scattered in different regions. And so while jobs linked to processing in agribusiness were concentrated in cities like Bujumbura, Gitega, Kayanza and Rumonge, employment related to other value-addition activities, such as assembling, cleaning, packing agricultural goods were also found in peri-urban regions. And while exact data and statistics were not available for all sectors, estimates from neighboring countries in East Africa suggest close to 35-000 to

the sectoral level is scarce, processing (mostly agri-business) and construction activities have the most formal jobs, with 26.9 percent and 14.8 percent respectively[22]. Regarding the agriculture sector, despite excellent climate and soil, which are needed to grow a large variety of products, it is still poorly developed and non-competitive in international markets, including those close to home. Most value chains lack structure and coordination, and there are technical or equipment challenges at each point, from input supply to production, processing and commercialization.[23] Given the country's natural assets and the sector's importance to the local economy, agri-business remains a high priority with potential for increased value added and industrialization (Strategies for Urbanization and Economic Competitiveness 2015[24]). The construction sector, which was severely affected by the crisis, experienced payment defaults (often with public contracts) for previously executed works as well as decreased public sector investments. Still, it has a strong potential for job growth once the demand for construction work resumes, mainly through investments in public infrastructure supported by this project.

17. **The importance of supporting value chains in fragile countries, like Burundi, cannot be under-estimated**: emergency job creation in fragile and conflict affected situations (FCS) countries combines several objectives, such as restoring infrastructure, critical to growth, injecting cash into a community to stimulate private sector activity, and providing skills training to improve people's employability. However, experiences from several World Bank projects now suggest that value chain responses following abatement of crisis has the potential to spur economic recovery and mitigate future instability. World Bank (2013) [25] find that efforts to identify and more actively support promising value chains of the economy can help economic turnarounds, helping to lay the foundations for both recovery (i.e. through support for products that lead to procurement from the local private sector) and growth (i.e. through support for products with potential for diversification in domestic and regional markets). Sector-specific value chains play an important role in linking upstream producers with more downstream activities, like processing, trade, logistics, affecting firms and households along an entire value chain. Without targeted support, value chains can suffer critical losses, which could result in collapse or severe hardships for actors all along the chain. The importance of the impact of such support has been highlighted by USAID studies of value chains in fragile countries. Two cases are of importance – of coffee in Rwanda and marble in Pakistan. In 2001, a financial crisis in the Rwandan coffee sector resulted in Rwandan Francs 3 Billion in accumulated outstanding debt for exporters, losses amongst intermediaries due to inefficiencies along the value chain, and a dramatic drop in the purchasing power of coffee growers. Investment scenarios demonstrated that the net present value across the value chain doubled or tripled with targeted support. Indeed, economic opportunities linked to coffee processing and exports increased dramatically (mean incomes of those involved along the chain increased by 82 percent faster, and a partnership with Starbucks was established) in Rwanda after such value chains received targeted support. In South Sudan, a focus on shea nut processing and exports helped benefit female entrepreneurs even amid instability. Similarly, studies of marble value chain in 2011 in the Khyber Pakhtunkhwa regions of Pakistan estimated

60,000 extra jobs in marketing, processing and retail in dairy, fresh vegetables.

[22] They also account for 10.2 and 5.7 percent of formal firms (almost half of firms are in the retail sector, often micro enterprises generating little value added). Survey on households' living conditions, workforce, social security and nutrition in Burundi (ISTEEBU – National Bureau of Statistics in Burundi).

[23] These observations are based on a literature review (including the report *Burundi in the Agribusiness Global Value Chain* conducted by Duke Centre on Globalization, Governance and Competitiveness in 2013-2014), a sector scan of 18 agricultural products performed by the team in 2015-2016 and validated by local stakeholders, and several focus group meetings with individual firms (of all sizes) and the Chamber of Commerce.

[24] Products with strong, consistent domestic demand that would be commercially feasible to produce locally were also prioritized.

[25] The box references analysis from the 'Creating Jobs in Africa's Fragile States – Are Value Chains an Answer?' (2013).

a 75-85 percent loss of value in the region's processed marble sector without investments to support training and equipment along the value chain. In fact, the construction industry experienced a boom in the region (and in several other examples, including in the Horn of Africa) since investments in infrastructure were accompanied by value-chain approaches to strengthen back and forward linkages across sustainable products. In short, value chain development lends itself to flexible, incremental and bottom-up approaches, with a core focus on strengthening relationships, which are critical in fragile environments.

18. **Funded by the project preparation advance, two additional studies[26] were completed in April 2017 that analyzed the current state and potential of the agribusiness and the construction sectors, and product-specific value chains within the agribusiness sectors.** In addition, other studies conducted by development partners[27], looked at value chains within different sectors with the highest potential for jobs and growth in Burundi. The salient features of the three value chains (fruits and fisheries in the agribusiness sector, and the construction sector) along with the description of their potential and needs are summarized below.

(a) Fruits: Tropical fruits have been identified as a high potential value chain for job creation, export promotion and revenue generation. Over 1.4 million households cultivate tropical fruits, albeit mostly as a secondary activity. Production is mostly carried out by micro and informal firms, and processing by small and medium enterprises. Domestic demand is supplemented by regional market demand: in 2015, the East African Community (EAC) and DRC imported tropical fruits for US$35,896,000 and US$434,000 respectively, and fruit juices for US$11,636,000 and US$22,479,000 respectively. However, despite Burundi's exceptional natural endowments for high quality tropical fruits production, including citrus, banana, pineapple, passion fruit, mango and avocado, the country exported a mere US$175,400 of tropical fruits and is yet to export more processed products, such as fruit juice. Further development of this value chain requires significant investments and the crisis has exacerbated these needs. Reduced local demand, combined with the closure of the Rwandan border and greater difficulties accessing credit is affecting the viability of the value chain. To boost the growth of the fruit value chain, promoting the use of local inputs and leveraging export opportunities are urgently needed, but lack of quality keeps processors and distributors from reaching larger markets. In addition to needs for equipment and training (either as individual firms, or as grouped firms[28]), these MSMEs are also keen to find ways to co-invest in large, and often costly, infrastructures where the entire value chain would benefit from economies of scale. Examples of shared infrastructures that have been identified in several focus group meetings include cold storage facilities at Bujumbura airport, adequate warehouses in well-selected locations, and packaging facilities.

(b) Fisheries: Fisheries accounted for 6.3 percent of Gross Domestic Product (GDP) in 2015, and are a source of primary activity for over 200,000 households. However, despite access to Lake Tanganyika as well as smaller lakes in the Northern region, Burundi remains a net importer of fish. In 2014, the country's production reached 13,484 tons, of which only 14 were exported, and 2,496 tons were imported. However, these figures do not consider informal trade and several firms

[26] *Etat des lieux des secteurs de l'agrobusiness et de la construction*, GECC, April 2017.
[27] *Pole de Croissance dans la Région de la Grande Imbo*, TMEA and Athena Infonomics, 2017; *Identification de niches d'exportation du Burundi,* TMEA and ESP consulting, 2015
[28] We use the term 'grouped firms' to refer to two or more firms along a value chain that collaborate to achieve a shared objective.

reported significant exports to Rwanda and DRC. The regional market for fish is large (in 2015, more than US$ 30 million of dried fish were imported by the EAC and DRC combined), but Burundi's share is marginal (fish exports were valued at US$247,800). The studies conducted argue that with a focus on aquaculture for tilapia and on dried ndagala, export revenues could reach US$24 million and 8,500 quality jobs could be created. The analysis also outlines the support required at each step of the value chain, for fresh, frozen, or dried and smoked fish. Interventions include support for capture equipment and skills (current fishing methods are inefficient and accelerate stock depletion of the lake), storage equipment (cold chain is crucial, for fresh and frozen fish, and is currently far from being adequate in Burundi with, for instance, wood boxes with no or little ice used to carry the fish on board and to the market), processing skills, logistics and certifications. The crisis and the subsequent decrease of demand for fish (the demand for high-quality fish is particularly affected by the collapse of the tourism sector) intensifies the need to consider more export markets and to promote alternative production techniques to better adapt the offering to the local demand. While fresh fish would be favored for its high prices, processed products such as smoked and dried fish could also be promoted to extend the market as these are transported and preserved more easily. Besides the firm-level investments mentioned above, larger investments are needed to facilitate access to larger local markets and more importantly to foreign markets. Cold chain infrastructures, ice-making machines and packaging services are examples of shared investments that could be made jointly by grouped firms involved in the fish value chain.

(c) Construction: Emphasis on the development of local value chains (such as stone and clay, among others) in the construction sector is important for several reasons: the studies show that although MSMEs producing construction materials were usually small in terms of turnover, they tend to create many more jobs than construction firms building large infrastructures; the lack of foreign exchange has increased the costs of importing materials, increasing the demand for domestic producers; improving the production of local materials will positively impact natural sites, by making them usable for farming activities following extraction; and finally, improving the techniques and the quality of local materials would impact the cost of building, for instance, using high quality industrial bricks (already produced in Burundi in small quantities with the support of the Swiss cooperation) decreases the amount of cement needed and significantly decreases the cost of a wall. However, the producers of local materials face several obstacles. There is a significant lack of skills, including knowledge of more efficient production methods. Storage is also an issue for intermediate and finished products, as well as Burundi's capacities to test and certify the quality of materials. Finally, a severe lack of coordination between segments has been observed, wherein construction firms are unaware of local sources of materials.

The crisis severely hit the construction sector largely due to its dependency on public procurement, as many contracts remain unpaid following the suspension of most external support to the Government of Burundi. In addition, the lack of foreign exchange restrains imports of critical inputs, making it harder for construction companies to finish ongoing works, let alone undertaking new ones. To survive the crisis, these firms must diversify their markets (for instance, focusing more on the local housing market) and decreasing their reliance on imported materials. Collaborating with local suppliers of basic inputs such as bricks and tiles to improve the quality of their products is essential to strengthen the construction value chain. However, collaboration among actors is currently absent and materials manufacturers lack the technical and financing capacity to invest jointly in shared equipment and machinery (as an example, starting an industrial brick production facility costs approximately US$150,000, which is high for a single firm involved in materials production but feasible if done jointly).

19. **The potential of value chains in the agribusiness and the construction sectors underlie the importance of providing support to help private sector growth and resilience.** The needs outlined by the recent value chain studies highlight the importance of intervening along different stages of the chain – helping informal enterprises improve production techniques and skills, helping more medium firms with processing activities, logistics and packaging, and supporting better information and coordination amongst actors along the chain. The figures below provide a visual description of value chains in agribusiness and construction (often aggregating information across different product value chains), outlining the different actors and the associated challenges faced along the value chain. Value chains in both the agribusiness and construction sectors have been affected by the crisis:

(a) For the agribusiness sector, the overall decrease in customer demand for value added food products due to the economic crisis has affected agro-processing MSMEs, which has in turn depressed their demand for quality raw produce from farmers. With the project's support, these actors will be in a better position to target new markets (especially at the regional level) and to be more competitive against imports domestically, which will boost the production link in the value chain.

(b) For the construction sector, the fall in demand for construction combined with mounting government arrears has resulted in financial stress. This has prevented their sourcing of local engineering expertise and local (and imported) materials, thereby hurting the whole value chain[29]. The boost to demand for construction initiated by Component 1 activities and the support to local construction artisans and firms through Component 2 to enable them to seize these new opportunities should help revive the whole value chain.

20. The project will take a value chain development approach to identifying and coordinating the necessary interventions, involving a mix of direct catalytic support for investments and technical assistance.

[29] Firms lack funds to finance inputs, both imported and local. However, given foreign exchange difficulties, producers of local materials would be well-placed to increase their market with a revival in the construction industry.

Figure 1: Agri-Business Sector Value Chain(s)

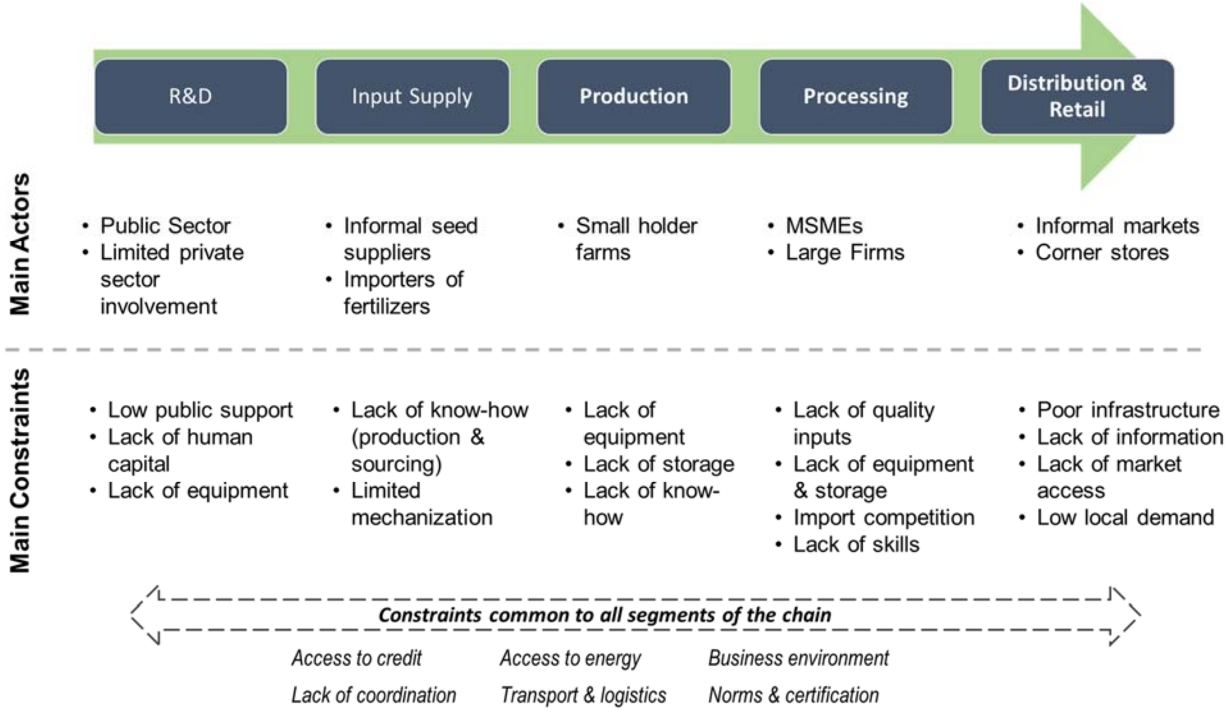
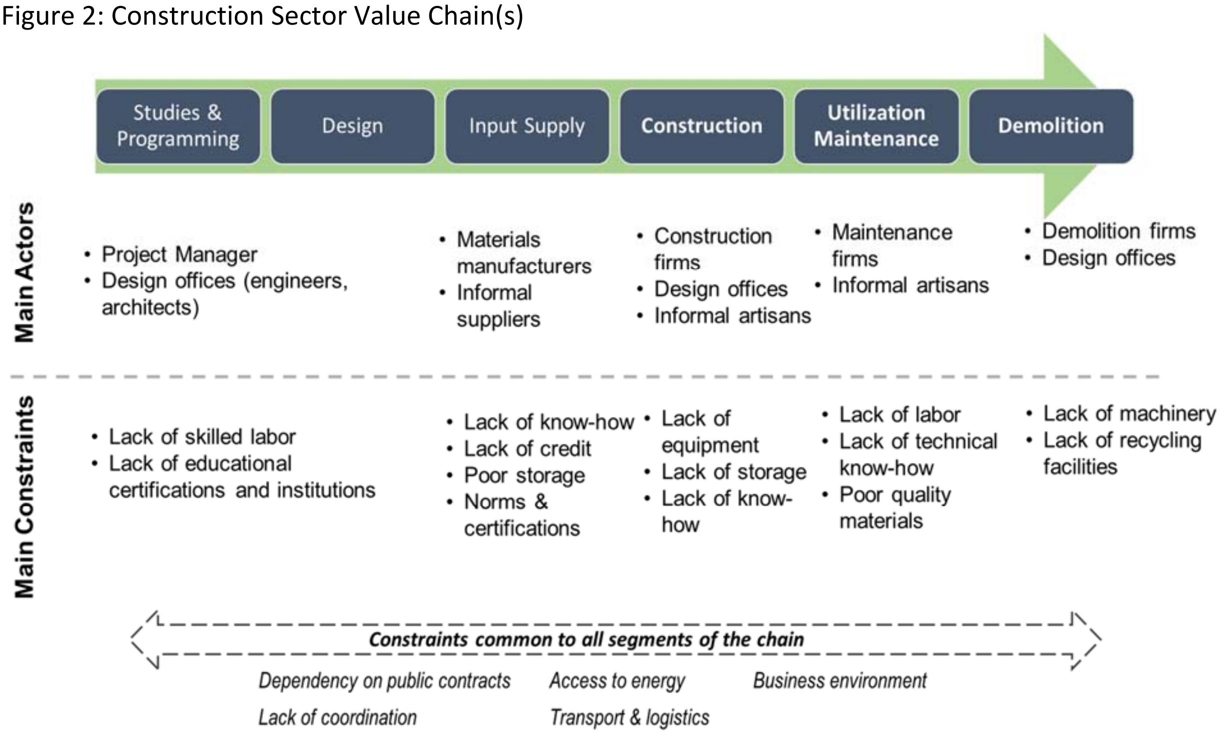


Figure 2: Construction Sector Value Chain(s)



21. **To summarize, the project will tackle aspects of demand and supply-side challenges using a value-chain approach to meet two important objectives - income-generating economic opportunities, and improvements in the provision of basic infrastructure.** It will finance public works in Bujumbura and other urban areas, which should have three effects: improve basic services, create temporary jobs[30], and increase demand for the construction industry's services and products, thereby providing short-term demand stimulus to the economy – a much needed counter-cyclical measure under the current economic downturn. Also, it will help develop the private sector for more sustainable economic impact and build a robust supply base to build long-term resilience and economic stability, through (a) improvements in the business environment; (b) support for individual and grouped MSMEs in selected value chains; and (c) building the capacity of business associations, particularly in value chains with productive potential (agri-business and construction). The political crisis in Burundi has had a severe impact on the economy through both demand and supply-side factors, both at the macro and micro levels. Through its two-pronged, reinforcing interventions (supporting public investments and private sector growth), the project aims to have an impact greater than the sum of the parts. As noted by the World Bank Group's (2016) Integrated Framework for Jobs in Fragile, Conflict, and Violence (FCV) countries, traditional siloed approaches miss the potential for synergies across policies that can reinforce success. The project design has been structured to both, operate in and respond to, Burundi's fragile environment. ***Annex 7 summarizes the project's overall strategy to mitigate the conflict and simultaneously address some of the underlying drivers of fragility.***

C. Higher Level Objectives to which the Project Contributes

22. **The project is consistent with the Burundi Country Assistance Strategy** (FY 2013-16) Performance and Learning Review[31], Pillars I and II (increasing competitiveness and resilience). The World Bank Group (WBG) and Government are working towards a new Systematic Country Diagnostic (SCD) and Country Partnership Framework. The draft SCD calls for an improvement in livelihoods and investments in physical and human capital as its two (out of three) main pillars to help reinvigorate growth. Improvements in service delivery and the creation of private non-farm jobs, which underlie the project development objectives, are outlined as key priorities in the draft SCD.

23. **It also reflects the WBG's approach to build resilience in states that have fragile- and conflict-affected situations (FCS)** by creating income-generating activities, improving services at the local level, building trust among groups, supporting interventions that involve local institutions, and collaborating with civil society to ensure the most vulnerable groups are targeted equally. According to the Fragility Assessment (2016), the crisis is likely to be most severe in urban areas where social and political tension is the highest, and where the lack of jobs, especially for the young and women, adds risk. Thus, the project will tackle conflict and fragility by helping improve access to jobs and livelihoods, especially in hard-hit urban settings. At the same time, the project will also lay the foundations for more medium to long term stability, by supporting key value chains (such as fish and fruit in the agribusiness sector, and stone and clay in the construction sector), improving access to services, investing in physical and human capital, and by

[30] Rosas, N. and Sabarwal, S. (2016) [Can you work it? Evidence on the productive potential of public works from a youth employment program in Sierra Leone; WBG Research Working Paper No. 7580] show that public works programs, especially in post-conflict settings, can provide a very positive short-term impact on employment earnings to include quality of life, and also to set up future household enterprises.

[31] Burundi Country Assistance Strategy Performance and Learning Review, Report No. 92630, disclosed on 29 April, 2015.

strengthening public and private institutions and dialogue.

24. **The project will also help the Government achieve the Vision 2025 goals which the Parliament** adopted in October 2010, and in the Strategic Framework for Growth and Poverty Alleviation (Poverty Reduction Strategy Paper, PRSP, II), which is supported by sectoral strategies. PRSP II focuses on: Strengthening the rule of law, consolidating good governance, promoting gender equality, transforming the Burundian economy for sustained and job-creating growth, improving access to and the quality of basic social services, strengthening the social protections, and managing space and the environment for sustainable development.

25. **Authorities also developed a National Decentralization Policy (adopted in May 2009)**. Through its fourth strategic axis, it aims to improve LG's efforts to promote economic development, reduce poverty and deliver services; the project responds to two of these objectives:

    (a) Support for basic municipal services. A key feature of the decentralization policy is ensuring that local authorities assume more responsibilities and conduct them more effectively, providing transport, water, sanitation, waste management, health and education services through a shared management approach. This means the municipal, regional and central governments will all be involved in maintaining and monitoring local infrastructure.

    (b) Support for the local economy. Local authorities should act through three channels: (1) creating/managing facilities to support local private entrepreneurs, (2) supporting income-generating activities for disadvantaged people, and (3) boosting local economies.

26. **The project is also consistent with the 2014-20 National Strategy for Private Sector Development** adopted by the Council of Ministers in 2013. Its goal is to increase MSMEs' share in the economy, both in job creation and wealth, and thus reduce poverty and spur economic growth. Its three objectives are to: (a) improve support for entrepreneurs; (b) develop an institutional and regulatory framework, and (c) promote Burundi's integration into the regional and global economy.

27. **The project is also aligned to IFC strategy and activities in the region, both ongoing and looking to the future.** Value chain programming in conflict environments requires a medium-term perspective, and thus benefits when development partners can collaborate along several fronts to strengthen related services, support longer-term institutional support alongside direct financing. The support provided through project activities (under Component 2) reinforce IFC activities in Burundi in the following ways:

    (a) Sub-component 2.1 will support the Investment Promotion Agency (API) for the emergence of more competitive value chains, paving the way for IFC support for export-promotion activities: The project activities will focus on improving the capabilities of API to better serve firms along high potential value chains through expertise and assistance. At the same time, potential IFC activities will focus on helping API carry out its other mandate regarding identifying high-growth enterprises for export promotion. The fruit value chain is an important example, wherein project activities will strengthen local supply and production within the sector, including by allowing for better coordination among suppliers. This will open the door for potential IFC investments in large processing plants and assistance with certification and quality assurance, which will allow for export diversification into regional markets.

    (b) Sub-component 2.2 helps to sustain and grow smaller firms along selected value chains, that would serve as suppliers to larger enterprises, the latter being targeted by IFC activities: businesses in Burundi, both small and big, identify access to finance as a barrier to growth. The project will focus on provision of finance for MSMEs with high growth potential, helping to build a pipeline of enterprises viable for commercial credit. At the same time, the IFC is looking to set up a trade finance facility to help larger, and more export-oriented, firms to access finance, including foreign exchange. The project will support firms along the fisheries value chain to better organize themselves and use financing for shared infrastructure, which lays the foundation for IFC investments to support cold-chain production for export in this sector.

(c) Sub-component 2.3 helps lay the foundation for a better, overall investment climate: The IFC-T&C Investment Climate program in Burundi is focused on the development of competitive sectors, mainly the agribusiness sector, and on business regulation and operation reform in the country. Sub-component 2.3 builds upon and complements directly the work of the second phase of the IFC advisory program in Burundi. Project financed improvements in the business environment and building the capabilities of local firms in the agribusiness and construction sectors, prepares fertile ground for future IFC investments in the country. Although IFC investments in Burundi are currently limited to the tourism (Hotel Double Tree by Hilton), real estate (Progimo, office renting), and banking (Diamond Trust Bank) sectors, IFC is exploring opportunities for investments in the agribusiness sector, including with multinational enterprises in the National Brewery using the IDA Private Sector Window.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

28. PDO. The project development objective is to create income generating opportunities for individuals and businesses and improve access to basic infrastructure in selected regions, targeting vulnerable populations and MSMEs in selected value chains.

29. For the purposes of this project, activities will include support for MSMEs and public works, and the selected regions will include the three largest cities: Bujumbura, Ngozi and Gitega; and the Kirundo province; and selected value chains.

30. Theory of change. The project approach follows the logic that an increase in access to basic services, employment and longer term economic prospects will contribute to increased resilience of the private sector and reduced fragility of vulnerable communities and build social cohesion and trust between the Government, the private sector and the public which, in turn, will reduce the risk of violence. Existing market weaknesses in Burundi that have been exacerbated by the political crisis has resulted in a contraction in both demand and supply for locally produced goods and services. Relatedly, public service delivery is weak due to reduced fiscal space. Consequentially, local firms have suffered and employment has declined. The project will build on the successes of the Public Works and Urban Management Project (P112998) which closed in 2015, to support the Government of Burundi to deliver basic services, create opportunities for income generation, and strengthen private sector capabilities, especially along competitive value chains. The project will contribute to sustainable economic growth through interaction between the two components of the project: short term employment through labor-intensive public works will increase skills and capabilities of employees and growth sectors, the construction sector. This aspect of the project is expected to have the largest impact on job creation in the near term. In the longer term, the increased demand stimulated by infrastructure investments will be complemented by capacity improvement in the private sector public works contracts, improvements in the business environment, and financing for investments to enhance access to markets and create business linkages. This aspect of the project (Component 2) is expected to have a longer-term impact on economic growth through increased market access and capabilities of firms and employees. A complementary impact on fragility will be the improved access to basic services such as health, education, transport network and markets, which will contribute to improved trust in the ability of the Government to deliver public services. Combined with enhanced capacity at the local commune level, governance is expected to be strengthened and will also reduce fragility by improving the quality of life for vulnerable communities. Given that Burundi is an FCS, the project development outcomes aim to focus on the project's reach to beneficiaries, making the largest possible contribution to improving the life of Burundians, and thereby contributing to enhanced resilience against social and economic difficulties.

B. Project Beneficiaries

31. **Direct beneficiaries.** Those who will benefit directly from the project (as shown in the PDO level indicators) include the following:

    a. People who will find short- or long-term employment through public works programs. The implementing and monitoring agencies will stress that local individuals be hired, particularly from the more vulnerable groups, such as youth and women.

    b. The local population which will gain access to improved basic services[32] such as roads, health and education, and economic infrastructure, such as markets.

    c. Firms that will receive support to invest in equipment and business services for recovery and growth.[33]

32. **Indirect beneficiaries.** The project also expects spill-over effects, such as for dependents of those with access to income-generating opportunities. Also, the firms increased technical know-how and investments in equipment should result in higher revenues and profits, which should create positive effects for suppliers and consumers. Further, sector-wide interventions, through the combined efforts of shared infrastructure investments (that may be done through the Business Development Grants (BDG)), and sector-specific public-private dialogue (PPD) and dedicated value chain (VC) support specialists in certain sectors and sub-sectors, will address the constraints and solutions to improving competitiveness, and generating investments and local and export market connections to improve value chains and promote growth.

33. There is an inherent tension between improving MSME productivity (because this can lead to job losses) and the higher-level goal of creating employment. The project will address employment generation in a phased approach, first by boosting demand through public works, which complements the strengthening

[32] Based on the identified eligible sub-projects, this includes 2,460,411 who will benefit from social infrastructure such as schools and health care centers; 774,901 who will benefit from improved roads; and 1,581,287 who will benefit from improved markets.

[33] Based on Burundi's business registry of 2014, there are 112 formal MSMEs operating in food processing and construction, for a total of 2,251 employees. The project estimates that some of these firms will benefit from support, while others will be encouraged to join the formal sector and thus gain access to grants for investments.

in supply by MSME interventions. In the near term, opportunities for generating income will mainly be provided through labor-intensive public works. At the same time, long-term job prospects will be achieved through increased investments and private sector growth. It is possible that productivity growth may initially be associated with a stagnation/decline in employment (if firms substitute labor with capital), but in the long term, the employment effects will be positive as firms become more efficient and increase production, something which the demand boost through the public works program is expected to facilitate.

C. PDO-Level Results Indicators

34. **PDO results' indicators.** PDO performance indicators for firms and individuals in project-related activities include the following:

PDO #(1)	Person-days of employment created under Sub-component 1.1 (number, cumulative, by gender and age)
PDO #(2)	People with increased access to basic infrastructure (number, cumulative, by gender)
PDO #(3)	Firms benefitting from private sector initiatives (number, by gender of owner)

III. PROJECT DESCRIPTION

A. Project Components

35. **The project takes a two-pronged approach to local economic development.** On the demand side, given the limited resources and the urgent need for action, the project will make investments in public infrastructure for improved access to services and a temporary boost to employment. On the supply-side, it will promote an improved economy-wide investment climate and provide support to the development of more resilient and competitive value chains. The project will thus affect change in the short-term (for example, through the provision of temporary employment opportunities in the construction sector), but also strengthen the foundations for more durable economic outcomes (through support for more sustained private sector development and local government capacity).

36. **The two components of the project are linked by significant channels operating through the construction sector.** Construction activities account for 14.8 percent of formal jobs in Burundi[34] (ECVMB 2013-2014) and represent 22 percent of total value added in secondary (non-production) sectors of the economy[35]. These statistics, however, do not capture the extent of upstream value-addition and

[34] They also account for 10.2 and 5.7 percent of formal firms (almost half of firms are in the retail sector, often micro enterprises generating little value added).
[35] Annuaire 2015. (ISTEEBU – National Bureau of Statistics in Burundi).

employment generated, through activities such as production of stone, clay, tools.[36] Paul Collier[37] posits that post-conflict reconstruction often requires coaxing the private sector back, so that when demand for construction activities builds up in the economy the supply of construction activities and materials can become more elastic (such as, flattening the steep supply curve), thereby avoiding a price hike in the construction sector and broader inflationary pressure, which is observed in typical post-conflict (and post-crisis) economies.

37. **There are four main channels by which the project benefits the construction sector through the two components.** Thus, apart from the macro-economic effect on increasing demand through investments in public infrastructure (which would in turn drive domestic consumption of agricultural and other products), the project components reinforcing the following linkages:

(a) *Financing facility to help upgrade capabilities*: Firms that receive assistance through Component 2 activities will upgrade their capabilities, improving their competitiveness to apply for the public works procurement contracts under Component 1 (either as direct vendors to the public sector, or sub-contracting to larger firms, or as producers of materials[38]). The project will support two specific value chains related to construction, stone and clay, which will be key inputs for the public works.

(b) *Skills development and technical assistance:* Beneficiaries – individuals or MSMEs - who work on construction sites under Component 1 will develop relevant skills for the sector (such as pouring concrete and scaffolding), which will increase their eligibility to apply for assistance under Component 2 if they are organized in the form of MSMEs[39].

(c) *Institutional support for value chain development*: Technical assistance financed under Sub-component 2.1 will build the capacity of the sectoral chamber of construction. This chamber plays a key role in terms of communication and organization within the construction sector, and in terms of representation of its members. Therefore, the chamber can help its members be aware of the opportunities offered by the public works and increase their chances to benefit from these public investments, while leveraging more effectively and efficiently upstream and downstream linkages within their respective value chains.

(d) *Investment climate support*: Investment climate reforms (financed under Sub-component 2.3) will tackle regulatory hurdles to more efficient operation of the sector. This includes reforms targeting

[36] Initial estimates for road construction suggest that including indirect jobs created in upstream production would result in doubling the total employment estimates. However, more reliable data will be gleaned from a recent study commissioned on this topic (*Analyse rétrospective des résultats des appels d'offres lancés par ABUTIP et enquête auprès des PME dans le domaine de la construction en vue de leur promotion*). In particular, this study focuses on the key elements that prevent MSMEs within the construction sector to access and benefit from relatively large public investments, with the objective to improve local MSMEs' participation in public works. The recruitment process for the study is currently ongoing and the initial data should be available by June, 2017.

[37] Paul Collier (2008) The Bottom Billion: Why the poorest countries are failing and what can be done about it, Oxford University Press.

[38] Component 1 will promote the use of local construction materials (stones for paving, clay for red brick, wood for woodworks). And thus, while this component will provide business opportunities for the use of those materials, Component 2 will provide technical and financial support to the MSMEs working in this area to build their capacity (to be able to produce more and better quality products).

[39] The HIMO+ approach will help facilitate the formation of MSMEs from groups of employees that can then work in the construction sector.

construction permits, ensuring more efficient processes for public works. This also includes reforms targeting professional colleges for engineers and architects, which will enable individuals and MSMEs better access opportunities under Component 1.

38. **The project components are also linked given the geographical overlaps**. While the financing under Component 2 is not limited to a specific geography, most construction MSMEs are located in metropolitan areas, namely Bujumbura and to a certain extent Gitega, overlapping with the locations of the sub-project investments under Component 1. Thus, not just the immediate employment effects, but also more medium-term fillip to private sector growth, will be reinforced in the same locations. An effort will also be made during project monitoring to allow geo-tagging of beneficiary firms (including, if possible, those that apply for private sector support), to help identify the possible spillovers, linked to proximity, between construction sites and private sector activity.

Component 1: Investments in Local Public Infrastructure (US$32.5 million equivalent)

39. This component focuses on developing public works/infrastructure to generate demand in the construction sector and support vulnerable communities hardest hit by the crisis through employment opportunities and improved access to basic services.

Sub-Component 1.1: Investments in Local Public Infrastructure (US$29.5 million equivalent)

40. **Rationale and objective.** As noted earlier, the crisis caused demand to fall sharply, which was exacerbated by cuts in public spending. The construction sector (a mainstay of employment), was hit hard and public services in urban areas were particularly affected. This sub-component will finance public investments in infrastructure in certain vulnerable urban areas, particularly Bujumbura, Gitega and Kirundo. In so doing, it will mitigate the crisis by improving service delivery and creating short-term employment.

41. **Approach.** This sub-component will invest in the construction and/or rehabilitation of local public economic and social infrastructure that local governments (LGs) see as priorities, consisting of *inter alia*, markets, roads, health centers, schools, and youth centers, through the financing of Sub-projects in poor and vulnerable communities of Burundi. More precisely, the sub-projects include construction/rehabilitation of: (a) economic infrastructure, primarily markets; (b) road infrastructure; and (c) social infrastructure including health centers, and primary and secondary schools. Sub-project investments include rehabilitating 12 markets, 20 local roads, and seven health centers, 13 schools, two youth centers, one playground, and two administrative centers. Forty-seven of these sub-projects have been selected from the list of projects identified by the now-closed WBG Public Works and Urban Management Project. A further ten sub-projects located in particularly vulnerable areas within Bujumbura have also been identified for investment. The construction works will build resilient infrastructure that could withstand the most likely effects of climate change. Energy efficient techniques and designs will be employed wherever possible. For details related to selection criteria, and targeting of beneficiaries, see Annex 1.

42. **Implementation.** The Burundi Agency for Public Works (Agence Burundaise pour la Réalisation des Travaux d'Intérêt Public (ABUTIP) which has a good track record implementing WBG projects, will make the investments in this sub-component: Its involvement will help ensure the quality of technical studies, procurement, fiduciary management and supervision during preparation and implementation.

Sub-Component 1.2: Institutional and Capacity Support (US$3 million equivalent)

43. Rationale and objective. The Government has created a decentralized framework to better support local communities. However, this process needs support to be properly implemented, especially to evaluate LGs and manage fiscal transfers. Also, because LGs lack the capacity to develop, oversee and manage investments,[40] this sub-component will provide support to strengthen them and improve the decentralization process (which involves laws, regulations, implementation and management).

44. Approach. This sub-component is being launched as a pilot to strengthen the capacity of LGs that obtain investments under Sub-component 1.1, to manage and implement sub-projects, including through, *inter alia*, investment planning, revenue mobilization, municipal asset and infrastructure management, tax collection, and monitoring. If the activities successfully help these LGs conduct their mandated functions and deliver local services, the pilot could be expanded to support other LGs. Investments under this sub-component will also help the central Government, through the *Ministère du Développement Communal* (MDC), to develop/strengthen its capacity to oversee and support LGs in a sustainable manner. The sub-component's design and implementation will be supported by the *Association Burundaise des Elus Locaux* (ABELO), which works with municipal and local authorities around the country. For details on the targeting of project support, see Annex 2.

Component 2: Support for Value Chain Development (US$13.5 million equivalent)

45. This component uses different instruments (capacity building, direct financing and support for reforms) to create and preserve long-term income-generating activities along high-potential value chains (with a focus on agribusiness and construction sectors).

Sub-Component 2.1: Institutional Support to Develop Value Chains (US$2.6 million) equivalent

46. Rationale and objectives. Burundi's Investment Promotion Agency (API) and the Federal Chambers of Commerce (CFCIB) are the public and private bodies that advocate for private sector interests and promote investments and exports[41]. While dynamic and relatively successful, both institutions are rather young and struggle to meet their objectives. To promote the development of selected high-potential value chains, the project will support API, CFCIB, and the chambers of agri-business and construction to improve the quality and sustainability of their services.

47. Approach. The project will invest in (i) strengthening the capacity of selected business climate improvement and value chain development institutions including, *inter alia*, the Recipient's Investment Promotion Agency, the Federal Chamber of Commerce and Industry, and the chambers of agri-business and construction. to improve the quality and sustainability of their services; and (ii) the establishment of a value chain (VC) support specialist team within the Investment Promotion Agency to facilitate improved support to MSMEs. The work of the VC support specialists and of the sector-specific public private dialogue (see Sub-component 2.3) will target four subsectors at first: fruits and fishing products[42] for

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[40] The WBG Competitive Cities for Jobs and Growth (2015) report demonstrates that decentralization without investments in capacity can have unanticipated and negative effects on economic growth.

[41] In fact, business associations, such as chambers of commerce, in fragile countries can often facilitate and channel collective actions in support of stabilization, recovery and growth.

[42] Activities related to the fishing subsector must comply with the new Fishing and Fish Farming Law (*Loi Portant Organisation de la Pêche et de l'Aquaculture au Burundi*) that was promulgated on November 30, 2016. Regarding fishing in Lake Tanganyika, specific rules apply for sustainable fishing and for fish farming. The latter is heavily restricted and can only be performed on

agribusiness, and clay and stone for construction. The VC support specialists will notably focus on the downstream segments of the value chains (processing and distribution). To achieve this, they will provide in-depth support to MSMEs within such specific segments of selected value chains (the processing segment of the fruit value chains). They will help design and implement VC development strategies to overcome challenges hindering the value chain's growth. Through their work, the VC support specialists will assist these MSMEs to raise their local, regional and international competitiveness and improve connectivity to markets. The support provided by the VC support specialists will also complement value chain development projects and initiatives undertaken by other donors.[43] To build the required capacity to perform this work and ensure sustainability, these specialists will receive intensive training and coaching throughout the duration of the project.

Sub-Component 2.2: Catalytic Financing Facility (US$8 million equivalent)

48. Rationale and objective. The Catalytic Financing Facility will complement the technical assistance under Sub-component 2.1, and general economy-wide reforms supported under Sub-component 2.3. Under this sub-component the project will provide BDGs to (i) individual MSME beneficiaries and (ii) to cluster MSME beneficiaries to finance shared infrastructure, technical assistance and equipment aimed at enhancing revenue productivity, job creation and access to markets notably in the fish, fruit and construction value chains. The objective of this component is to help scale up existing value chains, through the provision of support for upgrading capabilities and meeting the needs of individual and grouped firms in specific eligible value chains. Activities under this sub-component will target those value chains that have the potential for catalyzing recovery and growth in Burundi's key domestic value chains, which have suffered from the current economic crisis. Thus, individual or grouped MSMEs[44] may access a BDG through the project to help them launch business plans which will aim to, firstly, reorganize their business model to adapt to the new, uncertain environment, and secondly, to capitalize on their potential to increase revenues, productivity, and jobs, and improve their access to larger markets**.** The BDG will be restricted to investments with demonstrated spillover effects on one or several targeted value chains. The economic rate of return (ERR) is expected to be 29 percent and the net present value is expected to be about US$3.8 million, with a discount rate of 12 percent (see section on economic analysis for more detail). Thus, improvements in MSME performance (measured by increased turnover and employment generation) are expected to vastly outweigh the costs of the sub-component. Individual and grouped MSMEs in selected value chains will be eligible to receive financing from the business development program. The project will focus on a few selected value chains at the outset (fruits, fisheries, and construction). For more details on the targeting of beneficiaries, eligible investments, business plan prioritization criteria, and risk mitigation see Annex 1.

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an experimental basis.

[43] For the construction sector, the PROECCO program focuses on developing the environmentally-friendly briquettes value chains, while, for agribusiness, Caritas International is supporting the fruits and vegetables sectors, USAID is supporting the coffee sector, TMEA is planning to support the palm oil value chain, and two World Bank Group projects, the Coffee Sector Competitiveness Project (P151869) and the Regional Great Lakes Integrated Agriculture Development Project (P143307) are targeting, respectively the coffee value chain for the former and the rice, maize, and dairy value chains for the latter.

[44] Two definitions are being used to define MSMEs in Burundi: the number of employees (under 100) and the turnover (under BIF1 billion, which is approximately US$606,000). While the employee criteria is used to define MSMEs in all PDLE activities, the second criteria will also be applied for the business development grants: eligible firms must have less than 100 employees and a turnover lower than BIF1 billion, as firms with a higher turnover are not the ones to be targeted with such financing facility.

49. Approach. Based on lessons learnt from several grant assistance programs, including those from fragile countries, MSMEs will be supported along every step of the way. They will receive assistance from VC support specialists (see Sub-component 2.1) who will help them prepare their proposals, including their business plans. Equipment and infrastructure support will also be systematically accompanied with technical assistance to maximize the investments' sustainability and impact. To understand the supply of business development services (BDS), a study was conducted in February, 2017 to map BDS providers[45] in Burundi and assess the quality of their services. In addition to improving the quality of BDS providers, the study advocates for a greater promotion of these services as MSMEs tend to underestimate their benefits for improvements in business performance. In response to these conclusions, Sub-component 2.1 aims on one hand to increase the capacities of the CFCIB and API to help them deliver better services, and on the other hand to promote the use of technical assistance by MSMEs through the work done by the VC support specialists team.

Sub-Component 2.3: Improvements to the Business Environment (US$2.9 million equivalent)

50. Rationale and objective. Burundi is ranked 157 among 190 countries in the 2017 Doing Business report and is one of the lowest in the world on most Doing Business indicators. The problem is especially severe about obtaining construction permits, accessing electricity and credit, trading across borders, and enforcing contracts and resolving insolvency. Thus, this sub-component will support Government efforts to improve the business environment.

51. Approach. The sub-component will aim at strengthening the business environment in Burundi through *inter alia*, promotion of public-private dialogue; enhancement of regulatory framework for investment and export development by small and medium sized enterprises in the construction and agri-business sectors; improvement of business registration, building permit approval and cross-border logistics processes. For details see Annex 1.

Component 3: Project Management, Coordination, and Monitoring (US$4 million equivalent)

52. This component will support project management, coordination, communication, monitoring and evaluation (M&E). Through this component, the project will finance a baseline study, mid-term review (MTR) study, final impact assessment, the recruitment of staff, consultancy services, financial and technical audits, the acquisition of property and equipment, and it will support relevant seminars and training, as well as diverse operating costs to supervise the project activities.

Component 4: Contingency Emergency Response (US$0.0 million)

53. This component will provide support for immediate response to an eligible crisis or emergency, as needed. A crisis or emergency eligible for financing is an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Borrower, associated with a natural or man-made crisis or disaster. Rapid disbursement of funds will allow the Government to request a reallocation of project funds to partially cover emergency response and recovery costs. This component will be triggered

[45] Around 50 BDS providers were analyzed, of which 57 percent were commercial BDS providers, the remaining were NGOs, public institutions and professional associations. 96 percent are present in Bujumbura, 18 percent in Cibitoke and less than 10 percent in other provinces.

if: (a) the Government has determined that an eligible crisis or emergency has occurred and has furnished to the World Bank a request to include said activities in the Contingency Emergency Response Component (CERC) for emergency response; (b) the Government has prepared and disclosed all safeguards instruments required for said activities; and (c) the Borrower has adopted the CERC Operations Manual (OM) in form, substance, and manner acceptable to the World Bank. A specific OM for this component will be prepared, detailing financial management (FM), procurement, safeguards, and any other necessary implementation arrangements. While components 1, 2, and 3 focus on pre-crisis disaster risk mitigation and climate resilience enhancement measures, Component 4 will help strengthen the Government's capacity to respond effectively to an eligible crisis or emergency.

B. Project Cost and Financing

54. **Lending instrument.** The proposed Investment Project Financing (IPF) will be a five-year US$50 million IDA grant (closing on 29 July, 2022) that will rehabilitate public works, develop the private sector, and support timely/continuous capacity building for the private and public sectors.

Table 1: Project Costs and Financing

Project Components	IDA Financing (US$ million)	% Financing
Component 1: Investments in local public infrastructure	**32.5**	100
1.1: *Investments in Local public infrastructure*	*29.5*	*100*
1.2: *Institutional and capacity support*	*3.0*	*100*
Component 2: Support for Value Chain Development	**13.5**	100
2.1: *Institutional support to develop value chains*	*2.6*	*100*
2.2: *Catalytic Financing facility*	*8.0*	*100*
2.3: *Improvements in the business environment*	*2.9*	*100*
Component 3: Project Management, Coordination and Monitoring	**4.0**	100
Component 4: Contingency Emergency Response	**0.0**	100
Total Project costs	50.0	100
Total financing required	***50.0***	***100***

C. Lessons Learned and Reflected in the Project Design

55. **The project builds on lessons from project experience in Burundi, and from other countries, including other FCV countries.** The project design for Component 1 builds directly on learnings from the Public Works and Urban Management Project (P112998) that closed in June, 2015. This in particularly so for the design of the labor-intensive approach to public works within the current project, along with the importance of building capacity at the community level. The need for local capacity to improve local service delivery is also reiterated in recent WBG studies, *Fiscal Decentralization and Local Governance* in 2015. For Component 1, the project also leverages NGOs' and development partners' programs in Burundi. For instance, these include the United Nations Development programme (UNDP) Pact Project

(that helps decentralize and build LG capacity), the United Nations Population Fund (UNFPA) and the UNDP youth employment support programs, and the African Development Bank, German Agency for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit*, GIZ), the European Union, and the Swiss and Belgian development partners' youth employment programs. To benefit vulnerable groups, the project has consulted with Office for the Coordination of Human Affairs and UNFPA, which work in challenging urban areas. Component 1 will be implemented in close collaboration with these partners.

56. Component 2 was designed to reflect the World Bank Group SME Action Plan (World Bank 2016) and leverages lessons from the World Bank review of grant projects published in 2016: *How to Make Grants Better Match for Private Sector Development*. The emphasis on helping beneficiary firms in the grant program proposed in Sub-component 2.2 is one of the main drivers for success identified in the afore-mentioned review. The Burundi Diagnostic Trade Integration Study (2012) identified the reasons underlying unsatisfactory trade and export performance, helping the team better structure support to firms. The Burundi Financial and Private Sector Development Project (P107851), closing in July, 2017, provided several learnings regarding the support for public-private dialogue using the federal and sector chambers of commerce as intermediaries. And finally, the Burundi Investment Climate program, which has been ongoing since 2015, has helped to identify key aspects of business environment improvements, especially related to the construction sector. There are also several development partners working to support the private sector, such as the Great Imbo HUB (being prepared with TradeMark East Africa, TMEA) and SPARK (a Dutch-funded entrepreneur development program). These and other partners were consulted to ensure complementarities in the design of Component 1.

57. **And finally, the geographic focus and the interventions complement existing WBG projects,** including the Coffee Sector Competitiveness Project (P151869) (which deals with upstream and production-related aspects of agri-business) and the Regional Great Lakes Integrated Agriculture Development Project P143307 (with a focus on MSMEs in agri-business in the Rusizi Plain).

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

58. **Project Implementation Unit (PIU).** It has been agreed that a new PIU will be established under the Ministry of Finance, Budget and Privatization for the coordination of the project's day-to-day operations. The Government has started preparatory activities funded by a Project Preparation Advance (PPA). The Government has also launched the hiring process of the key staff for the new PIU. Some of them have already been recruited and currently, they work on the implementation of the project preparation activities with the PIU, in charge of the implementation of the Finance and Private Sector Development Project (P107851) that will close in July 2017. The staff of this PIU, with relevant profile for the project, is authorized to apply for equivalent position in the new PIU, which will be staffed with those who have the necessary skills to manage and oversee the new project (see Figure 2 for an overview). The WBG team will provide support to the PIU to monitor safeguards, and manage finances and procurement. The PIU must comply with fiduciary and safeguard requirements for all components.

59. **Implementing agencies.** Given Burundi's fragility and high governance risks, the project will assign independent agencies to implement some of the key components. This will ensure that beneficiaries are identified fairly, and project outcomes are monitored properly, especially in a changing environment. Besides the PIU, three other agencies will be involved: (a) ABUTIP (*Agence Burundaise pour la Réalisation des Travaux d'Intérêt Public* – an independent agency) was chosen to implement Component 1 infrastructure sub-projects (consistent with the delegated management function in Burundian law). It has successfully implemented similar projects (for example, the Public Works and Urban Management Project); (b) an international NGO, paired with several local NGOs across the different project regions, which will oversee the targeting, mobilization and support to beneficiaries for labor-intensive works under Component 1 and be selected according to pre-defined criteria and requirements for capacity, 'neutrality,' and experience in community work;[46] and (c) a consulting firm, which will manage and implement the BDGs under Component 2 (as required by a BDG manual). The PIU will ensure that the three agencies will manage the contract in a timely manner and comply with requirements.

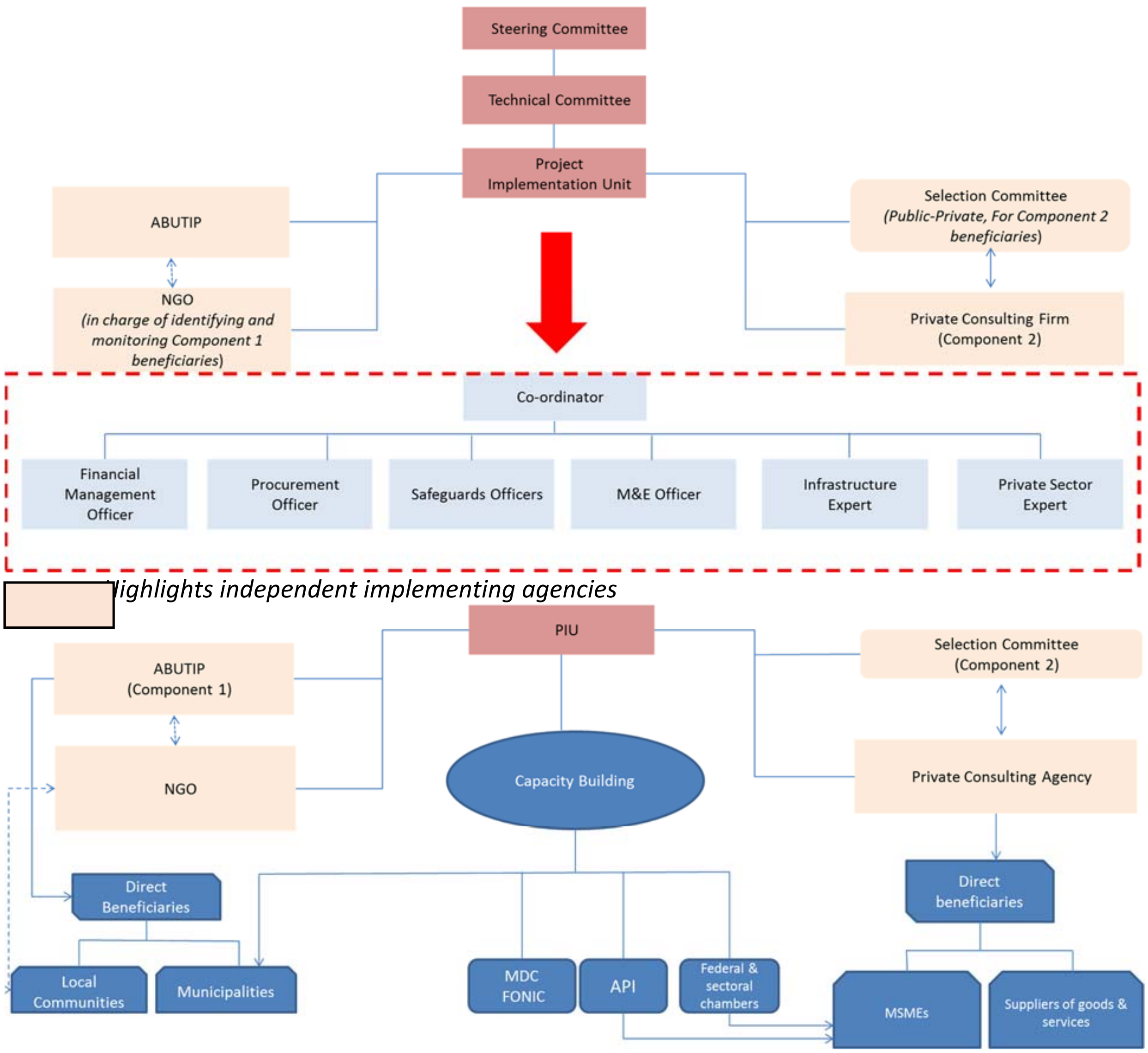
60. **Steering and technical committees.** Since the project is multi-sectoral, a committee structure will be adopted to help ensure buy-in and communication among different stakeholders: The PIU will report to an inter-ministerial Project Steering Committee (PSC)[47] and Technical Committee[48] which will oversee the project. They will be chaired by the Ministries of Finance and Public Works, and include others, such as the ministries of Communal Development, Urban Development, the Investment Promotion Agency, and the Federal and sectoral chambers of commerce. The Technical Committee will monitor the project's progress and help share information among institutional stakeholders. The PSC will provide strategic direction. Operational decisions will not be contingent on meetings of both committees; rather, the PIU will be empowered to implement the project autonomously regarding day-to-day functions.

[46] The project team is now finalizing the draft terms of reference for the NGO, and on the basis of inputs from colleagues from the FCV unit, has created a short list of NGOs (international and domestic) that would meet the technical criteria and are well regarded for their work in Burundi and elsewhere. The team will also explore a 'twinning' arrangement between local and international NGOs to further mitigate risks of capture of the local NGO.

[47] Chaired by the Ministry of Finance, Budget & Privatization and the Ministry of Public Works, members include the Ministry of Local Government, Ministry of Urban Government, Federal Chambers of Commerce, Ministry of Commerce, Industry & Tourism, and the mayor of Bujumbura.

[48] Chaired by the Ministry of Finance, Budget & Privatization and the Ministry of Public Works, members include the Ministry of Local Development, Ministry of Urban Development, Federal Chambers of Commerce, Ministry of Commerce, Industry & Tourism, Investment Promotion Agency, sectoral chambers (construction, agribusiness), and ABELO.

Figure 2: Institutional Arrangements and Beneficiaries



B. Results Monitoring and Evaluation

61. PDO indicators document the expected results on revenues for firms, access to basic services, and income-generating opportunities. They are designed to capture the incremental, project-related changes among direct beneficiaries, which have yet to be selected; thus, some baseline values are set at zero. However, they will be revised once beneficiaries are identified (based on their average performance over the past three years). Also, some intermediate indicators will be used to track periodic progress towards achieving the PDO (listed in Annex 1).

62. **Institutional framework.** The monitoring and evaluation (M&E) system will be based on the Results Framework and implementation arrangements (Annex 2). The PIU will be responsible for the M&E, including progress indicators designed according to World Bank requirements. The system will draw on consultants who will help with project implementation and provide information for M&E, which will be funded by Component 4. The PIU will support the baseline survey, mid-term evaluation, and impact evaluation.

63. **Section VII (Results Framework) in the PAD lists the indicators for components 1 and 2, and the frequency and responsibility for data collection**. M&E will include a Management Information System (MIS), spot checks, evaluations, and beneficiary assessments to gather accurate data on the indicators. The MIS will record all information related to project activities, including: (a) basic information on outcomes, (b) details on beneficiaries for the BDGs; (c) financial management (FM) data from which a Statement of Expenditures will be provided to the World Bank; and (d) project management information for progress reports submitted semi-annually. Each Project Report (to monitor and evaluate progress) shall cover the period of one calendar semester, and will be furnished no later than forty-five days after the end of the period covered by such report.

64. **Citizen engagement will be measured in two ways**. Regarding public works sub-projects, beneficiary assessments will be made which will include: (a) beneficiary surveys; and (b) a complaints and redress mechanism. Regarding support to the private sector, there will be two ways to measure citizen engagement: 1) a PPD platform to ensure that the priorities of the private and public sector will be considered—for example, on matters such as business reforms, and 2) client satisfaction surveys to measure effectiveness of the capacity of API and CFCIB.

65. **M&E** will disaggregate the achievement of indicators wherever possible by gender and vulnerability. In practice, this will be measured by disaggregating the reach of the project to beneficiaries by gender and age, to capture the vulnerability of youth and women.[49] Indicators that signify the crisis has diminished will be developed in collaboration with the Country Management Unit (CMU), the Government, and the international community. Possible indicators include the return of a large number of refugees and internally displaced persons (IDPs) to their homes, as registered by United Nations High Commission for Refugees, and a substantial renewal of previously blocked donor funding for development, which is not only directed toward humanitarian programs.

C. Sustainability

66. The project is linked to Burundi's national and sectoral development plans/strategies as described in Section I.b. While preparing the technical assistance [*Strategies for Urbanization and Economic Competitiveness 2015*] and the project, the team worked extensively with stakeholders from several ministries, including the Ministries of Finance, Urban Development, Local Development, and Commerce, and with the Federal and sectoral chambers of commerce. Several of these stakeholders have served as counterparts to the WBG team for more than two years. This continued collaboration has resulted in buy-in for the project's components and sub-components. Further, local communities and private sector

[49] The project will, to the extent possible, track unemployed youths (ages 18-30), who are more likely to mobilize socially and violently or engage in criminal activity; people who recently (over the last two years) arrived in Bujumbura, and tend to be less 'well-rooted' and integrated in the town; returnees, especially those who came over the last two years, indicating their resilience against social mobilization; and widow-, female- or child (up to age 18)-headed households, which tend to be the poorest and most needing of outside support.

stakeholders bought into components 1 and 2.

D. Role of Partners

67. The project leverages previous experience and on-going work being done by donors and development partners, including NGOs in Burundi. The details of how these lessons have been reflected in the project design are outlined in Section III C. In addition, the project will also work directly with international and local NGOs to help implement Component 1, and with private consulting agencies to help implement Component 2. The details are outlined in Annex 7.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

68. Overall, the project risk rating is high because working in Burundi poses many risks, some which are difficult to mitigate at the project level.

69. **Political and governance risks remain very high.** Political instability is still high. The accompanying violence has severely affected economic activity, and the volatile situation has already affected the project, delaying its preparation, and may affect the Government's ability to implement it; thus, development objectives would not be achieved. To reduce the risks, the project team maintained a collaborative relationship with the Government and private sector actors during project preparation to create the development objectives and design the project components so they target local economic development. Also, the project aims to mitigate the effects of the crisis, particularly in vulnerable areas and could help reduce tensions and violence. In addition, governance risks will be reduced using independent monitoring agents at each stage. In addition, an NGO partner will work with the PIU to identify and monitor project beneficiaries under Component 1, to ensure a balanced and poverty-enhancing approach to employment generation in vulnerable communities; and, a private-sector consulting firm will identify and monitor beneficiaries under Component 2 to ensure that micro, small and medium enterprises that can generate jobs will benefit from the project. Further, close supervision and coordination with the CMU will help make in-time critical decisions to deliver results.

70. **Risks for institutional capacity, for implementation, and sustainability are high.** The project will be implemented by a Project Implementation Unit (PIU), which reports to the Ministry of Finance. The PIU's staff recruitment is underway, with a competitive approach, ensuring the hiring of the best profiles. However, LGs will be responsible for maintenance and operations of local infrastructure financed by the project, and they may not have sufficient resources and capacity for the tasks. To this end, the PIU will be staffed and trained to help the LGs develop their capacity and thus: (a) reduce implementation risks; and (b) sustain the results beyond the life of the project.

71. **Macroeconomic performance presents high risks.** Burundi's macroeconomic outlook remains fragile and imbalances will likely persist. The economy is still vulnerable to external shocks, and depends highly on foreign aid. However, several donors have withheld financial assistance due to the political violence, and thus, the dependency on external funding underlines the country's fiscal fragility. Measures to mitigate these risks are not feasible at the project level, but it will closely monitor the political and governance situation, and discuss them with the client, if the situation further deteriorates.

72. **Fiduciary risks are substantial.** The risk rating is largely attributable to low technical and institutional capacity at country level and sector level. There have been also some challenges to access foreign currencies, which have undermined the vendors' ability to import goods.

73. **Social risks are substantial.** This risk is rated substantial because of the possibility of elite capture, low capacity of communities to effectively raise complaints and overall risk of violence due to the current political climate, including to the workers on construction projects. There is also the possibility of exclusion of the indigenous peoples, the Batwa, if the recommendations of the Indigenous People Planning Framework are not taken into consideration.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

74. The project Net Present Value (NPV) and the Economic Rate of Return (ERR) are estimated at US$13.1 million at a 15 percent discount rate,[50] with a 30 percent ERR. These are based on a 12-year period, including the five years of implementation. The analysis shows an NPV of US$8.6 million and a 29 percent ERR for infrastructure investments under Sub-component 1.1, and an NPV of US$4.5 million and a 33 percent ERR for the value chain support under Sub-component 2.2.

75. **Rationale for public intervention.** As a fragile state, private capital for public works and infrastructure investments in Burundi is difficult to source, particularly for small investments with high economic and social returns but low financial returns. This is particularly true for early stage and proof-of-concept (or pilot) high-risk investments, even those with a high potential for economic, financial, and social returns (for example, market rehabilitation investments). Thus, public intervention is needed to encourage private capital investments; indeed, these are difficult to secure for public works and infrastructure projects, even in developed countries. Public intervention is particularly important to ensure appropriate fiduciary standards and safeguards.

76. **WBG value added.** The WBG provides a channel for global expertise in agri-business, infrastructure and construction financing programs (such as, business BDGs) and public-private programs, particularly to build capacity and technical expertise needed so the interventions can help local populations. The WBG also has a large knowledge base of environmental and social standards for public works investments. Its input is particularly useful since it has worldwide connections to those who have worked on similar projects in various countries; also, its team members have a wide range of expertise, along with deep links to the Burundi Government and relevant implementing agencies. Also, the World Bank uses its convening power to coordinate support between donor and private sector programs.

B. Technical

77. **This is a multi-sectoral project.** As one of the poorest countries in the world, the population has many competing requirements. The political and economic crisis focused attention on the need for income-generating opportunities and for infrastructure, especially in the capital and other cities. The project

[50] Discount rate: This is based on the risk-adjusted opportunity cost of capital for World Bank financing in Burundi.

design has benefited from continued involvement of private sector and urban specialists, and conflict situation experts. Thus, the project brings the WBG's multi-sectoral expertise in several ways: (a) its design reflects lessons from public works investments, using a transparent selection mechanism that focuses on technical training along with short-term employment on construction sites; it also reflects those learned about BDG mechanisms, including from fragile countries, to help private sector firms become more resilient to shocks; and (b) the project uses several independent implementation and monitoring agencies to ensure transparency, good governance and positive results for the most vulnerable.

78. **This project has been carefully prepared, with buy-in from various stakeholders**. The project team has worked extensively in Burundi, initially as part of a technical assistance project (pre-crisis) and then to prepare the current operation in rapidly shifting circumstances. The team has taken an inclusive approach, involving the public sector (from several ministries and departments), private sector (including firms and local communities) and other development partners (TMEA, EU and others). This helped lay the foundation for sustainability, even under scenarios of further instability.

C. Financial Management

79. Since the PIU has not yet been established, it is less relevant to carry out a full assessment of FM capacity at this stage. However, a quick assessment was done. In order to meet the World Bank's minimum requirements under OP/BP10.00, the financial management system will need to be supported through the following measures: (i) appointing within the PIU a qualified financial management expert; (ii) developing a Project Implementation Manual (PIM) including the accounting, administrative and financial management procedures; and (iii) setting up a computerized accounting and reporting system.

80. It has been agreed that a significant part of the project's activities would be implemented by three independent agencies ABUTIP "Agence Burundaise pour la Réalisation des Travaux d'Intérêt Public", an NGO to be recruited to oversee the targeting, mobilization and support to beneficiaries for labor intensive works approach and a local consulting firm to be recruited to oversee the management and implementation of the BDGs as Project Implementing Agencies (PIAs). Those PIAs will play technical key roles in project implementation. With ABUTIP the Government will sign an overall delegated contract management agreement and the two other entities will be procured under procurement guidelines. None of the PIAs will be assigned fiduciary responsibilities. They will rather handle the whole process from technical perspective but payment will be made by the PIU. This would be detailed in the PIM and be part of their selection criteria.

D. Procurement

81. Since the project concept note was held prior to the roll out of the New Procurement Framework of 1 July, 2016, Procurement for this project will be carried out in accordance with the following WBG guidelines: (i) "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised July 2014; (ii) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised July 2014; (iii) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, revised in January 2011; and the provisions stipulated in the Financing Agreement.

82. For the proposed project, it has been agreed that a new PIU under the Ministry of Finance, Budget and

Privatization will be established to implement the overall project, and Burundi Agency for Public Works (ABUTIP) will be delegated procurement and contract management of infrastructure sub projects of Sub-component 1.1. The PIU is not yet established, however, the Government has started some preparatory activities funded by a Project Preparation Advance (PPA) managed by the existing PIU of the Finance & Private Sector Development Project (P107851). Since the PIU has not yet been established, a simplified assessment was done, which will be updated throughout project implementation. In order to meet the World Bank's minimum requirements under OP/BP10.00, the procurement system will need to be supported through the following measures: (i) appointing within the PIU a qualified procurement specialist; and (ii) developing a Project Implementation Manual (PIM) including the procurement rules and procedures. ABUTIP is familiar with implementation of WBG-financed projects. With regard to procurement risk assessment, it is also worth noting that the procurement staff of ABUTIP have relevant experience in applying WBG procurement procedures even though there is still need for continuing capacity building as well as awareness for keeping transparency and integrity in all procurement related activities and reporting.

83. The draft procurement plan for the project was prepared during appraisal and was agreed with the World Bank before negotiations. During implementation, the procurement plan will be updated in agreement with the project team as required - at least annually - to reflect actual project implementation needs and improvements in institutional capacity. The client will ensure that it is available in the project's database and a summary will be disclosed on the World Bank's external website once the project is approved by the IDA's Board of Directors.

E. Social (including Safeguards)

84. The project's proposed public works program will provide direct social and economic benefits to many unemployed Burundians, including vulnerable and marginalized groups, through short- to medium-term employment. Indirect social benefits include the provision of health, education, market and transportation infrastructure that will increase the number of Burundians with access to education, basic health facilities and trade.

85. The project has a national coverage with a high likelihood of encountering the minority, vulnerable population of the Batwas. Recognized by the Burundian Constitution as a marginalized group, the Batwas are dispersed around the country in varying concentrations from urban to peri-urban to rural areas. To address the likely presence of the Batwa in the proposed project activity areas, the project has triggered OP4.10 for Indigenous Peoples and prepared an Indigenous Peoples Planning Framework (IPPF). The IPPF establishes the presence of 3,041 Batwa households (11,500 persons) in the likely areas of project intervention. Field consultations were carried out in a third of the areas, including Bujumbura, in which sub-projects are likely to be located. The IPPF further identifies that, at the sites visited, no Batwa will be physically displaced by project activities. While the project will provide social services closer to the Batwa, the IPPF identifies some likely risk of non-inclusion of the Batwa in accessing the short-term benefits of employment. It proposes recruiting Batwa during project implementation to improve the socio-economic situation of their families. A national validation workshop was held in Bujumbura on April 12, 2017 to discuss the draft report.

86. The project also triggers OP4.12 on Involuntary Resettlement, as there is a possibility that project activities such as market, school, health center and road construction, could result in temporary or permanent physical or economic displacement. The project prepared a Resettlement Policy Framework (RPF) to address the range of likely resettlement issues that could come up because of its activities, as the exact locations of the project activities were not known prior to appraisal. The RPF applies the principles of OP4.12 regarding economic and physical displacement, in addition to outlining the grievance redress mechanism to be adopted in the event of any complaints. The report presents a screening tool to determine the applicability of OP4.12 to project activities. If there is a need to prepare specific resettlement action plans for any project sub-activities, the PIU's safeguards specialist will prepare terms of reference to recruit consultants for the preparation of these specific plans.

87. The final IPPF and RPF have been disclosed in country on June 1 and May 30, 2017 respectively, and on the World Bank's website on 6 June 2017. Upon identification of specific locations and extent of sub-projects, the PIU will determine if site-specific Resettlement Action Plans are required. Province-specific Indigenous Peoples Plans will also be prepared. The PIU will prepare the relevant plans within the first six months of project effectiveness. These plans will be submitted to the World Bank Group for comments, reviews and clearance within the first six months of project effectiveness.

F. Environment (including Safeguards)

88. The environmental and social Safeguard Policies triggered by this operation are: OP 4.01 (Environmental Assessment), OP 4.09 (Pest Management), OP 4.10 Indigenous Peoples; Physical Cultural Resources OP 4.11; and OP/BP 4.12 (Involuntary Resettlement). The project is classified as category B in the World Bank's Environmental Assessment classification due to the small size and site-specific nature of its likely social and environmental risks and impacts. The proposed project is likely to incur environmental and social impacts due the planned construction/rehabilitation of social infrastructures including classrooms, health centers, market place, urban road, and city road, including MSME construction activities and agriculture activities under the agribusiness component. Likely adverse impacts include air, soil and water pollution, loss of vegetation, soil erosion, accident risks, generation of medical waste at the planned health centers, potential loss of livelihoods and/or land acquisition and involuntary resettlement required for future infrastructure investments; health and safety risks on use of potentially harmful pesticides and other biocide products; harm to potential chance finds of physical cultural resources. There are no potential large scales, significant and/or irreversible impacts expected to arise from this project. The environmental and social impacts of anticipated activities are expected to be moderate, site-specific, and manageable to an acceptable level, and the proposed project requires no exceptions to the World Bank's policies on environmental and social safeguards. Moreover, civil works may expose populations living in the project areas to HIV/AIDS-related risks and possible social tensions due to the migration resulting from poorly controlled land development.

89. **Environmental and Social Management Framework (ESMF):** Since the precise locations and potential impacts of future sub-projects could not be identified prior to appraisal, an Environmental and Social Management Framework (ESMF) has been prepared to be used to screen sub-project proposals for environmental, social, gender, and health and safety impacts by using the ESMF screening form and checklist. The ESMF includes an Environmental and Social Management Plan (ESMP), has considered regional environmental and social review and described the environmental and social profiles in the project areas on the potential activities to be supported by the project. The ESMF/ESMP outlines an environmental and social screening process for future sub-projects to ensure that they are environmentally and socially sound and sustainably implementable, in line with GOB and World Bank policies and guidelines on environmental and social impact management. The screening outcomes will determine if sub-projects will need to prepare an Environmental and Social Impact Assessment (ESIA), a freestanding Environmental and Social Management Plan (ESMP), a Resettlement Action Plan (RAP), implement a Pest Management Plan (PMP) on selected value chains or if no action will be needed. The safeguard specialist, who will be part of the Project Implementation Unit, will do the screening of the sub-projects. In case safeguard instruments need to be prepared by the PIU, the safeguard specialist will prepare the Terms of Reference for these safeguard instruments, be responsible for the procurement of consultants to prepare them, supervise the consultants and they will be responsible for the monitoring of the implementation of the ESMPs, PMPs and RAPs in the project areas. The ESMF contains sample TORs for ESIAs that may be needed for project-supported activities, as well as screening guidelines to be used to implement project-supported works (for example, rehabilitation/construction of classrooms, health centers, market place, urban road, city road). The safeguard specialist also will ensure that all contractor contracts include environmental and social clauses, which are attached as an annex to the ESMF, to ensure adequate environmental and social management practices during construction and operation. Concerning infrastructure sub-projects (classrooms, health centers, market place, urban road, city road), no archaeological vestiges will be impacted – this was confirmed during the field visits and public consultations conducted during the project preparation. For more assurance, the ESMF has made provisions for cultural resources management in the event the Physical Cultural Resources OP 4.11 is triggered during the implementation phase and includes “chance finds” procedures for inclusion in the contractors’ contract. Funds to prepare and implement these potential ESIAs, ESMPs, PMPs and RAPs have been included in the project costs (US$1,422,000).

90. **Integrated Pest Management Plan (IPMP)**: The project funds will not be used to purchase and distribute agrochemicals, however agribusinesses may encourage farmer groups to use more inorganic fertilizers and pesticides. To ensure safe pest management, the project has prepared an Integrated Pest Management Plan which includes: (i) a survey on the local bio pesticides and agronomic technical practice to reduce the impacts of pests on the some agriculture value chains in project zones: (ii) actions to reduce the exposure of farmer groups to pesticides used in agricultural production systems; (iii) guidelines to be adopted on the possibility of agrochemical application and disposal; training sessions to strengthen capacity of different actors on the use, storage and disposal of agrochemical products with a coherent budget available in the project financing. Finally, it recommends the application of an integrated pest management approach coupled with the promotion of agro-ecological practices by the farmers' groups.

91. At the National Coordination Unit, an environmental and social specialist will be a key and integral part of the team. The environment specialist will carry out ESMP/RAP monitoring to ensure that the mitigation plans are being effectively implemented, and will conduct field visits on a regular basis. Monitoring checklists will be prepared based on mitigation plans for this purpose. Progress Reports (PR) shall document the progress of ESMF implementation. Finally, the project will engage specialists/firms to conduct detailed environmental and social studies (ESIA/ESMP; RAP). In addition, the project should also monitor inclusiveness in targeted zones the appropriation of IPMP by the local population beneficiary.

92. The final ESMF with the Medical Waste Management Plan and IPMP was disclosed in-country on June 8 and on the World Bank’s website on June 9, 2017.

G. Other Safeguard Policies (if applicable)

H. World Bank Grievance Redress

93. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit *http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service*. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

VII. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY : Burundi
Local Development for Jobs Project

Project Development Objectives

The project development objective is to create income generating opportunities for individuals and businesses and improve access to basic infrastructure in selected regions, targeting vulnerable populations and MSMEs in selected value chains.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Person-days of employment created under Sub-Component 1.1		Number	0.00	2000000.00	Annual	Beneficiary survey and hiring records from construction firms	Selected NGO, in collaboration with contracted construction firms to measure person-days of work

Description: This indicator will measure the impacts of labor-intensive public works projects. While PSD initiatives are expected to generate jobs in the long term, the expectation is that the focus will be on productivity and competitiveness in the near term, and the effects on employment will be small. In addition, the relative scale of employment in the PSD program will be marginal compared with the public works.

The target estimate will be validated once the PIU has completed their initial data collection.

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: People with increased access to basic infrastructure		Number	0.00	1000000.00	Annual	Beneficiary survey	Selected NGO
Description: Based on a feasibility study conducted, the potential beneficiaries have been counted for those projects that are deemed eligible by the criteria described in Annex 1, under sub-component 1.1: identification and selection of sub-projects.. This includes criteria for quality of life of community populations as rated by access to basic services, poverty, infrastructure deficit, and local content of project, impact on economic activity and level of social cohesion. Double-counting will be avoided as much as possible by focusing on reach of commune level-projects. In the event some communes benefit from more than one project, the double counting has been incorporated in reduced targets.							
Name: Firms benefitting from private sector initiatives		Number	0.00	350.00	Annual	Beneficiary survey	PIU
Description: This number includes 1) firms benefiting from business development grants, such as formal firms within the target sectors (construction and agro-processing), informal firms that may formalize, and firms in new sectors to be identified by the PIU, and 2) firms benefiting from improved services by API and CFCIB and SME specialists, and from investment climate reforms.							

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Roads constructed or rehabilitated		Kilometers	0.00	100.00	Annual	Systematic monitoring, subproject completion	PIU

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
						reports, MIS	
Description: Approved subprojects technically and financially executed, and administratively closed. The total distance of roads in the identified sub-projects is 143. 100 is an estimate of what will feasibly be completed by the project.							
Name: Markets constructed or rehabilitated		Number	0.00	8.00	Annual	Systematic monitoring, subproject completion reports, MIS	PIU
Description: Approved subprojects technically and financially executed, and administratively closed. The total number of communes identified by the sub-projects is 10. The total number anticipated to be completed by the project is 8.							
Name: New social infrastructure projects completed		Number	0.00	20.00	Annual	Systematic monitoring, subproject completion reports, MIS	PIU
Description: Approved subprojects technically and financially executed, and administratively closed. The total number of social infrastructure projects identified by the sub-projects is 25. 20 is the estimate of what the project will complete, given eligibility criteria as dictated by future feasibility studies.							
Name: Communes with updated local development plans		Number	0.00	10.00	Annual	Systematic monitoring, MIS	PIU

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: In order to build capacity at the municipal level, local community development plans will be prepared to plan for inclusive and continuous improvement. This is largely tied to the Governments decentralization framework but also fits with the targeting of vulnerable communities, so giving more power to community leaders, which means there is a need to strengthen capacity of local government. The project will provide legal and regulatory support as well as assistance with project implementation and management. There will be management training provided based on the identified needs through audits. Training may include: investment planning, revenue mobilization, municipal asset and infrastructure management, tax collection, and monitoring, as well as the overall performance and sustainability of LGs. Community development plans will be a concrete outcome of that enhanced capacity.							
Name: Citizen satisfaction with project implementation in target communities		Percentage	0.00	75.00	Annual	Beneficiary Surveys	PIU
Description: This indicator aims to measure citizen engagement under component 1. Community leaders and citizens will be important constituents in carrying out and benefiting from the infrastructure projects.							
Name: Increase in employment by beneficiary firms		Percentage	0.00	10.00	Annual	Beneficiary surveys	PIU and selected consulting firm
Description: This indicator is expected to improve to a greater extent in the longer term, therefore the target set for the life of the project is modest. Nevertheless, the project’s focus on job creation necessitates the collection of this data.							
Name: Increase in client satisfaction with API and CFCIB		Percentage	0.00	50.00	Annual	Beneficiary surveys	PIU
Description: Skill retention and capacity of key agents at a central level are key to promoting and implementing a shared vision of private sector growth through MSME growth in target sectors. In particular two groups of beneficiaries are targeted as channels to future sector-based growth in Burundi: 1) Potential domestic and foreign investors, being served by API, and 2) actors along the value chains within the sectors, being served by the Chamber of Commerce.							

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: PPD proposals being implemented		Number	0.00	5.00	Annual	Project monitoring and MIS	PIU and selected consulting firm
Description: PPD Proposals being implemented is a sign of a well-functioning public-private dialogue, and increased trust between the private and public sectors. In practical terms, reforms proposed by a representatives of both the public and private sectors have the potential to ease key sectoral bottlenecks and improve competitiveness.							
Name: Implemented reforms supporting private sector		Number	0.00	5.00	Annual	Project monitoring and Doing Business	PIU and selected consulting firm
Description: The project will count the number of reforms that result from the projects activities and function to support the development of the private sector. Target areas include construction regulation in addition to general							

Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Person-days of employment created under Sub-Component 1.1	0.00	200000.00	800000.00	1200000.00	1800000.00	2000000.00	2000000.00
People with increased access to basic infrastructure	0.00	50000.00	200000.00	500000.00	750000.00	1000000.00	1000000.00
Firms benefitting from private sector initiatives	0.00	0.00				350.00	350.00

Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Roads constructed or rehabilitated	0.00	10.00	20.00	40.00	75.00	100.00	100.00
Markets constructed or rehabilitated	0.00	0.00	2.00	2.00	4.00	8.00	8.00
New social infrastructure projects completed	0.00	0.00	5.00	7.00	12.00	20.00	20.00
Communes with updated local development plans	0.00	0.00	2.00	4.00	7.00	10.00	10.00
Citizen satisfaction with project implementation in target communities	0.00						75.00

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	End Target
Increase in employment by beneficiary firms	0.00				10.00	15.00	10.00
Increase in client satisfaction with API and CFCIB	0.00	0.00	5.00	10.00	30.00	50.00	50.00
PPD proposals being implemented	0.00	0.00	1.00	2.00	3.00	5.00	5.00
Implemented reforms supporting private sector	0.00	0.00	1.00	2.00	3.00	5.00	5.00

ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: Burundi
Local Development for Jobs Project

Project Development Objective.

1. The project development objective is to create income-generating opportunities for individuals and businesses and improve access to basic infrastructure in selected regions, targeting vulnerable populations and MSMEs in selected value chains (VC).

2. For the purposes of this project, activities will include support to MSMEs and public works, and the selected regions will include the three largest cities: Bujumbura, Ngozi and Gitega; and the Kirundo province, and selected value chains.

Component 1: Investments in Local Public Infrastructure (US$32.5 million equivalent)

3. This component focuses on the development of public works and infrastructure to generate demand for the construction sector and, at the same time, support vulnerable communities that have been most affected by the crisis in Burundi, through opportunities for employment and improved access to basic services.

'Vulnerable areas' refer to urban neighborhoods where predominantly vulnerable people live and, in the case of Bujumbura, often areas where rioting happened during the crisis. For 'vulnerable people', this project will especially focus on unemployed youths (ages 18-30), as these tend to be more likely to mobilize socially and violently or engage in criminal activity; people who have recently (over the last two years) arrived in Bujumbura, and tend to be less 'well-rooted' and integrated in the town; returnees, especially people who have returned to over the last two years, indicating their resilience against social mobilization; and widow-, female- or child (up to age 18)-headed households as these tend to be the poorest and most in need of outside support. Data on these various groups will be gathered by the project, including in collaboration with the Government, UN agencies like UNFPA and NGOs working in both Bujumbura and across the countryside. For Bujumbura, particularly vulnerable areas in terms of political tensions have been the neighborhoods of Buterere, Mutakura, Cibitoke, Ngagara, Buyenzi, Nyakabiga, Rohero, Kinanira, Musaga and Kanyosha.

4. Objectives: The objectives of this component are to:

i. improve the stock of local public infrastructure in vulnerable areas in Burundi in the context of the current crisis,
ii. create temporary income-generating opportunities for local populations through these investments in basic infrastructure,
iii. create demand for goods and services offered by SMEs in the construction sector through these investments, and as such support the recovery of the construction sector,
iv. improve access and management of local infrastructure investments by strengthening capacity of local authorities and community feedback mechanisms.

Sub-component 1.1: Investments in local public infrastructure (US$29.5 million equivalent)

5. **Rationale:** The crisis in Burundi has led to a major drop in international aid and donor support, and curtailed domestic tax mobilization. In turn this has drastically reduced government spending, which comprised most of the construction investments. As such, the construction sector has suffered from the decline in demand for goods and services. This component addresses the demand-side by financing public works investments that will result in demand for construction goods and services. Simultaneously, Component 2 will support SMEs operating in the construction sector to strengthen their capacity and improve their competitiveness. The infrastructure investments chosen are labor intensive and hence will help spur local job markets during construction. At the same time, they will have a longer-term impact by improving access to economic, social, and transport infrastructure. By specifically targeting vulnerable communities, the project aims to mitigate the lingering impacts of the crisis. Additionally, onsite training will be provided to individuals providing labor works for the construction projects financed under this component. This training will help to ensure a more durable and sustainable impact of these infrastructure investments since workers will have a skill that they can market after completion of a construction project.

6. **Objective:** The objective of this sub-component is to improve access to services through investments in public infrastructure particularly targeted at vulnerable areas in Burundi given the context of the current crisis, and as such, create income-generating opportunities for local populations and SMEs in the construction sector.

7. **Approach:** This sub-component will invest in the construction and/or rehabilitation of local public economic and social infrastructure that local governments (LGs) see as priorities, consisting of *inter alia*, markets, roads, health centers, schools, and youth centers, through the financing of Sub-projects in poor and vulnerable communities of Burundi. More precisely, the sub-projects include investments in (i) construction and rehabilitation of (a) economic infrastructure, primarily markets; (ii) construction and rehabilitation of road infrastructure; and (iii) construction and rehabilitation of social infrastructure including health centers, and primary and secondary schools[51].

8. Sub-projects have been selected based upon criteria determined by the Government and the World Bank to support investments for poor and vulnerable communities, address local infrastructure deficits, and have a positive impact on social cohesion and economic activity. Further details on the criteria and selected sub-projects are provided below.

9. At concept stage, this project included a possible follow-up phase of investments in public infrastructure. Following the initial evaluation of the sub-projects, this second phase has been postponed to allow for full coverage of the immediate priorities of sub-projects.

Identification and selection of sub-projects

[51] The support to the construction sector will support to sub-sectors sensitive to climate changes (stone paving and red blocks). Many SMEs are currently specialized in the production of paving and red bricks. Currently, the exploitation of quarries for the extraction of stone for the production of paving stones and clay for the production of bricks do not meet standards of production and safety. In addition, these quarries are highly vulnerable to flooding and landslides (a phenomenon that has increased dramatically in recent years). Moreover, the producers of bricks use the wood for the needed energy to heat clay and produce blocks. The project will help to make quarrying more compliant with standards and will also contribute to strengthen their resilience to floods and landslides. It will also support the red blocks producers to rationalize the use of wood and to develop better alternatives solution for energy.

10. The initial selection of sub-projects is based on a list of ninety-six sub-projects that were identified by local governments with the support of the now-closed WBG-financed Public Works and Urban Management Project (P112998). These sub-projects are high priority for the Government and some of them have already conducted preparatory studies and collected financial contributions from beneficiary communities. This initial selection reflects the approach of the previous project, which prioritized community contributions, especially those made ex-ante. Community contributions for these sub-projects are being held in an escrow account while the remaining funds are raised, either through support from this project or through other means. Additional sub-projects have also been selected from vulnerable and poor areas that might be under-represented in the initial long-list of sub-projects.

11. The long list of sub-projects is spread across the seventeen provinces of Burundi, with the majority located in urban areas, such as Bujumbura and Gitega. The final list of candidate sub-project investments under this project consists of forty-seven drawn from this long list, but will be supplemented with ten new priority sub-projects to ensure investments in the most vulnerable communities affected by the crisis. This will ensure that particularly vulnerable groups and excluded neighborhoods benefit from public investments, particularly through the creation of local income-generating opportunities. Such sub-projects have been drawn from the Local Government community development plans *(Plan Communal pour le Développement Communautaire*).

12. As part of the selection process (finalization of criteria, data collection, evaluation.), the project has categorized this long list into three specific lists: (i) projects likely to be financed; (ii) projects added to the long list to ensure coverage of the most vulnerable communities, particularly those most impacted by the crisis; and (iii) projects to be excluded from financing under this project. The following paragraphs outline the process by which each of these lists was created.

13. Selection Criteria: The selection criteria for the sub-projects is based upon a series of criteria detailed below. A team of local consultants collected data on these statistics. Sub-projects that passed a minimum threshold in terms of impact on poverty and vulnerability have been chosen for financing. Sub-projects were evaluated according to these criteria through a study conducted by local and international consultants.

i. *Elimination criteria*: All sub-projects, which are not included in the PCDC, have been excluded, along with those that do not have an adequate site that is both available and empty. Sub-projects with negative environmental or social impacts will be excluded. Finally, sub-projects that are no longer considered priorities at the provincial or Local Government level.

ii. *Quality of life for the local population:* Sub-projects have been categorized as located in areas with poor, average, or above average quality of life. This evaluation includes access to water and electricity, vulnerability of the population (as determined by the portion of the population belonging to more vulnerable groups such as unemployed youth, handicapped, widows, Batwas, displaced persons, female- or child headed households.), access to other basic services.

iii. *Poverty*: Priority is given to sub-projects in communes with higher levels of poverty.

iv. *Local content*: Sub-projects have been evaluated based on estimates for how much of the materials and labor required for construction can be sourced locally and from other areas within Burundi. Those with a higher percentage of local content will be given priority.

v. *Infrastructure deficits*: For each type of sub-project, selection criteria have evaluated the level of need for that type of infrastructure. This includes the population per that type of infrastructure (for example, population of the neighborhood per number of health centers, markets,.) and the distance between the proposed site and the nearest infrastructure of the same type (for example, distance between the proposed elementary school and the nearest elementary school). These infrastructure deficits were used to evaluate the level of need associated with each sub-project and then compared to the capacity of the proposed projects to determine how much of an impact such a project could have on the area.

vi. *Impact on economic activity*: Priority has been given to sub-projects that will generate more local employment and that will support development of specific value chains and local businesses.

vii. *Social cohesion*: The level of social cohesion has been considered when choosing sub-projects given the potential risks and impacts associated with investing in a sub-project in a particular neighborhood. Social cohesion is based on the division between recently arrived and long-term residents on the neighborhood, and numbers of returnees. Additionally, reported incidents of crime and numbers of unemployed youths in an area contribute to a more vulnerable level of social cohesion, making them more likely to be investment areas.

viii. *General observations*: Other general observations on the level of priority for sub-projects and other characteristics of both the sub-projects and their locations to ensure that the project finances the most impactful sub-projects.

List 1: Projects likely to be financed

14. Based on the criteria outlined above and the evaluation carried out, forty-seven sub-projects are proposed to be financed from the list of ninety-six. In terms of budget, this list entails approximately US$20.8 million.

15. This list of sub-projects includes investment in:

a. *Economic infrastructure*: This list includes twelve markets located across various provinces including Bujumbura Mairie, Gitega, Kayanza and Ruyigi. The total budget for these sub-projects is estimated at US$6.0 million. The expected impact of these investments will be increasing commercial activity as a result of the facility and improved access for the local communities.

b. *Transport infrastructure*: This list includes twelve road rehabilitation sub-projects to improve local transport infrastructure. These road rehabilitation investments will include proper drainage canals to help ensure their quality, longevity, and resilience. The total budget for these sub-projects is estimated at US$7.6 million.

c. *Social infrastructure*: This list includes seven health centers, twelve schools (both primary and secondary), one youth center, one playground, and two administrative centers. Construction of the health centers, schools, and playground will help to reduce travel time for local families and the load on existing facilities in the different neighborhoods. The administrative centers will provide local populations with better access to local governments both for services and to voice their opinions. The youth centers will also help to support social cohesion amongst youth in the area. The total budget for these sub-projects is estimated at US$7.2 million.

16. **Geographic coverage**: The sub-projects on this list are primarily located in the provinces of Bujumbura and Gitega.

List 2: Coverage of vulnerable areas

17. Given that the sub-projects already designated for financing under List 1 do not provide adequate coverage of some particularly vulnerable areas in Bujumbura, LGs of those neighborhoods have identified additional sub-projects to be financed. Current estimates suggest that the cost of these additional sub-projects would total to US$6.7 million. These sub-projects have been subject to the same criteria outlined above, with even more emphasis on vulnerability and poverty levels of the community to ensure that any additional sub-projects specifically target areas with the highest needs. The investments include eight transport infrastructure (road rehabilitation) and two social infrastructure (one school and one youth center rehabilitation) projects across the three communes of Bujumbura. The remaining US$2.1 million of the budget envelope available for this component will be available for new sub-projects in vulnerable areas that meet the selection criteria outlined above.

List 3: Excluded sub-projects

18. A total of 47 sub-projects (from the original list of 96) have been excluded from the project. The primary reasons for exclusion are: (i) because they have already been constructed or financed or were no longer considered priorities at the LG level; (ii) since these were in wealthier neighborhoods and did not meet the vulnerability or poverty criteria for financing; and (iii) due to potential environmental and social impacts.

Sub-component 1.2: Institutional and capacity support (US$3 million equivalent)

19. **Rationale:** To better support local communities, the Government of Burundi has put in place a decentralization framework so that funds and investments can be managed at the local level. However, this process requires support to be properly implemented, especially the process by which LGs are evaluated and subsequent fiscal transfers take place. Additionally, LGs lack the capacity to properly develop, oversee, and manage investments (WBG Fiscal Decentralization and Local Governance Report 2015).

20. **Objective:** This sub-component will provide support to strengthen local governments and improve the decentralization process, both at the legal and regulatory levels and in terms of implementation and management. Additionally, this sub-component will help to ensure that local governments can properly manage their investments and receive the optimal support from the central government through a well-executed and efficient decentralization process.

21. **Approach:** This sub-component will provide support to strengthen the capacity of targeted LGs, as pilots, to undertake their mandated functions and deliver local services for development. Activities under this sub-component will be targeted at LGs where sub-project investments under Component 1.1 are taking place, namely the communes within Bujumbura, Gitega, and Kirundo. This sub-component will also help

the central Government, through the *Ministère du Développement Communal* (MDC), to develop and strengthen its capacity to provide oversight and support to Local Governments in a sustainable manner. It will be implemented by the PIU in close collaboration with the MDC and the targeted LGs. The design and implementation of this sub-component will also be supported by the *Association Burundaise des Elus Locaux* (ABELO) which works with municipality and local authorities around the country. The project will support ABELO through capacity building activities.

22. **The support to LGs will aim at strengthening capacity of targeted LGs** to improve investment planning, revenue mobilization, municipal asset and infrastructure maintenance, management, and monitoring, as well as the overall performance and sustainability of LGs. The first step toward this will be an audit of the communes within Bujumbura, Gitega, and Kirundo (~10) where sub-projects will be implemented to identify weaknesses in the communes' management capacity. Based on these audits, this sub-component will provide technical assistance and training to the LGs on topics such as investment planning, implementation of investment projects, especially infrastructure, citizen engagement, tax collection and management, monitoring, evaluation, and maintenance of projects, coverage of the breadth of activities required for the local population, how to best use available financing tools. This training will be done at the level of each LG through the local committee on identification, prioritization, and planning for local investments (*Comité Collinaire de Développement Communautaire*–CCDC- and *Comité de Développement Communal*–CDC). Additional support could also include provisions for equipment such as IT hardware and software so that the LGs can better support investment decisions and their communities. Technical assistance will provide support to update local development plans, financial planning, and identification of new critical investments.

23. **Support under this sub-component will also include training for LG staff** on how to use Municipal Management tools that have already been developed with support from the WBG and other development partners (such as, GIZ, and the Swiss and Belgian Cooperation). This sub-component will also provide technical assistance to the targeted LGs and Civil Society Organizations (CSO) to increase social accountability at the local level, along with developing tools and approaches to better target and support vulnerable groups. This support will be provided to complement the assistance already financed by other donors and will be coordinated with these other donors to ensure the maximum impact.

24. **Additionally, this sub-component will provide support to the central government to improve the institutional framework for decentralization and develop an action plan for implementation**. Activities will include support to the MDC to improve the current system for fiscal transfers and consolidate the system for annual assessment of local government performance in the form of technical assistance and training. This will help to ensure a more functional system for sub-national fiscal transfers that include a predictable and fair system, which is adapted to the level of Government capacity, and LG needs, including operating costs and maintenance. Additionally, the project will provide support to the MDC to improve its overall mechanism for performance assessment using an independent and more transparent process. The project will help to ensure that fiscal transfers are allocated in an equitable and efficient manner including improvement and implementation of the current formula that uses population, poverty, region, and municipality performance. For this reason, the project will audit and support the *Direction des Finances Communales* (under the Ministry of Interior). Finally, the project will also provide technical assistance to support dissemination of laws and regulations related to decentralization.

Component 2: Support for Value Chain Development (US$13.5 million equivalent)

25. The objective of this component is to support the preservation and creation of long-term income generating activities, along high-potential value chains (with a focus on agribusiness and construction sectors). This will be achieved through a two-pronged approach: (a) supporting resilience of the private sector along high-potential value chains to continue operations and recover from the crisis; while (b) helping tackle structural problems to enable value chains to become more competitive and for firms to ramp up employment as the situation stabilizes and improves. The project will support the construction sector in the short run by maximizing local content in the public works funded under Component 1. In parallel, the project will address some of the most pressing structural constraints of both agribusiness and construction sectors to improve their competitiveness.

26. To tackle critical challenges, the project will utilize different instruments: capacity building, direct financing and support for reforms. Capacity building activities will be supported for selected stakeholders in charge of private sector and value chain development. Collaboration between CFCIB and API will be strengthened with the creation of a team of Value Chain (VC) specialists, which will help alleviate coordination failures, improve access to market information and promote dialogue (private-private, public-public and public-private). Direct financing will be provided through a BDG mechanism that will help support productive investments in technology, know-how and infrastructure. Finally, business environment reforms will be supported, notably by promoting sector-specific public-private dialogue, and the adoption, implementation and dissemination of business enabling standards and regulations.

27. The initial focus will be on four selected sub-sectors. The work of the VC team and of the sector-specific public private dialogue (sub-components 2.1 and 2.3) will target four subsectors at first: fruits and fishing products (excluding fish farming in or close to Lake Tanganyika) [52] for agribusiness, and clay and stone for construction. However, the direct financing support to MSMEs (Sub-component 2.2) will not be limited to these sub-sectors. The main reasons for selecting these four subsectors are their potential for job and revenue creation illustrated by prior competitiveness assessments (sector scans conducted the project team and by TMEA), their inclusiveness (women and vulnerable people are directly concerned), and the feedback and overwhelming buy-in from public and private stakeholders.

Sub-component 2.1: Institutional support for Value Chain Development (US$2.6 million equivalent)

28. The Burundi Investment Promotion Agency (API) is the public body in charge of: (i) investment and export promotion; (ii) SMEs and investor support and orientation; and (iii) initiation of investment climate reforms. The Burundi Federal Chamber of Commerce and Industry (CFCIB) is the umbrella organization of the private sector covering all economic sectors and comprising thirteen sectoral chambers. Its main mission is to advocate for the private sector's interests. However, both institutions are relatively young and have struggled with meeting their organizational objectives.

29. To promote value chain development and help identify business climate improvements, the project will support API, CFCIB, the sectoral chambers of agribusiness and construction to enhance the quality and sustainability of their services.

[52] Activities related to the fishing subsector will have to comply with the new Fishing and Fish Farming Law (*Loi Portant Organisation de la Pêche et de l'Aquaculture au Burundi*) that was promulgated on November 30, 2016. Regarding fishing in Lake Tanganyika, specific rules apply for sustainable fishing and for fish farming. The latter is heavily restricted and can only be performed on an experimental basis.

Support to value chain development through the creation of a VC support specialists team

30. The project will invest in building local capacities to improve the competitiveness of value chains that have the highest potential in terms of jobs and revenues. A team of VC Support Specialists will be created to engage MSMEs and other key stakeholders within selected sectors and sub-sectors of the economy (including construction and agribusiness) so that they can work together on identifying constraints and solutions to improve competitiveness, generate investments and better connect to local and export markets. These Specialists will provide in-depth support to MSMEs within specific segments of selected value chains (for example the processing segment of the cassava value chain) and help design and implement VC development strategies to overcome challenges hindering the value chain segment's growth.

31. The VC support specialists team will strengthen services offered by the Chambers of Commerce and API. The Specialists will be selected based on their expertise in value chains, business development, exports, and standards, norms and certifications. The team will be created under existing institutions. On the public side, team members will be mapped to the Investment Promotion Agency (API), which sits under the Ministry of Good Governance and Planning. On the private side, team members will be mapped to the Federal Chamber of Commerce and Industry, which oversees the agribusiness and construction sectoral chambers[53]. Creating the team under these institutions has three main justifications: (i) it will increase public-private collaboration and coordination on firm competitiveness; (ii) it will build staff capacity through training and knowledge sharing; and (iii) it will maximize the impact beyond the life of the project. It will also build on the willingness of both institutions to increase their collaboration, which was demonstrated by a memorandum of understanding signed in November 2016.

32. To build the required capacity to perform this work and ensure sustainability, these Specialists, along with some of their counterparts from key Ministries[54] will receive intensive training and coaching throughout the duration of the project. More specifically, they will acquire tools and know-how to design and implement market-oriented sector and sub-sector development strategies, and help MSMEs organize amongst themselves to strengthen their competitiveness[55]. The will receive a comprehensive suite of trainings designed to assess market opportunities and identify competitiveness challenges and solutions to seize these opportunities. In addition, they will benefit from the hands-on support for a period of a minimum of two years from two coaching firms, one international and one local, which, through their combined efforts, will coordinate and work on a daily basis with the VC support specialists team to put the trainings into practice (i.e. analyze market segments, work with MSMEs within these segments to identify market opportunities and mobilize around solutions for competitiveness on these market segments and opportunities). It is expected that the Specialists will build the capacity of other government officials and private sector stakeholders involved in the targeted sectors and sub-sectors. Through regular consultations and working sessions with MSMEs and stakeholders within a specific sector or sub-sector, they will transfer the knowledge gained through the training delivered by the project to fast track the sector's development. In collaboration with supported firms, the VC Support Specialists will also

[53] The SME support team will rely as much as possible on existing staff. Additional team members will be recruited only if the necessary expertise cannot be found in API or the Federal Chambers.

[54] The training is likely to include staff from the central and regional offices of the Investment Promotion Agency, from the Ministry of Commerce, the Ministry of Agriculture, the Ministry of Construction and Public Works, and from the Federal Chamber of Commerce, the Agribusiness Chamber of Commerce and the Chamber of Commerce for Construction and Public Works.

55 The project will leverage as much as possible the opportunity of working with IFC Advisory on capacity building for MSMEs, for example, through its Business Edge program.

contribute to the identification of needs for policy reforms and share these needs with the Government of Burundi through PPD platforms (see Sub--component 2.3) and forums.

33. These activities will help maintain a focus on durable outcomes for the private sector. Experience from other engagements suggest that building capacity within countries for better public-private dialogue and coordination allows for continuous focus on identifying and prioritizing competitiveness long after the donors and development partners have shifted priorities. After the completion of the project, the Government of Burundi will be able to leverage the capacity built and the experience gained to extend its support to other sectors and subsectors.

Support to API

34. The project will help develop the export promotion capacity of API, notably to support the development of MSMEs in the agribusiness sector. While agribusiness has been identified as one of the major sectors with a strong potential for export diversification, API, which oversees export promotion, has been unable to provide export promotion support to the sector. The project will reinforce API's capacity on export promotion, which will complement the support offered to the agribusiness sector via the VC support specialists team and the catalytic financing facility in Sub-component 2.2. More specifically, the project will help build the capacity of the Export Promotion Services Unit by training its staff, giving them some operational tools like an Export Guide, and through technical assistance for other studies and capacity building. The project will also finance their participation in key international trade fairs.

35. Specific activities to be supported by the project will include: (i) Technical assistance to API for export promotion; (ii) Support for operating costs of the Export Promotion Unit such as financing of equipment; and (iii) Support for the implementation of API's action plan to promote exports.

Support to the Federal Chamber of Commerce and the Agribusiness and Construction sectoral chambers

36. While the Federal Chamber of Commerce, the Chamber of Construction and the Chamber of Agribusiness represent a significant part of the Burundian private sector[56], a recent assessment performed by the PSD Project in 2016 found that the quality of services currently offered by the three chambers should be improved as they are: (i) inadequate in terms of frequency; (ii) not known by potential members because they did not receive enough information on these institutions; (iii) not diversified enough; (iv) underdeveloped; and (v) not sustainable because they are not sufficiently financed by clients. The assessment highlights the fact that the lack of capacity is the main factor explaining the low performance of these Chambers.

37. The project will provide capacity building and technical assistance to the Federal Chamber of Commerce (CFCIB), and the Agribusiness and the Construction sectoral chambers so that they can play an active role in: (i) organizing their respective sector through professional colleges and interprofessions; (ii) disseminating relevant information; and (iii) advocating for each sector using relevant PPD platforms (see Sub-component 2.3).

[56] In 2015, 1,784 firms were indirectly represented in CFCIB, 65 firms were direct members of the Construction Chamber and 175 firms were indirect members (including through association of informal microenterprises)

38. Specific activities to be supported by the project will include: (i) technical assistance to the Chambers for value chain development support and advocacy; (ii) support for operating costs such as financing of equipment; and (iii) support for the elaboration or modernization and implementation of their respective strategic plan.

Sub-component 2.2: Catalytic Financing Facility (US$8 million equivalent)

39. Rationale and objective. The Catalytic Financing Facility will complement the technical assistance under Component 2.1, and general economy-wide reforms supported under Sub-component 2.3. Under this sub-component the project will provide BDG to (i) individual MSME beneficiaries and (ii) to cluster MSME beneficiaries to finance shared infrastructure, technical assistance and equipment aimed at enhancing revenue productivity, job creation and access to markets notably in the fish, fruit and construction value chains. The objective of this component is to help scale up existing value chains, through the provision of support for upgrading capabilities and meeting the needs of individual and grouped firms in specific eligible value chains. Activities under this sub-component will target those value chains that have the potential for catalyzing recovery and growth in Burundi's key domestic value chains, which have suffered from the current economic crisis. Thus, individual or grouped MSMEs[57] may access a BDG through the project to help them launch business plans which will aim to, firstly, reorganize their business model to adapt to the new, uncertain environment, and secondly, to capitalize on their potential to increase revenues, productivity, and jobs, and improve their access to larger markets**.** The BDGs will be restricted to investments with demonstrated spillover effects on one or several targeted value chains. The economic rate of return (ERR) is expected to be 29 percent and the net present value is expected to be about US$ 3.8 million, with a discount rate of 12 percent (see section on economic analysis for more detail). Thus, improvements in MSME performance (measured by increased turnover and employment generation) are expected to vastly outweigh the costs of the sub-component. Individual and grouped MSMEs in selected value chains will be eligible to receive financing from the business development program. The project will focus on a few selected value chains at the outset (fruits, fisheries, and construction).

40. Targeting of Beneficiaries: Individual and grouped MSMEs in selected value chains will be eligible to receive financing from the business development program. The project will focus on a few selected value chains at the outset (fruits, fisheries, and construction). Beneficiary firms, or groups of firms, will need to show a minimum of two years in operation to be allowed to apply to maximize the sustainability of investments and minimize the risk of supporting firms created with the sole purpose of receiving a grant. They will also be expected to contribute to funding a small part of the investment for eligibility. Given the importance of informal players in both the agribusiness and the construction sectors, and considering the need for transformative and shared infrastructures, groups of firms will be eligible to submit applications to the BDG program as well as registered cooperatives and associations. It is expected that about 70 percent of beneficiaries will be micro or small firms and the remaining 30 percent will be medium-sized firms. Over time, additional value chains could also be supported by the project.

[57] Two definitions are being used to define MSMEs in Burundi: the number of employees (under 100) and the turnover (under BIF1 billion, which is approximately US$606,000). While the employee criteria is used to define MSMEs in all PDLE activities, the second criteria will also be applied for the business development grants: eligible firms must have less than 100 employees and a turnover lower than BIF1 billion, as firms with a higher turnover are not the ones to be targeted with such financing facility.

41. **Eligible Investments**: BDG will cover shared infrastructures, technical assistance and equipment that demonstrate spillover effects along the targeted value chains. Project activities will prioritize joint applications from grouped firms, for the following reasons: (a) providing an incentive to help firms organize themselves into clusters; (b) maximizing economies of scale, including knowledge spillovers; and (c) mitigating the risks of capture by individual firms. Thus, the grants would be provided to two categories of applicants:

   (a) *BDGs for grouped MSMEs (clusters):* The project will announce the availability of grant funding available for eligible groups of firms, associations and cooperatives operating in high-potential value chains. Under the technical assistance provided by the value chain development team (Sub-component 2.1), business associations and grouped firms will be supported to identify challenges along the VC, and possible infrastructure investments that could alleviate these constraints. The BDGs will be used to finance transformative infrastructures that are identified by and would be essential to value chain upgrades. Examples of such infrastructure investments are cold storage facilities at the airport of Bujumbura to facilitate exports of fresh products (including fish), processing centers and packaging for fruit and fisheries products, or industrial brick factories. If identified by grouped MSMEs along selected value chains, the project would also help finance skills and training specific to the value chain (as an example, the fisheries business association has already identified an interest in learning about and implementing environmentally-sustainable practices for catching and processing of fresh fish for exports in the region). The ceiling for financing from the project (not including contributions made by groups of firms) will be capped at US$1.5 million.

   (b) *BDGs for individual MSMEs*: Based on acceptable business plans with demonstrated impacts on their specific value chain, the project will provide BDGs to individual MSMEs for training activities and small equipment identified in the business plans. Examples of such investments are adequate boxes to preserve and transport fresh fish, technical assistance to improve the quality of local inputs to decrease processing firms' dependency on imports, training provided to construction workers to acquire skills to install industrial bricks, or management training. The ceiling for financing from the project (not including contributions made by individual firms) will be capped at US$150,000.

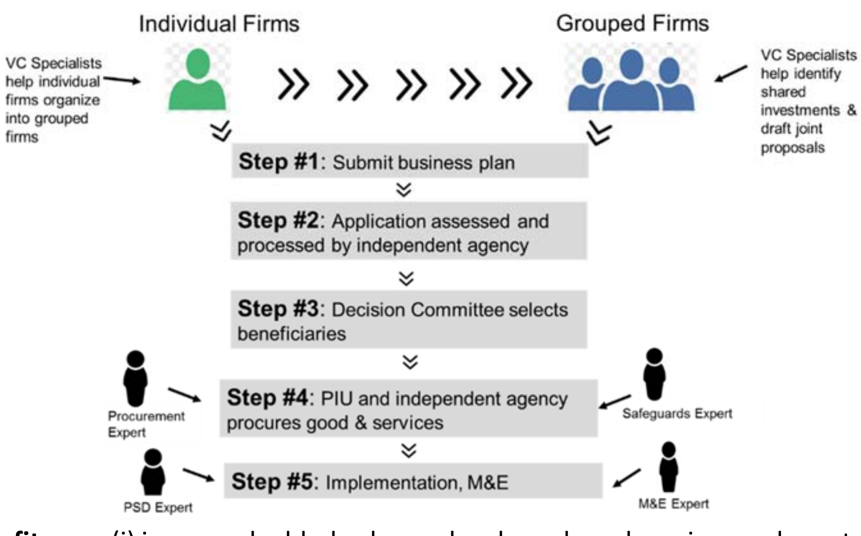
42. **Business Plan prioritization criteria**: Once MSMEs, both as a group and individually, have met basic eligibility criteria, they will be able to present their business plan. MSME beneficiaries will be chosen through a competitive process based on the business plan they submit. Each business plan will be scored and will need to receive passing grades for the following five criteria to ensure the soundness and sustainability of the investment: (i) commercial viability of the business case; (ii) technical feasibility of proposed investments (scale, required technical capacity); (iii) financial and economic feasibility of the opportunity; (iv) increased competitiveness of the beneficiary's value chain, and (v) contribution to addressing at least one of the following challenges: product upgrade, process improvement, new product development, or volume increase. In case the demand for BDGs exceeds the supply of funds, additional criteria could be used to further prioritize the business plans that receive support, such as: (i) job creation potential; (ii) potential for exports or import substitution; and (iii) sourcing of local inputs.

43. **Approach.** Based on lessons learnt from several grant assistance programs, including those from fragile countries, MSMEs will be supported along every step of the way. They will receive assistance from VC support specialists (see Sub-component 2.1) who will help them prepare their proposals, including their

business plans. Equipment and infrastructure support will also be systematically accompanied with technical assistance to maximize the investments' sustainability and impact. To understand the supply of business development services (BDS), a study was conducted in February, 2017 to map BDS providers[58] in Burundi and assess the quality of their services. In addition to improving the quality of BDS providers, the study advocates for a greater promotion of these services as MSMEs tend to underestimate their benefits for improvements in business performance. In response to these conclusions, Sub-component 2.1 aims on one hand to increase the capacities of the CFCIB and API to help them deliver better services, and on the other hand to promote the use of technical assistance by MSMEs through the work done by the VC support specialists team.

44. Fairness, transparency and monitoring: To mitigate the risks of capture in the BDG process, several strategies will be implemented, such as: (a) an independent agency with relevant expertise to assess and process all applications; (b) a Decision Committee composed of public and private sector representatives to make the final selection of beneficiaries (the members will have to bring sufficient expertise in the local economy, the agribusiness and construction sectors and priority value chains, and MSME financing and business development); and (c) public disclosure of the names of all applicants, reasons for rejecting applications, and the names of all beneficiaries (including the type of support, amount of the investment and the percentage matched). Members of the PIU will also play an active role in the implementation of the business development program. The Private Sector Development Expert will supervise the program and provide technical support to the local firm as needed. The Monitoring and Evaluation Expert will be in charge of monitoring all investments made under the BDG program (the monitoring of beneficiaries will be audited along with the audit of the independent firm in charge of assessing and processing all applications, i.e. on an annual basis). The Procurement Expert will be involved in the procurement of goods and services, and the Safeguards Expert will be consulted for shared infrastructure investments or other critical equipment.

Figure 3: Business Development Grant Process



45. The expected benefits are: (i) increased added value on local goods and services and greater revenues for

[58] Around 50 BDS providers were analyzed, of which 57 percent were commercial BDS providers, the remaining were NGOs, public institutions and professional associations. 96 percent are present in Bujumbura, 18 percent in Cibitoke and less than 10 percent in other provinces.

local firms; (ii) better coordination within priority value chains and greater productivity of firms, resulting in improved competitiveness of targeted sectors; (iii) creation of income generating opportunities; and (iv) stronger demand for local technical assistance services. Over the course of the project, it is expected that a minimum of 350 successful applications will be submitted, with an average amount of US$19,000 per application, ranging from US$5,000 for technical assistance to US$150,000 for shared infrastructure. See Annex 6 for a detailed breakdown of estimated grants. [59]

Sub-component 2.3: Improvements in the Business Environment (US$2.9 million equivalent)

46. **Objective**: The objective of this sub-component is to support the Government's efforts to improve the business environment. Business environment reforms will be supported through: (i) reforms that will benefit not only selected value chains, but the whole economy; and (ii) solutions for sector-specific business climate issues faced in construction and agribusiness.

47. The project will work on filling the gaps in the regulatory framework for SME investment and export development, notably by building on the work done by the Burundi Investment Climate Project I and by leveraging the inputs provided by both sectoral PPD platforms created under the project. It will then support the Government to address these challenges through technical and financial assistance for targeted reforms. A special focus will be made on the business climate as it specifically applies to the construction and agribusiness sectors including the facilitation of imports and exports for both sectors.

48. Given the limited budget, the approach will be to start by building on the work done by the IC program in terms of targeting the business registration and building permit processes, commercial justice management and cross-border trade logistics in order for the value chains' stakeholders to benefit from faster and less onerous procedures in their activities, to increase formalization, and to establish a framework to incentivize the private sector to shift from raw products export to investing in transformation.

49. Some reforms have been already identified while preparing the project and will constitute the focus of the project during its first years of implementation.

Support to sector-specific public-private dialogue

50. Despite efforts to promote public-private dialogue, its use is limited in Burundi. In close collaboration with the Burundi Investment Climate Project II (IFC 600281), the project will help create and facilitate two sector-specific public-private dialogue platforms, one for agribusiness and one for construction. These platforms will help improve the communication among key stakeholders of these two sectors, and will enable them to identify regulatory bottlenecks that could potentially be resolved under the project. This support to public-private dialogue should be structured but flexible to help maintain private sector interest in the reform initiative whilst ensuring that policy dialogue delivers tangible results.

51. The objective is to systematically raise and evaluate concerns, help unify the private sector's

[59] In estimating the recipients of BDGs, the following approach was taken: in 2014, a total of 112 firms were registered as MSMEs in the construction and food processing sectors. While many of these have suffered and some may have closed due to the crisis, the project will aim to support the survival and growth of many of these existing firms, bringing some of them to a revenue positive position, in addition to encouraging a separate set of firms to formalize operations and begin hiring. A third segment of beneficiary firms will gain access to improved infrastructure and sector-wide upgrades, both within the pre-identified sectors and additional sectors. A fourth group will belong to other sectors as identified by the SME Support Specialists, which will be tasked with delivering services to the private sector through this project.

representation in each sector and provide solutions to improve the local business environment. The project will leverage the national PPD Secretariat, which has an existing legal framework, staff and a budget covering minimum operating costs. To ensure proper representation of firms of all subsectors in both PPD platforms, a large group of key professional associations will be invited to participate.

52. Besides regular activities in Bujumbura, the project will also support pilot operations of decentralized PPD at the provincial level to ensure that the dialogue is not only guided by the concerns of larger firms in the capital city, but also considers the voice of smaller entrepreneurs in the countryside.

53. Specific activities to be supported by the project will include promoting PPD through: (i) the development of a roadmap for PPD at the national level and for both sectoral PPD platforms; (ii) building capacities of the existing National Secretariat for PPD; (iii) organizing meetings among policymakers, and central and local private sector representatives; (iv) the provision of operating costs; and (v) the continued institutional and technical capacity building of API, CFCIB, sectoral chambers and other relevant institutions to support PPD.

Improvement of the Regulatory and Institutional Framework for Construction

54. One of the poorest performing Doing Business indicators for Burundi is the process to obtain construction permits where the country ranked 169 out of 190 countries. In 2016, an entrepreneur had to go through 14 steps for an average of 99 days to obtain a construction permit in Burundi. On the Building Quality Control index, Burundi received a score of 3 out of 15. The Building Quality Control index measures the quality of building regulations, quality control before, during and after construction, liability and insurance regimes, and professional certifications indices.

55. The project will build on the Construction Permit reform supported under the Investment Climate Program and will support the Government as follows:

a. ***Legal and institutional support for the creation of professional bodies for Engineers and Architects***. Draft legislation on the College of Engineers and Architects has already been prepared by the Government and the private sector. The project will (i) help finalize the draft legislation in consultation with the Associations of Engineers and Architects, and (ii) implement the subsequent operational framework and agreed action plan for the Colleges to become effective, elaborate norms and ethical guide of the profession, and get mutual recognition with other EAC countries' Colleges.

b. ***Legal and institutional support for the implementation of the Construction and Urbanism Act***. The Construction and Urbanism Act was just promulgated in 2016. To become effective, various implementing regulations must be drafted and enacted. The project will support the drafting of these secondary legislation in association with the private sector and in compliance with international best practices. The project will also support trainings of public and private stakeholders on the new regulatory framework.

c. ***Modernization of the one-stop-shop of building permits***. In 2013, Burundi improved access to construction permits by establishing a one-stop-shop to obtain these permits and utility connections. However, all procedures are manual, paper-based, and require physical movement of documents and plans between approving agencies resulting in the large number of days required. A detailed process mapping the construction permit system has been performed by the Investment Climate Team. The project will support the following activities: (i) Design an automated document workflow and introduce file tracking numbers; (ii) Purchase hardware and software for automated workflow; (iii) Design and create a publicly accessible transactional website with all information on procedures, steps, and fees on construction permit process in Burundi with the possibility to submit documents, plans and drawings online; (iv) Automate the back-office functions of the one-stop-shop; (v) Digitize the construction permits archives wherever possible; and (vi) Train one-stop-shop staff and other regulatory authorities on the new system.

Business Climate reforms

56. Business climate reforms will be identified through PPD platforms during the project preparation and implementation period. The project will provide technical assistance to set up the appropriate legal and regulatory framework to facilitate private sector operations with a focus on the construction and agribusiness sectors. The project will also finance technical assistance to (i) prepare the accompanying regulations; and (ii) ensure wider dissemination of the laws and regulations.

57. During initial consultations, certain needs for reform have already been identified, such as: (i) implementing regulations for the Fishing Industry Act that that has been promulgated in November 2016; (ii) taxation reform in the fishing industry; (iii) standards, quality control and certifications in the construction sector and in both the fishing and fruit sub-sectors; (iv) trade logistics issues to import inputs and export processed goods; and (v) needs for strengthening a variety of institutions. The project will fund targeted activities to strengthen the National Bureau of Standards, the Arbitration and Conciliation Center and the Commercial Court[60].

Component 3: Project Management, Coordination, and Monitoring (IDA: US$4 million equivalent)

58. This component will support project management, coordination, communication, monitoring and evaluation (M&E). Through this component, the project will finance a baseline study, mid-term review (MTR) study, final impact assessment, the recruitment of staff, consultancy services, financial and technical audits, the acquisition of property and equipment, and it will support relevant seminars and training, as well as diverse operating costs to supervise the project activities.

Component 4: Contingency Emergency Response (IDA: US$0.0 million)

59. Designed as a mechanism to implement the Government's rapid response to an emergency, this component would enable the project to finance emergency recovery activities and reconstruction sub-projects under an agreed CERC OM. This component will enable the immediate disbursement of funds and allow the Government to request a reallocation of project funds to partially cover an eligible crisis or emergency. A crisis or emergency eligible for financing is an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Borrower, associated with a natural or man-made crisis or disaster. However, if no adverse natural event occurs during the lifetime of

[60] On those two last institutions, the Investment Climate Project will carry out a study and will elaborate an action plan focusing on reducing the time to settle a commercial dispute (832 days in 2017 DB report) and improving the quality of judicial processes.

the project, the component will not be activated.

60. **Conditions to trigger the CERC.** This emergency component may be triggered if the following conditions are met: (a) the Government has determined that an eligible crisis or emergency has occurred and has furnished to the World Bank a request to include said activities in the CERC for emergency response; (b) the Government has prepared and disclosed all safeguards instruments required for said activities; and (c) the Borrower has adopted the CERC OM in form, substance, and manner acceptable to the World Bank. A specific OM for this component will be prepared, detailing FM, procurement, safeguards, and any other necessary implementation arrangements.

61. **Implementation of the CERC.** Disbursements are expected to be in the form of two types of expenditures, namely critical imports and rehabilitation or reconstruction activities, including civil works and related goods and services. Disbursements would be made against a positive list of eligible critical imports or the procurement of goods, works, and consultant services needed for the Borrower's economic recovery. The final arrangements would be part of the written agreement between the Borrower and the World Bank that is a condition for disbursement of this component. In addition to reallocation of funds from other components in this project, the CERC may also serve as a conduit for additional financing from IDA in the event of an emergency.

62. **CERC OM.** The OM would describe: (a) the actions to be taken by the Government when a crisis or emergency occurs; and (b) the M&E and reporting arrangements on the emergency response. In addition, the OM draws together in one place information about: (a) the country coordinating authority for the CERC; (b) the roles and responsibilities of implementing and oversight bodies in the context of the CERC; (c) the arrangements on procurement, FM, safeguards, and disbursement for the activities financed under the CERC; (d) eligible expenditures under the CERC; (e) a positive list of goods, if applicable; and (f) criteria to determine that a crisis or emergency has occurred. Approval of the CERC OM by the World Bank and adoption by the Borrower is required for the CERC to be effective.

ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY: Burundi
Local Development for Jobs Project

Project Institutional and Implementation Arrangements

1. **Project Implementation Unit (PIU**). The Government has launched the hiring process of the key staff of the PIU in charge of the project implementation. The PIU will be staffed with those who have the necessary skills to manage and oversee the new project. The WBG team will provide support to the PIU to monitor safeguards, and manage finances and procurement. The PIU must comply with fiduciary and safeguard requirements for all components.
2. **Implementing agencies.** Given Burundi's fragility and high governance risks, the project will assign independent agencies to implement many of the key components. This will ensure that beneficiaries are identified fairly, and project outcomes are monitored properly, especially in a changing environment.

Implementing Agencies for Component 1

3. Sub-component 1.1 will be implemented by *Agence Burundaise pour la Réalisation des Travaux d'Intérêt Public* (ABUTIP). ABUTIP will be the delegated implementing agency given their solid track record of implementing WBG projects and ability to monitor and implement different types of infrastructure projects. There will be a delegated contract management agreement between the PIU and ABUTIP. The use of this agreement will help to ensure that contracts under this sub-component will be awarded fairly and reduce the burden of procurement contracts on the PIU. As part of this agreement, ABUTIP will manage all communications regarding the sub-project investments. This includes conducting local consultations to raise awareness and generate community buy-in for the sub-projects while the preparatory studies are being conducted. Additionally, ABUTIP will set up a grievance redress mechanism that individuals and organizations can use if needed.
4. **Given that the sub-project investments under Sub-component 1.1 will include labor-intensive construction, the project will contract an international NGO** (which will be twinned with several local NGOs to provide adequate coverage across the country) to oversee targeting, mobilization, and support to beneficiaries that will be employed to construct these investments. The NGO(s) will be selected based on predefined criteria including their capacity, experience in community work and engaging with local communities including vulnerable groups, and their track record in implementing similar types of projects. The NGO(s) will also work with ABUTIP and the construction firms for specific sub-projects to ascertain and address the most important training needs for beneficiaries, including identifying and contracting third-party training providers. Participation of these NGOs will help to mitigate against the risk of capture by authorities to favor specific groups for hiring in the construction of the sub-projects. Prior to putting forward candidates for work on specific sub-projects, the NGO(s) will conduct community engagement sessions to ensure local awareness for each of the sub-projects, engage with and generate buy in at the community level, and provide the opportunity for community members to put their names forward as potential candidates for the labor works. The NGO(s) will also conduct beneficiary surveys as part of assessing the impact of the infrastructure works. During the construction process of each sub-project, the NGO(s) will also take feedback and any complaints from the local communities and bring them to the PIU

and ABUTIP so that this feedback can be taken into account going forward.

5. The NGO(s) will also help to ensure that the labor force hired for the sub-projects includes an adequate representation of vulnerable groups (women, youth, displaced persons, and Batwas). In the case of the Batwa, the NGO will particularly take into consideration the recommendations of the IPPF prepared for the project. Importantly, the selected NGO(s) will be politically independent: not linked to either the opposition or the Government, having worked in the country well before the 2015 riots, and preferably with a good track record with other international donors, as well as being acceptable to the Government. To help mitigate the risk of NGO capture, the TORs specifically include criteria to be politically neutral. Potential NGOs (international and domestic) are being pre-identified based on FCV and other studies. The NGO neutrality will prevent perceptions of bias with some of the project's beneficiaries and ensure that any (perceptions of) attempts at financial capture of projects are raised early on. The selected NGO(s) will work through a network of local civil society organizations to support ABUTIP's and the PIU communications efforts and grievance redress mechanism as part of its engagement with local communities and ensure there is a constant grassroots feedback mechanism to ABUTIP and PIU in place. The NGO(s) will also facilitate coordination and the relationship between businesses implementing the sub-projects (selected by ABUTIP) and local candidates for the labor required for the construction works. Additionally, the project will work with the NGO(s) to set up possible means to support transition, including saving mandatory saving, to other employment for individuals engaged in the sub-projects. This will help to ensure that when a sub-project is completed, these individuals will have a continued livelihood.

6. **HIMO-plus approach**: The labor-intensive (haute intensité de main-d'œuvre, HIMO) approach will ensure, through the NGO mission that: (i) job opportunities will benefit first to the vulnerable groups in the targeted neighborhoods; (ii) skills acquired by individuals engaged in construction of the sub-projects, will be enhanced and eventually supplemented by relevant trainings, to allow beneficiaries access to more qualified job in the future; and (iii) provide support to the workers engaged in sub-projects to better prepare themselves for the end of sub-project (Workers will be required to save part of their wages during construction period; then the NGO will help them to identify income-generating activities that they can finance with their savings (with or without support from a microfinance structure)). ABUTIP's convention with the project will include supporting and overseeing, with the PIU, this HIMO+ approach and providing relevant certifications to the workers to help them in seeking future employment. This approach builds upon experience from an HIMO+ program financed by the Belgians in Burundi.

Implementing Agencies for Component 2

7. A specialized independent local agency[61] will be hired and located at the CFCIB's premises, and will manage and implement the BDGs under Component 2. It will oversee assessing and processing all applications.

8. The BDG Decision Committee will be set up and be composed of public and private sector representatives (50 percent public – 50 percent private, with rotating presidency on an annual basis) who will make the final selection. Together, the members must bring sufficient expertise in the local economy, the agribusiness and construction sectors and value chains, and MSME financing and business development.

[61] If the chosen local firm requires additional assistance, an international consultant/firm will be recruited at the outset to provide advisory and training services for the local firm.

While they should have an established profile within the community and proven business acumen, they will also be selected based on their availability.

9. Under the control of their Coordinator, members of the PIU will also play an active role in the implementation of the BDG program. The Private Sector Development Expert will supervise the program and provide technical support to the local firm as needed. The Monitoring and Evaluation Expert will develop the monitoring and evaluation framework. The Procurement Expert will be involved in the procurement of goods and services, and the Safeguards Expert (who has already been recruited) will be consulted for shared infrastructure investments or other critical equipment. The PSD and M&E experts will be hired no later than six months after effectiveness.

10. If necessary, the PSC of the project will be allowed to modify the BDG manual (with the non-objection of the World Bank Group).

Financial Management

11. **Financial Management Assessment report**: It has been agreed that a significant part of the project's activities would be implemented by three independent agencies ABUTIP, an NGO to be recruited to oversee the targeting, mobilization and support to beneficiaries for labor intensive works approach and a local consulting firm to be recruited to oversee the management and implementation of the BDGs as Project Implementing Agencies (PIAs). Those PIAs will play technical key roles in project implementation. With ABUTIP the Government will sign an overall delegated contract management agreement and the two other entities, will be procured under procurement guidelines. None of the PIAs will be assigned fiduciary responsibilities. They will rather handle the whole process from technical perspective but payment will be made by the PIU. This would be detailed in the PIM and part of their selection criteria.

12. **Risk Assessment and Mitigation Measures.** The main financial risks and mitigating measures of this project are listed in Table 2 below.

13. **Implementing Entity.** The PIU will have the overall responsibility of project financial management and procurement aspects, including budgeting, disbursement, book keeping, reporting, supervision, management of the designated account and auditing. It will be strengthened with the recruitment of a financial management expert, supported by an accountant well versed in World Bank fiduciary procedures. The overall selection should be finalized within three months after project effectiveness. It is proposed to continue using the existing PIU of the Finance & Private Sector Development Project (P107851) until the new PIU is operational.

14. **Planning and Budgeting.** The Annual Work Plan and budget (AWPB) along with the disbursement forecast will be elaborated by the PIU. It will be submitted to the PSC for approval, and thereafter to IDA for no objection. The fiduciary unit of the PIU will monitor its execution within the computerized accounting system. The budgeting system should forecast for each fiscal year the origin and use of funds under the project. The quarterly IFRs will be used to monitor the execution of the Annual Work Plan and budget.

15. **Accounting arrangements.** The current accounting standards in use in Burundi for ongoing World Bank-financed projects will be applicable to the proposed project. An integrated financial and accounting system will be in place and used for the project activities. The project code and chart of accounts will be developed to meet the specific needs of the project and documented in the Project Implementation Manual. The account charter for the project should be prepared according to the wording used in tables

for sources and uses of funds for the accepted eligible expenditures as agreed during negotiations of the Project. Ledgers and records should be maintained with the support of financial management software that should be operational no later than three (3) months after Project effectiveness. Meanwhile the software currently used by the ongoing PIU will continue to be used until the acquisition of new FM software is completed. Financial management staff at the new PIU should also be trained in the use of the software if required.

16. **Internal Control and Internal Auditing arrangements.** The Project Implementation Manual, including administrative and accounting procedures, with key internal control procedures from transaction initiation, review, approval recording and reporting will be developed with clear segregation of duties.

17. **Disbursement arrangement.** The proceeds of the grant will be disbursed in accordance with the World Bank's traditional disbursement procedures and will be used to finance activities through the disbursement procedures currently used, namely Direct Payment, Advances, Reimbursement and Special Commitment.

Table 2: Risk Assessment and mitigation measures

Risk	*Risk rating*	*Risk-mitigating measures incorporated into project design*	*Conditions for effectiveness (Y/N)*	*Residual risk*
Inherent risk	**S**			**S**
Country level. Burundi is a high-risk country from the fiduciary perspective. The Public Expenditure Review, PEFA (2008, 2014) as well as the UCS reports outlined weaknesses in public financial management at both central and decentralized levels.	H	The Government is committed to a reform program that includes the strengthening of public financial management. This project will enhance the Government's institutional capacity to adopt and use IDA FM procedures.	N	H
Entity level. Giving fiduciary responsibility of managing a project to civil servants who may be less motivated than PIU consultants, may undermine the FM performance of the project.	S	A PIU will be established and will include an experienced and qualified FM expert and an Accountant. Meanwhile the ongoing FPSD project "P107851" will be in charge of the fiduciary aspects of the project during the transition phase until the new team is operational	Y	S
Project level. Weak FM performance because of lack of competence and experience of key fiduciary staff can hamper smooth implementation.	S	Recruitment of an experienced and qualified FM staff at the project level, and the development and implementation of a PIM.	N	M
Control Risk	**S**			**S**

Budgeting. The AWPB may not be reliable or may not reflect project needs. Risk of cost overruns and adverse variations in expenditures	S	The project Financial Procedures Manual (which will be part of the PIM) will define the arrangements for budgeting, budgetary control, and the requirements for budgeting revisions. Annual detailed disbursement forecasts and budget will be required. IFRs will provide information on budgetary control and analysis of variances between actual and budgeted expenditure. Capacity-building activities will be provided if necessary to support preparation of a reliable budget.	Y	M
Accounting. Poor policies and procedures, and delays in keeping reliable and auditable accounting records.	H	Accounting procedures will be documented in the manual of procedures (which will be part of the PIM). The FM functions will be carried out by qualified PIU staff. Regarding the beneficiaries of the MGs, the PIM will define the criteria to be eligible for such grants. The project will support the fiduciary capacity development of the beneficiaries if needed.	N	S
Internal Control. Weak internal control system because of a lack of clarification of the roles and responsibilities of key players involved in project management.	S	The PIM will outline procedures for internal control that will be applied and monitored by the project. Also, FM supervision and capacity-strengthening activities will contribute to mitigate the risk relating to internal control. It may envisage the recruitment of an internal auditor.	N	S
Funds Flow. Risks include delays in disbursing funds to finance the project's activities and delays in the replenishment of the Designated Account (DA). DA in Central Bank may delay payment of some suppliers. Account advances granted to the private firm recruted may be subject to justifications delay	H	Experienced staff will be recruited and receive training in the new disbursement procedures, particularly e-disbursement and report-based disbursement. Also, regular meetings between the PIU, the PIAs, and the Government of Burundi technical focal points and FM Specialist (FMS) will be held when required. The World Bank, in collaboration with the PIUs, is working to improve efficiency of the Central Bank.	N	S

		The PIM will outline procedures for account advances that will be applied and monitored by the project		
Financial Reporting. Inaccuracy and delays in submission of IFRs to the World Bank due to weak capacity of the FM team.	S	A computerized accounting system will be used. IFRs format was agreed upon during project negotiations. In addition, the recruitment of a qualified FM Expert and an Accountant who are already familiar with World Bank reporting procedures will facilitate the preparation of the reports and statements and ensure timely availability.	N	M
Auditing. The risk would be delayed submission of audit reports or a qualified opinion and delays in the implementation of recommendations in audit reports.	S	IFRs will be produced on a quarterly basis. A qualified audit firm will be recruited no later than six months after project effectiveness. The ToRs for the auditor will be reviewed by the World Bank, and it will ensure that the auditor recruited has the required qualification to conduct the audit in accordance with international auditing standards.	N	M
Governance and Accountability. Possibility of circumventing internal control, and abuse of administrative positions are potential risks; mis-procurement, is a critical issue.	S	(i) FM procedures manual will be developed for the implementation of the activities of the project; (ii) robust FM arrangements will be established with quarterly IFR including budget execution and monitoring; and (iii) FM supervision will be increased if necessary	N	S
OVERALL FM RISK	**S**			**S**

18. Reporting Arrangement. *The PIU will record and report on project transactions* and submit to the World Bank Interim Financial Monitoring Reports (IFRs) no later than 45 days after the end of each calendar quarter. At a minimum, the financial reports must include the following tables with appropriate comments: (i) sources and Uses of Funds; (ii) Uses of Funds by project activity/component and comparison between actual expenditures and budget; (iii) special account activity statement; and (iv) notes to the IFR. At the end of each fiscal year, the project will issue the Project Financial Statements (PFS) comprising: (i) a balance sheet; (ii) a statement of sources and Uses of Funds; (iii) accounting policies and procedures; and (iv) notes related to significant accounting policies and accounting standards adopted by management and underlying the preparation of financial statements. These PFS will be subject to annual external audits as described below. The reporting requirements from the PIAs to the PIU will be determined in the PIM.

19. External Auditing Arrangement. A qualified, experienced, and independent external auditor will be recruited on approved terms of reference six months after effectiveness. The external audit will be carried out according to International Standards on Auditing (ISAs) and will cover all aspects of project activities implemented and include verification of expenditures eligibility and physical verification of goods and services acquired. The report will also include specific controls such as compliance with procurement procedures and financial reporting requirements and consistency between financial statements and management reports. The audits should also look at the implementing agencies' compliance to the overall delegated contract management agreement with ABUTIP and MOU's as indicated in the flow of funds. The audit period will be on annual basis and the reports including the project financial statements submitted to IDA and to the auditors six months after the end of each fiscal year. The project will comply with the WB disclosure policy of audit reports (for example, making them publicly available, promptly after receipt of all final financial audit reports (including qualified audit reports and disclose the report on the official website within one month after the final version is accepted.

20. **Governance and Accountability**. The risk of fraud and corruption within project activities is substantial given the country context. However, the effective implementation of the proposed fiduciary mitigation measures should contribute to strengthen the control environment. Also, appropriate representation in, and adequate oversight by the PSC, transparency in implementations project activities, as well as sound communication to and with stakeholders and public, should constitute a strong starting point to tackle governance and corruption issues during project implementation.

21. **Financial Management Action Plan***.* The Financial Management Action Plan described below has been developed to mitigate the overall financial management risks.

Table 3: Financial Management Action Plan

Issue	Remedial action Recommended	Responsible entity	Completion date	FM conditions for effectivenes s
Project Staffing	Recruitment of one financial management expert and one accountant	FPSD PIU or PDLE PIU and WB	3 months after effectiveness	No
Accounting software	Purchase and installation of a new software, which integrates all the functionality, required to manage a World Bank project. Train the fiduciary staff on the use of that software.	FPSD PIU or PDLE PIU and WB	3 months after effectiveness	No
FM procedures manual	Prepare a project manual of procedures (which will be part of the project implementation manual), which will define FM and accounting procedures to run the project.	FPSD PIU or PDLE PIU and WB	Before effectiveness	Yes
External auditing	Selection of an external auditor on terms of reference acceptable to the World Bank	FPSD PIU or PDLE PIU	No later than 6 months after the Effective Date	No

22. **Supervision Plan.** Supervision missions will be conducted over the project's lifetime. The project will be supervised on a risk-based approach. Supervision will cover but not be limited to the review of audit reports and IFRs, advice to task team on all FM issues. Based on the current risk assessment, which is substantial, the project will be supervised at least twice a year and may be adjusted when the need arises. An implementation support mission will be carried out before effectiveness to ensure the project readiness. To the extent possible, mixed on-site supervision missions will be undertaken with procurement monitoring and evaluation and disbursement colleagues. Based on the outcome of the FM risk assessment, the following implementation support plan is proposed with the objectives of ensuring the project maintains satisfactory financial management systems throughout the project's life.

Table 4: Implementation Support Plan

FM Activity	Frequency
Desk reviews	
Interim financial reports review	Quarterly
Audit report review of the program	Annually
Review of other relevant information such as interim internal control systems reports.	Continuous as they become available
On site visits	
Review of overall operation of the FM system	Semi-Annually
Monitor the implementation of audit recommendations.	As needed but at least during each implementation support mission
Transaction reviews (if needed)	As needed
Capacity building support	
FM training sessions by World Bank FM team	At project launch and thereafter as needed

23. *List of conditionality and covenants.* FM effectiveness conditions are presented in table above. Other FM standard covenants, include: (i) IFRs will be prepared on a quarterly basis and, submitted to the World Bank 45 days after each quarter; (ii) Annual detailed work program and budget, including disbursement forecasts will be prepared each year no later than 31 October (or one month after the Effective Date for the first year of project implementation); and (iii) The overall FM system will be maintained operational during the project's entire life in accordance with sound accounting practices.

Disbursements

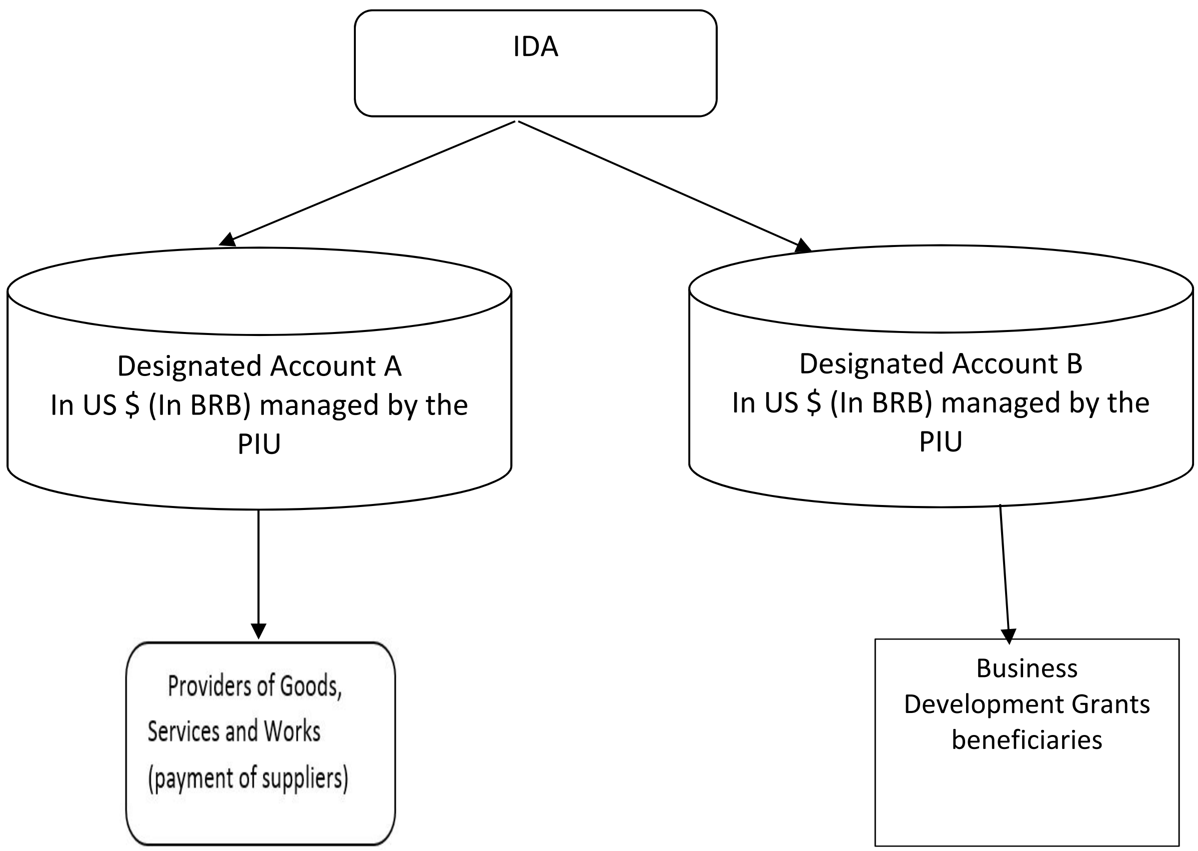
24. *Two Designated Accounts* (DA-A and DA-B) will be opened at the Burundi Central Bank (BRB) on terms and conditions acceptable to IDA under the fiduciary responsibility of the PIU. The DA-B will mainly be used to finance the BDGs. The ceiling of the Designated Accounts is set in the disbursement letter. Replenishments to the Designated Accounts will be made on a monthly basis against withdrawal applications supported by Statements of Expenditures (SOE) or records and other documents as specified in the Disbursement Letter (DL).

25. Upon project effectiveness, transaction-based disbursements will be used. The PIU should produce

regular unaudited interim financial reports (IFRs). The WB will review the quarterly IFRs and issue a pronouncement on their accuracy and adequacy. Thereafter, the option to disburse against submission of quarterly unaudited IFR (also known as the Report-based disbursements) could be considered subject to the quality and timeliness of the IFRs submitted to the WB and the overall FM performance as assessed in due course. The other methods of disbursing the funds (reimbursement and direct payment) will also be available to the project. Another acceptable method of withdrawing proceeds from the IDA grant is the special commitment method whereby IDA may pay amounts to a third party for eligible expenditures to be paid by the Recipient under an irrevocable Letter of Credit (LC).

26. The project will have the option to sign and submit Withdrawal Applications (WA) electronically using the e-Signatures module accessible from the World Bank's Client Connection website. The flow of funds (see Figure 4) is summarized as follow:

Figure 4: Flow of funds



Procurement

27. Applicable Guidelines: Procurement for the project will be carried out in accordance with the World Bank's (i) "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised in July 2014; (ii) "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank

Borrowers" dated January 2011, revised in July 2014; (iii) "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006, revised in January 2011; and the provisions stipulated in the Financing Agreement.

28. Assessment of Borrower's Capacity to implement procurement: The project will be overall implemented by the PIU within Ministry of Finances and Burundi Agency for Public Works (ABUTIP) will be delegated procurement and contract management of infrastructure sub projects of Sub-component 1.1. The latter has already been involved in implementation of other WB financed projects in a satisfactory manner with regard to procurement. For the new PIU to be established, it will require the hiring of a procurement specialist familiar with modern procurement procedures, including those of the World Bank. Given the project external factors and the country fragility, the risk associated to procurement is assessed as High.

29. Procurement risks and their mitigation measures are summarized in the table below:

Table 5: Main Procurement risks and their mitigation measures

Risk	**Mitigation measure**	**Date**	**Responsible entity**
Procurement planning	Prepared a realistic procurement plan for the first 18 months and update it as needed	22 June, 2017	GoB
Staffing/accountability	Recruitment of procurement specialist on Terms of Reference acceptable to IDA.	Before effectiveness	PIU
Internal manuals and clarity of the procurement process	Preparation of PIM with adequate procurement processing, contract management and ethical standards	Before effectiveness	PIU
Record keeping and document management systems	Implement knowledge on archiving following Bank's filing manual World Bank supervision to ensure filing procedures Implemented	Three months after effectiveness First supervision mission	PIU World Bank

30. Procurement methods and Prior Review thresholds: Based on the overall procurement risk, the recommended methods of procurement/selection and the prior review thresholds for the project will be agreed in each procurement plan. In addition, given the project development objective targeting jobs creation, procurement processes will be streamlined to maximize SMEs' participation within acceptable packages but without compromising the assurance of proper contract execution. It is foreseen that almost all works contracts will be procured by approaching the national market.

31. Frequency of procurement reviews and supervision: World Bank's prior and post reviews will be carried out on the basis of thresholds indicated in each procurement plan. The team will conduct supervision missions every six months and annual Post Procurement Reviews (PPR); with the ratio of post review of at least one to ten contracts. The team may also conduct an Independent Procurement Review at any time until two years after the closing date of the project.

32. **Simplified Procurement Plan**: The Borrower has developed a simplified procurement plan indicating procurement to be carried out over the first 18 months of the project. This procurement plan consisted of the procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements and time frame has been agreed with the World Bank and was part of the Financing Agreement negotiations. The procurement plan would be updated at least annually, or more frequently as required, to reflect the actual project implementation needs and improvements in institutional capacity. Below is an indicative summary of the procurement packages to be processed within the first eighteen month following project approval.

Procurement Plan for the first 18 months after project effectiveness

A. Goods and Non-Consultants Services

A.1 Procured by the PIU

Ref. No.	Description	Estimated Cost (US$)	Procurement Method	Domestic Preference	Review by World Bank	Expected Bid opening date
1	Fournitures des équipements informatiques (ordinateurs portables, internet.) pour l'API, CFCIB, Ordre Professionnel des Architectes et Ingénieurs)	30 000	Consultation de Fournisseurs (CF)	Non	A posteriori	27 Février 2018
2	Fournitures des équipements mobiliers (bureau et chaises) pour l'API, CFCIB, Ordre Professionnel des Architectes et Ingénieurs	50 000	Consultation de Fournisseurs (CF)	Non	A posteriori	27 Février 2018
3	Véhicule TT pour l'équipe des spécialistes PME,	80 000	Consultation de Fournisseurs (CF)	Non	A posteriori	13 Mars 2018
4	IT equipement OSS of Construction Permit	200 000	Appel d'Offres National (AON)	Non	A posteriori	27 Mars 2018
5	Logiciel de Comptabilité PIU	40 000	Entente Directe (ED)	Non	A posteriori	27 Octobre 2017
6	Fournitures des équipements informatiques PIU	60 000	Consultation de Fournisseurs(CF)	Non	A posteriori	27 février 2018
	Additional details in final procurement plan					

A.2. Procured by the Implementation Agency

Ref. No.	Description	Estimated Cost (US$)	Procurement Method	Domestic Preference	Review by World Bank	Expected Bid opening date
1	Fourniture du mobilier du Centre de santé de GAHORORO à MABANDA (MAKAMBA)	14 706	AON	NON	Revue a posteriori	12-juil-18
2	Fourniture des équipements sanitaires pour le Centre de santé de GAHORORO à MABANDA (MAKAMBA)	20 588	AON	NON	Revue a posteriori	16-mai-18

Ref. No.	Description	Estimated Cost (US$)	Procurement Method	Domestic Preference	Review by World Bank	Expected Bid opening date
3	Fourniture du mobilier du Centres de santé de GITEZI-GISHINGANO à ISARE	14 706	AON	NON	Revue a posteriori	25-juil-18
4	Fourniture du mobilier du Centre de santé de MIKONI à GAHOMBO (KAYANZA)	14 706	AON	NON	Revue a posteriori	25-juil-18
5	Fourniture du mobilier du Centre de santé de NYAKERU à BUGENDANA (GITEGA)	14 706	AON	NON	Revue a posteriori	25-juil-18
	Additional details in final procurement plan					

B. Consultant services, including core staff of the PIU

B.1. Procured by the PIU

Ref. No.	Description des missions	Coût estimatif (en US$)	Méthode de sélection	Revue de la Banque (à priori/ à posteriori)	Date prévue de soumission des propositions
1	ONG pour la supervision des travaux à haute intensité de main d'œuvre	300 000	Qualification des consultants (QC)	A Posteriori	21 Juillet 2017
2	Audit institutionnel, organisationnel et financier de la Mairie de Bujumbura et ses 3 communes	60 000	Sélection au Moindre Coût (SMC)	A posteriori	01 Août 2017
	Additional details in final procurement plan				

B.2. Procured by the Implementation Agency

Réf. No.	Description des missions	Coût estimatif (en US$)	Méthode de sélection	Revue de la Banque (à priori/ à posteriori)	Date prévue de soumission des propositions
1	Etudes techniques des travaux de pavage et assainissement de la voirie urbaine de BUBANZA, de MUTAKURA, de BUYENZI, de KANYOSHA, de la voirie de MUSAGA et du quartier KINANIRA I	36 500	Sélection fondée sur la Qualité et le Coût (SFQC)	Revue à posteriori	11-sept-17
2	Etudes techniques des travaux de pavage de la voirie de NGAGARA, de GIHOSHA Rural, du Quartier NYAMUGARI à GITEGA, du Quartier YOBA à GITEGA et de rues à KAYANZA	38 059	SFQC	Revue à posteriori	11-sept-17
3	Actualisation des études techniques des travaux de construction du Marché de KINYINYA (RUYIGI)	1 765	SED	Revue à posteriori	11-juil-17

Réf. No.	Description des missions	Coût estimatif (en US$)	Méthode de sélection	Revue de la Banque (à priori/ à posteriori)	Date prévue de soumission des propositions
	Additional details in final procurement plan				

Environmental and Social (including safeguards)

33. There are no potential large scale, significant and/or irreversible impacts expected to arise from this project. The environmental and social impacts of anticipated activities are expected to be moderate, site-specific, and manageable to an acceptable level, and the proposed project requires no exceptions to the World Bank's policies on environmental and social safeguards. Moreover, civil works may expose populations living in the project areas to significant risks to HIV/AIDS and damage to social environments due to the migration resulting from poorly-controlled land development. Therefore, the project is classified as category B in the World Bank's Environmental Assessment classification due to the low size and site specific nature of its foreseen social and environmental risks and impacts. The environmental and social Safeguard Policies triggered by this operation are: OP 4.01 (Environmental Assessment), OP 4.09 (Pest Management), OP 4.10 Indigenous Peoples; Physical Cultural Resources OP 4.11; and OP/BP 4.12 (Involuntary Resettlement).

34. Since the final list sub-projects to be financed by the project will not yet be defined, the Government of Burundi has prepared an Environmental and Social Management Framework (ESMF) with the Medical Waste Management Plan, an Integrated Pest Management Plan (IPMP), and a Resettlement Policy Framework (RPF) as instruments for mitigating or minimizing the potential adverse impacts which could arise because of implementing the proposed project. To address the likely presence of the Batwa in the proposed project activity areas, the project has triggered OP4.10 for Indigenous Peoples and prepared an Indigenous Peoples Planning Framework (IPPF).

35. The client has been actively responsive in addressing safeguards issues. At the national level, Burundi has a legislative and regulatory framework which is conducive to good environmental management. In addition, Burundi has signed several international treaties and conventions to ensure sound environmental management. The national environmental law will be reinforced by the World Bank safeguard policies for this proposed project. Safeguards instruments been prepared by the client. The borrower has engaged the services of a consultant to prepare three separate safeguards instruments. These instruments have assessed the potential impacts of all activities to be supported by the proposed operation, the expected adverse environmental and social impacts, and identified mitigation measures, including the principles, procedures to be followed for the safeguards policies triggered: OP 4.01 (Environmental Assessment), OP 4.09 (Pest Management), OP 4.10 Indigenous Peoples; Physical Cultural Resources OP 4.11; and OP/BP 4.12 (Involuntary Resettlement). The RAF and IPPF have been disclosed in-country on 30 May and 1 June respectively, and submitted to Infoshop by 6 June. The ESMF, including Pest Management Plan, has been in disclosed in-country on 8 June, and submitted to Infoshop by 9 June.

36. Since the precise locations and potential impacts of future subprojects could not be identified prior to appraisal, an Environmental and Social Management Framework (ESMF) has been prepared to be used to screen sub-project proposals for environmental, social, gender, and health and safety impacts by using the ESMF screening form and checklist. The ESMF includes an Environmental and Social Management Plan (ESMP), has considered regional environmental and social review and described the environmental and social profiles in the project areas on the potential activities to be supported by the project. The ESMF/ESMP outlines an environmental and social screening process for future sub-projects to ensure that they are environmentally and socially sound and sustainably implementable, in line with GOB and World Bank policies and guidelines on environmental and social impact management. The screening outcomes will determine if sub-projects will need to prepare an Environmental and Social Impact Assessment (ESIA), a freestanding Environmental and Social Management Plan (ESMP), a Resettlement Action Plan (RAP), implement a Pest Management Plan (PMP) on selected value chains or if no action will be needed. The screening of the sub-projects will be done by the safeguard specialist, who will be part of the Project Implementation Unit. In case safeguard instruments need to be prepared by the PIU, the safeguard specialist will prepare the Terms of Reference for these safeguard instruments, be responsible for the procurement of consultants to prepare them, supervise the consultants and they will be responsible for the monitoring of the implementation of the ESMPs, PMPs and RAPs in the project areas. The ESMF contains sample TORs for ESIAs that may be needed for project-supported activities, as well as screening guidelines to be used to implement project-supported works (for example, rehabilitation/construction of classrooms, health centers, market place, urban road, city road.). The safeguard specialist also will ensure that all contractor contracts include environmental and social clauses, which are attached as an annex to the ESMF, to ensure adequate environmental and social management practices during construction and operation. Concerning infrastructure sub-projects (classrooms, health centers, market place, urban road, and city road), no archaeological vestiges will be impacted - this was confirmed during the field visits and public consultations conducted during the project preparation. For more assurance, the ESMF has made provisions for cultural resources management in the event the Physical Cultural Resources OP 4.11 is triggered during the implementation phase and includes “chance finds” procedures for inclusion in the contractors’ contract. Funds to prepare and implement these potential ESIAs, ESMPs, PMPs and RAPs have been included in the project costs (US$1,422,000).

37. The project funds will not be used to purchase and distribute agrochemicals, however agribusinesses may encourage farmer groups to use more inorganic fertilizers and pesticides. To ensure safe pest management, the project has prepared an Integrated Pest Management Plan which includes: (i) a survey on the local bio pesticides and agronomic technical practice to reduce the impacts of pests on the some agriculture value chains in project zones: (ii) actions to reduce the exposure of farmer groups to pesticides used in agricultural production systems; (iii) guidelines to be adopted on the possibility of agrochemical application and disposal; training sessions to strengthen capacity of different actors on the use, storage and disposal of agrochemical products with a coherent budget available in the project financing. Finally, it recommends the application of an integrated pest management approach coupled with the promotion of agro-ecological practices by the farmers' groups.

38. Since the physical locations of the proposed activities are unknown at this stage and the project activities in Infrastructure and Agribusiness investments may lead to the acquisition of land, loss of assets and/or means of livelihood that could result in the involuntary resettlement of people, the Borrower has prepared a detailed Resettlement Policy Framework (RPF) that sets forth the basic principles and procedures that both the Borrower and the World Bank must follow to mitigate any potential adverse social impacts. The RPF includes details information on legal and institutional framework, eligibility criteria, assets evaluating methods, implementation arrangements, grievances redress mechanism, monitoring and evaluation. The RPF contains the basic principles and procedures/directives to be followed by the Borrower for the preparation of the Resettlement Action Plan (RAP) once the physical locations of the proposed activities are known. The result of socio- economic studies has characterized different forms of compensation.

39. Recognized by the Burundian Constitution as a marginalized group, the Batwas are dispersed around the country in varying concentrations from urban to sub-urban to rural areas. To address the likely presence of the Batwa in the proposed project activity areas, the project has triggered OP4.10 for Indigenous Peoples and prepared an Indigenous Peoples Planning Framework (IPPF). The IPPF establishes the presence of 3,041 Batwa households (11,500 persons) in the likely areas of project intervention. Field consultations were carried out in a third of the areas, including Bujumbura, in which sub-projects are likely to be located. The IIPF further identifies that, at the sites visited, no Batwa will be physically displaced by project activities. While the project will social services closer to the Batwa, the IPPF identifies some likely risk of non-inclusion of the Batwa in accessing the short-term benefits of employment. It proposes recruiting Batwa during project implementation to improve the socio-economic situation of their families.

40. At the National Coordination Unit, an environmental and social specialist will be a key and integral part of the team. The environment specialist will carry out ESMP/RAP/IPPF monitoring to ensure that the mitigation plans are being effectively implemented, and will conduct field visits on a regular basis. Monitoring checklists will be prepared on the basis of the mitigation plans for this purpose. Progress Reports (PR) shall document the progress of ESMF implementation. Finally, the project will engage specialists/firms to conduct detailed environmental and social studies (ESIA/ESMP; RAP). In addition, the project should also monitor inclusiveness in targeted zones the appropriation of IPMP by the local population beneficiary.

41. The key project stakeholders primarily include: (i) local population; (ii) representative of Batwa group (iii) formal agribusinesses and their upstream and downstream networks of Medium to Small entrepreneurs; (iv) the Government and its decentralized institutions; (v) Civil Society Organizations CSOs; and (vi) Non-governmental Organizations (NGOs) in the targeted project areas. With respect to the applicable safeguards policies and instruments, the project preparation process sought to identify and analyze the interests, concerns, and effects of project activities on major stakeholders and vice-versa. During project preparation, the GoB with the concerned Municipalities and the Consultant conducted public consultations and meetings on the project in the project regions/provinces areas (in the urban and rural centers of the main provinces including Bujumbura, Gitega and others) and a national workshop was held in Bujumbura on 12 April 2017. Extensive public consultations were also conducted during the preparation of ESMF, RPF, IPPF and IPMP to take into account the local populations and communities' views on the project design and impacts.

42. Likewise, during project implementation, the PIU is expected to consult project-affected groups, and local governmental and nongovernmental organizations on all environmental and social aspects of the project and take their views into account accordingly. Public consultations will be carried out as early as possible and provide, in a timely manner prior to consultation, all the relevant materials in the form and language(s) needed to be understandable and accessible to the groups being consulted. Preparation of stand-alone environmental and social safeguards instruments of potential sub-projects if and when needed will also be prepared through a consultative and participatory process involving all stakeholders at the regional and national levels, as well as within local communities and among beneficiaries of the sub-projects.

ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY: Burundi
Local Development for Jobs Project

Strategy and Approach for Implementation Support

1. This project marks the beginning of a new lending engagement for the WBG in Burundi for local economic development, using a mix of interventions targeting basic infrastructure investments and support for MSMEs development. The implementation support plan (ISP) for this project takes into consideration the implementation of the PPA preceding project effectiveness. The PPA will ensure that the initial setup and start-up of the project is assured, including addressing technical challenges related to capacity constraints of implementing entities, as well as to ensure strong momentum in the first 12 months of the project. The ISP aims to focus implementation support in the areas where the implementing agencies need to be strengthened further, in crosscutting areas regarding WB rules and regulations, for example, in procurement, safeguards and financial management.

Implementation Support Plan and Resource Requirements

2. The ISP is built around semi-annual missions (which will include site visits to the infrastructure sub-projects and MSMEs financed), regular video conference meetings between the World Bank team and government, and fiduciary compliance reviews. A mid-term review will be conducted after approximately 30 months of implementation to review performance in depth, based on progress and studies commissioned for the mid-term review, and make any adjustments to the project.
3. The project will have received extensive support during the preparation phases and at the start-up. This need is expected to reduce as the processes and management of the sub projects and the core activities under Component 2 take off. At mid-term, a new phase of implementation support is envisaged to ensure that any necessary adjustments are made.
4. It is projected that a total of 10 implementation support missions will be required over the life of the project. Beyond the preparation phase, these are intended to be required semi-annually. Key areas of focus for the first months of supervision include:

    - Monitoring the procurement and disbursement process of key support components of the project, especially those done by the PIU, ABUTIP and the firm managing the BDG Fund.
    - Monitoring application of safeguards instruments through including safeguards specialists in semi-annual missions. These specialists will also assure knowledge transfer and development of adequate training programs for PIU Staff, ABUTIP staff, and other relevant agencies such NGOs supporting the HIMO approach.
    - Fiduciary missions will focus on the performance of implementing agencies in procurement, and financial matters, as well as on completing the agreed implementation plans.
    - The following skills mix and resources needs are estimated:

Table 6: Implementation Support Plan

Time	Focus	Skills Needed	Resource Estimate (in staff weeks)	Nbr of trips
First 12 Months	Task Management	Project Management (HQ/CO based)	12	4
	Implementation Monitoring and Support	• SME Support team (HQ/CO based) • Infrastructure Support Team (HQ based) • Investment Climate team (HQ/CO based) • Decentralization Expert (HQ based) • M&E Specialist (HQ based) • Legal (HQ based)	7 8 5 4 4 1	3 3 2 2 2 -
	FM support	FM specialist (CO based)	3	-
	Procurement support	Procurement specialist (CO based)	3	-
	Safeguards Support	Social and environmental specialists (HQ/field based)	4	2
	Ongoing team support	Program Assistant	3	-
12-48 Months	Task Management	Project Management (HQ/CO based)	10 p.a.	4
	Implementation Monitoring and Support	• SME Support team (HQ/CO based) • Infrastructure Support Team (HQ based) • Investment Climate team (HQ/CO based) • Decentralization Expert (HQ based) • M&E Specialist (HQ based) • Legal (HQ based)	6 p.a. 8 p.a. 4 p.a. 4 p.a. 4 p.a. 1 p.a.	3 3 2 2 2 -
	FM support	FM specialist (CO based)	2 p.a.	-
	Procurement support	Procurement specialist (CO based)	3 p.a.	-
	Safeguards Support	Social and environmental specialists (HQ/field based)	3 p.a.	2
	Ongoing team support	Program Assistant	3 p.a.	-

ANNEX 4: ECONOMIC AND FINANCIAL ANALYSIS

COUNTRY: Burundi
Local Development for Jobs Project

1. As part of the preparation of this project, an economic and financial analysis has been conducted. The quantitative portion of our analysis focuses on sub-components 1.1 (Infrastructure investments) and 2.2 (Support for Value Chain Development). Since sub-components 1.2, 2.1, and 2.3 focus on technical assistance and support to creating an enabling environment for investments in the construction and agribusiness sectors, we've included a qualitative analysis that focuses on the potential benefits of investments under these components.

2. The project Net Present Value (NPV) and the Economic Rate of Return (ERR) are estimated at US$13.1 million at a 15 percent discount rate[62], with a 30 percent ERR. These are estimated based on a twelve-year time, including the five years of project implementation. Our analysis estimates an NPV of US$8.6 million and a 29 percent ERR for infrastructure investments under Sub-component 1.1, and an NPV of US$4.5 million and a 33 percent ERR for the value chain support under Sub-component 2.2.

3. To provide a more holistic view of project impact, we have attempted to estimate the potential wider combined impact of investments under these two components along with the capacity building and investment climate support provided by the project. The wider impact ERR and NPV are estimated at 26 percent and US$11.8 million respectively. This estimation is purely indicative to demonstrate the positive long-term value of this (and subsequent) projects, including the technical assistance components. This estimate, however, should not be considered a precise representation of the project's or any follow-on series of projects' impact.

4. **Rationale for Public Intervention**: As an FCS, private capital for public works and infrastructure investments in Burundi is almost non-existent, particularly for small investments with high economic and social but low financial returns. This is particularly true for early stage and proof-of-concept high risk investments, even those with a high potential for economic, financial, and social returns (for example, market rehabilitation investments). To enable this, there is a clear need for a public intervention to directly finance and support an appropriate framework to encourage private capital investments. Additionally, development capital for public works and infrastructure projects is difficult to source even in developed countries. Public intervention is also particularly important to ensure that appropriate fiduciary standards and safeguards are applied.

5. **World Bank's value added:** The World Bank's value added is as a channel for global expertise in agribusiness and construction financing programs (such as, BDGs) and infrastructure and PPP programs, particularly related to the capacity building and technical expertise that is required for such programs to have a successful impact on local populations. The World Bank also has a strong knowledge base in the environmental and social standards that must be maintained for both hard and soft public works investments. For conflict states, the power of this knowledge base is especially valuable with connections to teams and counterparts that have worked on similar projects in other countries facing similar situations. The World Bank team incorporates members with a wide range of expertise, deep links to the Burundi Government and relevant implementing agencies. Additionally, the World Bank makes use of its

[62] Discount rate: This is based on the risk-adjusted opportunity cost of capital for World Bank financing in Burundi.

convening power as a source of coordination support between donor and private sector programs.

6. **Contribution of economic and financial analysis (EFA) to project design**: Information provided from the EFA has been used to refine details of the project design such as M&E targets and their associated timing.

7. **Actions during implementation to revisit EFA at mid-term**: At mid-term, the project team will use current M&E data to evaluate the impact of the investments under components 1 and 2 and the progress toward building a more enabling environment for construction and agribusiness under components 1.2, 2.1, and 2.3. These actuals will be used to calculate an updated interim rate of return and net present value. Given that much of the impact associated with the project will be visible in the years after closing, the interim ERR and NPV will most likely be negative; however, these values can be used to evaluate the quality of the original predictions during project design. Additionally, the EFA and its estimates of future impact will be updated to reflect the realities of the project at mid-term. This includes updating the expected ERR and NPV going forward based on the actual data available, and using this information to qualify and assess potential changes to the project budget allocations and design.

8. **Impact of the project on the borrower's financial situation**: Given the crisis in 2015, the Government of Burundi has experienced severe fiscal challenges including limited resources available for domestic investment. This is exacerbated by a fall in foreign aid that has resulted in deteriorating public services delivery. Additionally, the fall in Forex has created difficulties for firms in accessing equipment and thus resulted in firms shutting down due to reduced production. This project will provide financing directed at both the construction and agribusiness sectors and will support spillovers through investments in the enabling environment.

9. **Financial analysis on anticipated cost recovery and sustainability:** Since this project will be financed by a grant, a financial analysis on loan recovery for the Government of Burundi is not required.

10. **Detailed Economic Analysis:** This economic analysis accounts for the benefits to Burundi because of investments supported under this project, which reach completion. This analysis is a discounted cash flow (DCF) analysis that uses estimates for the financial impact on beneficiaries to account for the future value of the project (as a company would be valued using DCF) This includes improvements in income for beneficiaries of the infrastructure investments (Sub-component 1.1) and companies that benefit from the value chain support (Sub-component 2.2). The analysis for the other sub-components is based on qualitative analysis, detailed in the next section.

11. For this analysis, we draw a distinction between the estimated impact of this project and the indirect benefits expected such as increased private investment due to the wider and combined impact of project investments. The quantitative portion of our analysis focuses on sub-components 1.1 and 2.2. If the investments under sub-components 1.2, 2.1, and 2.3 are successful in creating a more enabling environment, they may be able to crowd in significant private sector financing for construction and agro-investment. This would amplify the impact of this project. This amplified impact would essentially create a multiplier effect related to the investments under this project. However, this multiplier effect has purposely been excluded from this analysis because: (i) the sake of conservatism, especially given the fragile context of Burundi which could have a major effect on future investment projects; (ii) difficulties in attribution and measurement associated with using a sweeping multiplier; and iii) difficulties in determining the correct size and timing of the multiplier effect. Given this exclusion, the impacts from this project will likely be further reaching than what is described in the analysis here.

Component 1: Investments in Local Public Infrastructure

12. This component includes investments in economic, social and transport infrastructure to support public service delivery in local communities.

13. **Selection of specific infrastructure investments:** This analysis is based on the list of sub-projects most likely to be financed under Sub-component 1.1.

14. **Assumption on benefits:** For each type of infrastructure investment, we have estimated the number of beneficiaries and the improvements in travel time and other follow on benefits:

- **a.** **Transport infrastructure:** Road rehabilitation investments under this component are valued based on estimated travel time improvements because of these investments. The monetary equivalent of these travel time improvements are estimated based on average local wages.
- **b.** **Social infrastructure:** School, health centers, administrative and other social infrastructure investments under this component are valued based on estimated wait and travel time improvements due to better access to these services.
- **c.** **Economic infrastructure:** Markets constructed through financing from this component are valued based on estimated profits of merchants, along with wait and travel time improvements for the local populations.

15. In the economic analysis of this component, the ERR is expected to be 29 percent. The NPV is expected to be about US$8.6 million, with a discount rate of 15 percent. The estimated value of travel and wait time improvements, along with merchant profits from the economic infrastructure investments outweigh the cost of investments under this sub-component. The sensitivity results of this component and the underlying assumptions are summed below.

16. The key assumptions are as follows:

- **a.** **Number of beneficiaries:** In the base case scenario, estimates from local consultants have been used as the anticipated number of beneficiaries for economic and social infrastructure. For the most part, this is based on neighborhood population statistics supplied by ISTEEBU. To estimate the number of beneficiaries for roadwork investments, we have used local population density statistics, also provided by ISTEEBU.
- **b.** **Impact of infrastructure:** The analysis assumes that beneficiaries will experience immediate travel and wait time improvements following construction of the infrastructure investments.
- **c.** The following table outlines the detailed base case assumptions for this component.

	Transport	Social				Economic
	Roads	Schools	Health	Admin	Other	Market
Number of days used per year	180	180	1.5	1.5	50	20
Portion of beneficiaries using infra	80%	80%	50%	25%	50%	30%
Operating cost (annual, % of project cost)	5%	5%	5%	5%	5%	10%
Staff portion of operating cost (%)	10%	50%	50%	50%	50%	10%
Inflation	2%	2%	2%	2%	2%	2%
Travel and wait time improvement	50%	15%	30%	50%	50%	20%
Travel and wait time w/o project (hours)	0.25	0.50	2.00	2.00	0.75	0.25
Minimum per hour wage (FBU)	1,500	1,500	1,500	1,500	1,500	1,500
Exchange rate (FBU / USD)	1,700	1,700	1,700	1,700	1,700	1,700
Minimum per hour wage (USD)	0.88	0.88	0.88	0.88	0.88	0.88
Cost of travel and wait time, w/o project	0.22	0.44	1.76	1.76	0.66	0.22
Cost of travel and wait time, w/ project	0.11	0.38	1.24	0.88	0.33	0.18
Ratio of beneficiaries to merchants						2,000
Annual sales per merchant @ market						$ 10,000
Merchant profit margin						10%

d. Sensitivity analysis:

Sensitivity Analysis with Different Scenarios on the benefits of infrastructure investments

1. Reduction in the assumed impact of road investments from 50% travel time improvements to 20%
   ➔ Reduces ERR to 8%
2. Increase the assumed impact of road investments from 50% travel time improvements to 80%
   ➔ Increases ERR to 46%
3. Reduction in estimated annual sales per merchant at market investments from average of US$10K to US$1K
   ➔ Reduces ERR to 25%
4. Reduction in number of beneficiaries for health and school investments by 50%
   ➔ Reduces ERR to 28%

Component 2.2: Support for Value Chain Development

17. This component includes BDG provisions to MSMEs in the construction and agribusiness sectors to help them to access financing for new investments.

18. In the economic analysis of this component, the ERR is expected to be 33 percent. The NPV is expected to be about US$4.5 million, with a discount rate of 15 percent. Improvements in SME income (beneficiaries for this sub-component) outweigh the cost of investments under this sub-component. The sensitivity results of this component and the underlying assumptions are summed below.

19. The key assumptions are as follows:

a. **Number of beneficiaries:** In the base case scenario, this analysis assumes 350 MSME beneficiaries of the BDGs, with an average size match of 30 percent.

b. **Impact of BDGs:** The analysis assumes that beneficiaries will experience an additional 25 percent growth rate for one year following the BDG investments, and return to original growth rates afterward, which have been extrapolated based on the impact of the crisis and interviews conducted during preparatory missions. On average firms in these two sectors are estimated to have lost 40 percent of their value as a result of the crisis (inability to import required goods and equipment, difficulties in accessing financing); hence the 25 percent estimate is a conservative estimate of potential impact under this project.

c. The following table outlines the remaining assumptions for this component.

Percentage of SMEs	
Percentage micro/small	70%
Percentage medium	25%
Percentage large	5%

SMEs	Micro/small	Medium	Large
Average number of employees	5	20	100
Average revenue	15,000	$50,000	$100,000
Percentage costs	80%	80%	80%
Average value added	4,000	$10,000	$20,000
Annual growth (without Project)	3%	3%	3%
Annual growth increase due to Project (Years 2-5)	25%	25%	25%
Number of years growth increases due to Project	1	2	2
Percentage formal	0%	100%	100%
Corporate tax rate	20%	20%	20%
Average salary (skilled)	-	$10,000	$10,000
Average salary (unskilled)	3,500	$5,000	$5,000
Annual growth in wages (skilled)	-	3%	3%
Annual growth in wages (unskilled)	3%	3%	3%
Jobs created per $ increase in revenue (skilled)	-	0.0001	0.0001
Jobs created per $ increase in revenue (unskilled)	0.0000	0.0002	0.0002

e. Sensitivity analysis:

Sensitivity Analysis with Different Scenarios on the beneficiaries

1. Reduction in the assumed additionality to income from the assumed 25 percent to 15 percent
   → Reduces ERR to 12%
2. Increase in the assumed additionality to income from the assumed 25 percent to 35 percent
   → Increases ERR to 53%
3. Reduction in the estimated number of beneficiaries from 350 to 250
   → Reduces ERR to 22%
4. Increase in the estimated number of farm beneficiaries from 350 to 450
   → Increases ERR to 43%

Qualitative Analysis of Components 1.2, 2.1, and 2.3 (Institutional and Capacity Support, Institutional Support for MSME Development, Improvements in the Business Environment)

20. As mentioned above, the economic analysis of sub-components 1.2, 2.1, and 2.3 presents a special challenge due to the indirect relationship between the Government reforms supported under the project and the stream of benefits that these are expected to trigger. In the absence of commonly accepted methodologies for the economic analysis of these types of investments, these types of projects are based on cost effectiveness and more general analytical work on the effects of capacity building and institutional reforms on investment projects, along with private sector growth and entrepreneurship.

21. Below we have provided a qualitative analysis has in support for these investments, based on the literature discussing the impact of business environment reform on competitiveness and firm entry.

22. The relationship between the characteristics of the business regulatory environment and the performance of firms has also been documented (Djankov et. a1, 2002; Botero et. al, 2004, Acemoglu and Johnson, 2005; Mastruzzi, 2006; and Kaufmann et. a1, 2006) but most of this work is non-experimental and hence faces problems of endogeneity.

23. The literature supports the link between stronger institutions and economic performance. For example, Hall and Jones (1999) argues that differences in factor productivity are due to differences in "social infrastructure" – meaning that institutions can contribute to the accumulation of skills that contribute to economic performance.

24. Research also highlights the importance of trade and investor facilitation on investment projects and the costs and ability to export. Delays in getting goods back and forth through the customs, as well as the overall unpredictability of transport times constrain firms from participating in time-sensitive production often important for manufacturing and agribusiness industries. Nordas (2005) finds that an additional day required for exporting is equivalent to being 70 km farther away from the trade partner. Similar calculations suggest that if time to export can be reduced by 1 percent, exports on average could increase by more than 1.5 percent.

25. The data also show a positive and significant relationship between economic and financial development and entrepreneurship. The log of GDP per capita and domestic credit to the private sector (as a percentage of GDP) are both positively and significantly correlated with entry rates (see below) and business density. This suggests that greater business opportunities and better access to finance are related to a more robust private sector (Klapper et al. 2008), lending further credence to the Government reforms and capacity building supported by the project.

Wider Project Impact

26. A basic economic analysis of the wider impact of investments under this project is based on its value as a channel for investment promotion, increasing the annual number of investment projects. If we assume that an additional investment project is announced annually starting in 2021, with an average value of US$50 million. Of these announcements, only 10 percent are assumed to go forward to completion. Each project is assumed to create 50 jobs on average[63]. Since there is a limited history of larger investment

[63] The technical data on the investment value and the number of jobs associated with the average investment project are based on a study conducted in Swaziland which estimated the number of additional investment projects per year between 2003 to 2015 associated with reform initiatives (*Swaziland Trends Report,* FDI Markets.com, January 2003-2015). Local wage data are taken from World Bank studies of investment projects, combined with data gathered during the identification and pre-

projects in Burundi, this analysis is not a precise representation of the estimated wider impact of the project. Rather, the purpose of this calculation is to demonstrate that even with a small increase in investment projects, the NPV demonstrates a positive investment for the combined project investments.

Average project investment	50,000,000
Average number of jobs	50
Average salary (US$)	10000
Percentage of announcements implemented	10%
Percentage of investment allocated to initial costs	80%
Investment receipt delay (years)	3

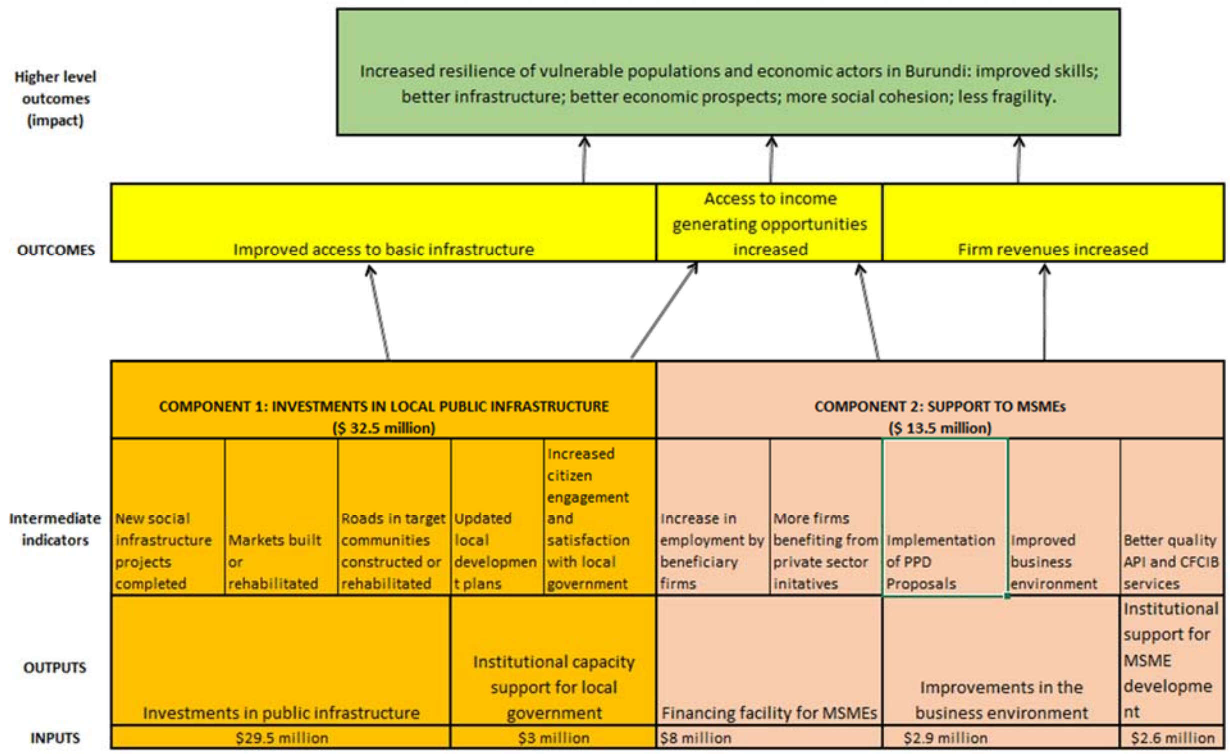
With the project	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Number of additional investment announcements per year	-	-	-	-	1	1

27. When the estimates provided above are combined with the analysis of sub-components 1.1 and 2.2, this creates an analysis of the wider project impact because we have included future projects as part of the estimate. In the base case scenario, we estimate an ERR of 26 percent and an NPV of US$11.8 million. Again, this estimate is purely to demonstrate the positive valuation of the wider project benefits, rather than provide a precise representation of the project's impact.

appraisal missions, along with benchmarking provided by comparator country estimates.

ANNEX 5: PROJECT RESULTS CHAIN

COUNTRY: Burundi
Local Development for Jobs Project



ANNEX 6: BUSINESS DEVELOPMENT GRANTS ESTIMATES

COUNTRY: Burundi
Local Development for Jobs Project

Grant Objective[64]	Nbr of grants	Average grant amount (US$)	AMOUNT OF SPENDING
Business Development Services	188	5,000	940,000
Equipment	158	25,000	3,950,000
Shared Infrastructure	12	150,000	1,800,000
TOTAL	***358***	***18,687***	***6,690,000***

[64] Beneficiaries can apply as individual firms in each value chain, or as groups of firms that collaborate to achieve a shared objective. Thus, grant spending on business development services and equipment includes applications made by individual firms and by grouped firms. These figures are indicative and will be updated as part of the project implementation manual.

ANNEX 7: PROJECT DESIGN AND STRUCTURE ADDRESSING BURUNDI'S FRAGILE ENVIRONMENT

COUNTRY: Burundi
Local Development for Jobs Project

1. The project has been structured to both, operate in and respond to, Burundi's fragile environment. The project integrates mitigating measures to protect investments and alleviate risks related to the current country context and to alleviate the impacts of the recent political crisis. Additionally, the project targets vulnerable groups who are most susceptible to the impacts of the crisis. This is part of an overall strategy to mitigate the conflict and address some of the underlying drivers of fragility. Most importantly, the project supports job creation in the construction and agribusiness industries, both of which have been heavily impacted by the crisis. Poverty and unemployment can feed conflict, and job creation on the other hand could play a deterrent role to prevent future conflict, particularly by targeting youth and vulnerable groups[65]. Since these groups tend to be the flashpoint of political crises, pushing them into the labor force could have a mitigating impact on the conflict. Furthermore, the project relies on inclusion of beneficiary views and community priorities in the most vulnerable areas. This will also have a mitigating impact on the conflict by building relationships and allowing communities to take the project into their own hands, ensuring ownership and strengthening community ties.

2. The following elements sensitize the project to the fragile operating environment:

a. **The design process has been inclusive and focused at the local level**. To protect investments and mitigate risks, the project team has maintained a collaborative relationship with local stakeholders throughout preparation, including government bodies (at national and sub-national level), donors and development partners, local and international NGOs operating in Burundi, and private sector actors (associations, chambers). Discussions with these stakeholders, combined with available studies and data on the local economic climate, have played an important role in the final project design.

b. **Project activities directly address the impacts of the political crisis by focusing priority infrastructure investments in the most affected areas and by using HIMO**. Project investments target areas that have been impacted severely by the crisis, but which could also be flashpoints for further instability in the future. Sub-component 1.1 includes direct infrastructure investments aimed at boosting public service delivery, especially in Bujumbura and other urban areas. The fall in foreign aid has curtailed public investments in this area, creating risks for future conflict in these regions. Construction activities will provide local employment using labor-intensive means (HIMO), and putting people to work will address potential strife in these areas. More medium-term improvements in service delivery are supported under Sub-component 1.2, which provides capacity building to LGs over longer periods. Further, MSMEs have faced major difficulties as a result of the crisis, such as in importing materials, in accessing finance, and mostly are

[65] Bailey L, Wam P, Sardesai S, Collier P. World Bank. *Impact of Conflict.* February, 2007. http://siteresources.worldbank.org/PSGLP/Resources/ImpactofConflict.pdf

faced with declining business volumes linked directly to the crisis. These challenges have contributed to ongoing instability as firms have cut employment or have been unable to make ends meet (MSME sales dropped 50 percent in 2015). By providing support to MSMEs along several different facets under Component 2, the project makes an investment that directly addresses the fallout from the conflict. This contribution to local employment will in turn help build the foundations for future stability.

c. **Beneficiary selection has focused on vulnerable groups with mechanisms in place for transparent targeting**. An important flashpoint around the political crisis relates to vulnerable groups within the population, including unemployed youth, displaced persons, and ex-combatants. By targeting vulnerable groups, the project addresses the impact of the crisis and contributing factors to ongoing instability. The sub-project investments under Component 1 include rehabilitation of roads, markets, schools, and health centers, will lead to improvements in basic service delivery. To ensure that vulnerable groups are targeted as beneficiaries, this sub-component uses a two-pronged strategy. First, the selected sub-projects prioritize poorer and vulnerable areas, particularly those in Bujumbura and Gitega, since these urban areas were most impacted by the crisis. Additionally, the NGO contracted to supply the labor force for construction will specifically target vulnerable groups as beneficiaries. Further, the HIMO-plus approach will help to ensure that these beneficiaries (including those in vulnerable groups) have both transferable skills and support to seek employment and work within the construction industry. While the VC support under Component 2 is not specifically targeted at vulnerable groups, in practice, MSMEs account for a large portion of non-farm employment. The decline in MSMEs as a result of the crisis poses a grave risk for economic and social stability. Neighborhoods that have been hardest hit in terms of economic decline due to MSMEs going out of business tend to overlap with neighborhoods that house a large number of vulnerable groups. As such, project investments in MSMEs will also help to support vulnerable groups.

3. Implementation arrangements have been designed to protect investments and mitigate risks.

a. Each component involves independent monitoring agents to mitigate governance risk.

Under Component 1, a selected NGO(s) will work with the PIU to identify and monitor project beneficiaries with a focus on employment generation for vulnerable groups. Since a single NGO may not have the capacity to cover all the sub-projects, the project will recruit an international NGO to work with several local NGOs operating across different regions. The involvement of the international NGO will both protect the sub-project investments and mitigate risks of NGO capture and improper targeting of beneficiaries. Additionally, construction of the sub-projects will be led and overseen by ABUTIP, which has prior experience implementing projects for the World Bank and other international donors. The NGO will also focus on addressing issues related to the Batwa and implementing the recommendations of the IPPF where relevant.

Under Component 2, the financing facility for MSMEs will be overseen and monitored by a private sector consulting agency. This agency will help to ensure a balanced approach to providing financing, and with close supervision from the PIU and the CMU, can mitigate against governance risks. To help support long-term capacity, and as such, protection of investments, the project will provide capacity building and technical assistance to local governments. The PIU will be staffed and trained to best meet capacity requirements, and will be supplemented with consultant expertise as needed. These capacity improvements will help to mitigate implementation risks and the support provided will be tailored to the fragile environment in which the PIU and local governments currently operate.

b. The project will also continue to work closely with international partners operating in Burundi such as the UNDP, Agence Francaise de Developpement, the European Union, GIZ, the Swiss and Belgian Cooperations. Close collaboration with these partners will help the project to monitor and respond to risks and difficulties as they arise over the project life cycle.

c. Finally, the project will monitor the risks and impacts of the conflict through indicators that will be developed with the support of the local and international NGOs involved in project implementation. This will ensure a continuous and dynamic flow of information from the project to provide alerts on higher risks in different areas (particularly those where direct project interventions are taking place). Additionally, this monitoring engagement will provide a view on whether the project has had any impact on the overall fragile environment.