

BOARD APPROVAL
Lapse-of-time Procedure

5 December 2019

FOR INFORMATION

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

FROM : Vincent O. NMEHIELLE
Secretary General

SUBJECT : MULTINATIONAL: LAKE TANGANYIKA TRANSPORT CORRIDOR DEVELOPMENT PROJECT PHASE I: REHABILITATION OF BUJUMBURA PORT - REVISED*

ADF GRANT OF UA 14.07 MILLION
TSF GRANT OF UA 4.94 MILLION
PAGODA GRANT OF EURO 19.70 MILLION

The revised version of the above-mentioned **document** together with the draft **Resolutions** revised accordingly, were submitted for your **consideration on a Lapse-of-time Basis** on 27 November 2019.

Since **no objection** were recorded by 5:00 pm., on 5 December 2019, the said revised document is considered as **approved** and the Resolutions **adopted**.

Attach:

Cc : The President

* Questions on this document should be referred to:

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AFRICAN DEVELOPMENT BANK GROUP



PROJECT: LAKE TANGANYIKA TRANSPORT CORRIDOR DEVELOPMENT PROJECT PHASE I: REHABILITATION OF BUJUMBURA PORT

COUNTRY: MULTINATIONAL

PROJECT APPRAISAL REPORT

November 2019

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AFRICAN DEVELOPMENT BANK GROUP



MULTINATIONAL

**LAKE TANGANYIKA TRANSPORT CORRIDOR DEVELOPMENT PROJECT
PHASE I: REHABILITATION OF BUJUMBURA PORT**

APPRAISAL REPORT

Translated Document

RDGE/PGCL DEPARTMENT
November 2019

Public Disclosure Authorized

Public Disclosure Authorized

TABLE OF CONTENTS

PROJECT SUMMARY	iv
1. STRATEGIC THRUST AND JUSTIFICATION	1
1.1 Project Linkages with Regional and Country Strategies and Objectives	1
1.2 Rationale for Bank Intervention	2
1.3 Aid Coordination	2
2. PROJECT DESCRIPTION	2
2.1 Project Objectives and Components	2
2.2 Technical solutions adopted – alternatives considered	4
2.3 Project Type	4
2.4 Project Cost Estimates and Financing Arrangements	4
2.5 Project Area and Beneficiaries	6
2.6 Participatory Approach	6
2.7 Bank Group Experience Reflected in Project Design	7
2.8 Key Performance Indicators	7
3. PROJECT FEASIBILITY	8
3.1 Economic and Financial Performance	8
3.2 Environmental, Social and Climate Change Impacts	8
4. IMPLEMENTATION	12
4.1 Implementation Arrangements	12
4.2 Monitoring and Evaluation	15
4.3 Governance	15
4.4 Sustainability	16
4.5 Port Concession	17
4.6 Risk Management	18
4.7 Knowledge Building	18
5. LEGAL FRAMEWORK	19
5.1 Financing Instrument	19
5.2 Conditions for Bank Intervention	19
5.3 Compliance with Bank Policies	20
6. CONCLUSION AND RECOMMENDATION	20
6.1 Recommendation	20

Annex I: Comparative Socio-economic Indicators

Annex II: Ongoing Bank Projects Portfolio in Burundi

Annex III: Project Cost

Annex IV: Mainstreaming of fragility factor risks in the project

Annex V: Rationale for Level of Burundi's Counterpart Contribution

Annex VI: Lake Tanganyika Transport Corridor Development Project Phase II: Modernisation of Mpulungu Port

Annex VII: Map of the Project Area

Currency Equivalents

August 2019

UA 1 = BIF 2546.54

UA 1 = USD 1.38

UA 1 = EUR 1.23

Fiscal Year for Burundi: 1 July - 30 June

Weights and Measures

1 metric tonne = 2 204 pounds

1 kilogramme (kg) = 2.2 pounds

1 metre (m) = 3.281 feet

1 millimetre (mm) = 0.03937 inch

1 kilometer (km) = 0.62 mile

1 hectare (ha) = 2.471 acres

Abbreviations and Acronyms

AC	Advance Contracting
ADF	African Development Fund
AfDB	African Development Bank
CCTTFA	Central Corridor Transit and Transport Facilitation Agency
AMPF	Maritime, Port and Rail Authority
ARB	Burundi Road Agency
BIF	Burundi Franc
CSP	Country Strategy Paper
CTB	Belgian Technical Cooperation
DS	Detailed Study
EAC	East African Community
ECDT	Exclusive of Custom Duty and Tax
ERR	Economic Rate of Return
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
EU	European Union
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GoB	Government of Burundi
GPD-T	Partners' Group for Transport Sector Development
HDM-4	Road Development and Management Model
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ISTEEBU	Institute of Statistics and Economic Studies of Burundi
JICA	Japan International Cooperation Agency
MFBCDE	Ministry of Finance, Budget and Economic Development Cooperation
MTTPEAT	Ministry of Transport, Public Works, Equipment and Territory Development
NDC	Nationally Determined Contributions
PA	Project Area
PAR	Project Appraisal Report
PBA	Performance Based Allocation
PCR	Project Completion Report
PMT	Project Management Team
RAP	Resettlement Action Plan
RBLF	Results-Based Logical Framework
ROP	Regional Operations Package
SC	Steering Committee
TSIP	Transport Sector Investment Plan
TSF	Transition Support Facility
UA	Unit of Account
USD	United States Dollar
WB	World Bank

Project Information Sheet

Client Information Sheet

RECIPIENT	:	Republic of Burundi
PROJECT NAME	:	Lake Tanganyika Transport Corridor Development Project Phase I - Rehabilitation of Bujumbura Port
LOCATION	:	Bujumbura Province
EXECUTING AGENCY:		Maritime, Port and Rail Authority (AMPF)

Financing Plan

SOURCES	UA Million				EUR Million				USD Million			
	FE	LC	Total	%	FE	LC	Total	%	FE	LC	Total	%
ADF GRANT (PBA)	3,85	1,22	5,07	13,78%	4,73	1,50	6,24	13,78%	5,31	1,69	7,00	13,78%
ADF GRANT (ROE)	6,83	2,17	9,00	24,47%	8,40	2,67	11,07	24,47%	9,42	3,00	12,42	24,47%
TSF GRANT	3,75	1,19	4,94	13,43%	4,61	1,47	6,08	13,43%	5,17	1,64	6,82	13,43%
EU	12,14	3,88	16,02	43,54%	14,93	4,77	19,70	43,54%	16,75	5,35	22,10	43,54%
GoB	0,00	1,76	1,76	4,78%	0,00	2,16	2,16	4,78%	0,00	2,43	2,43	4,78%
TOTAL RESOURCES	26,56	10,22	36,79	100,00%	32,67	12,57	45,25	100,00%	36,66	14,11	50,77	100,00%

Key Financing Information on ADF and TSF Grants

Grant currency	Unit of Account
Interest type	Not Applicable
Interest rate margin	Not Applicable
Other charges	Not Applicable
NPV (baseline scenario)	EUR 8.39 million
ERR (baseline scenario)	20.29%

Concept Note Approval	October 2019
Project Approval	November 2019
Signing of the Grant	December 2019
Effectiveness	December 2019
Completion	December 2023
Last Disbursement	December 2024

PROJECT SUMMARY

General Project Overview

1. The proposed Lake Tanganyika Transport Corridor Development Project will boost regional integration and significantly reduce trade costs between riparian countries (Burundi, DRC, Tanzania and Zambia). Multimodal links with Central Corridor roads and railways will provide greater transport connectivity with other countries in the sub-region, such as Uganda and Rwanda. The project will therefore unlock Lake Tanganyika's potential as an inland waterway and provide a platform that would link the Northern (Mombasa in Kenya), Central (Dar-es-Salaam in Tanzania) and Southern (Mpulungu in Zambia/ Durban in South Africa) Road Corridors. Given its geostrategic location, it has significant economic potential, fostering trade in a wide range of agricultural and fishery products and building materials. Bujumbura (Burundi) and Mpulungu (Zambia) ports, as well as Kigoma (Tanzania) and Kalemia (DRC) ports, are some of the main ports of Lake Tanganyika.

2. Transport on this Lake Corridor is currently hampered by inadequate port infrastructure (Bujumbura, Mpulungu, Kalema, and Kigoma ports) and lack of harmonised measures to facilitate cross-border trade and movement of people. In order to solve the current problems of these ports and fully tap the lake transport potential, which has advantages in terms of reduced transport costs, capacity and freight safety compared to other modes of transport, the Governments of Zambia and Burundi have, with Bank financing, conducted a study to rehabilitate and modernise Bujumbura and Mpulungu ports. However, because Zambia is currently facing debt problems, this project concerns the rehabilitation of Bujumbura Port (Phase I). The modernisation of Mpulungu Port¹ will be implemented in Phase II. JICA is also financing the new passenger terminal, cargo hangar and access roads to Kigoma Port; in this regard, USD 30 million have already been committed by JICA.

3. The rehabilitation of Bujumbura Port will achieve the following key outcomes: (i) reduction of import/export costs by about 30%; (ii) improvement of service level and productivity by reducing port of call times for vessels and increasing the capacity of terminals; (iv) development of economic opportunities and an entrepreneurial network along Bujumbura Port; and (v) about 20% increase in cross-border trade with countries bordering the Lake.

4. The project has five (5) components: (A) Rehabilitation of Bujumbura Port and Access Roads; (B) Port Facilities; (C) Institutional Support and Capacity Building; (D) Trade and Transport Facilitation; and (E) Project Management. The implementation of Phase I activities of the project will be spread over a period of 5 years from January 2020 to December 2024, with an estimated total cost of UA 36.79 million exclusive of custom duty and tax, comprising: (i) UA 14.07 million by ADF; (ii) UA 4.94 million by TSF. (iii) UA 16.02 million by the EU; and (iv) UA 1.76 million as the Government's counterpart contribution.

5. The project area covers the entire city of Bujumbura and surrounding municipalities, with an estimated population of 1,250,000 inhabitants, 53% of whom are women. The project is expected to help reduce the cost of basic needs and increase cross-border trade.

Needs Assessment

6. The Bank's intervention is based on an analysis of the country's current socio-economic situation, and on the need to support the Government in the implementation of its National Development Plan (PND) 2018-2027 and the "Burundi 2025" Vision. Both strategies

¹ A general overview, a summary presentation of the components and an indicative financing plan for the Mpulungu Port Modernisation Project are presented in Annex VI.

give priority to economic infrastructure, particularly transport infrastructure, without which Burundi will not be able to achieve structural transformation of its economy and ensure strong, sustainable, resilient, and inclusive growth that creates decent jobs for all and improves the population's social well-being. These strategic orientation documents seek to make Burundi a transit country and a hub for the Great Lakes sub-region. Against this backdrop, the development of lake transport is deemed crucial or even imperative, as it offers significant potential for developing inter-regional trade. Bujumbura Port is at the confluence of three corridors: the Northern Corridor (Mombasa in Kenya), the Central Corridor (Dar-es-Salaam in Tanzania) and the Southern Corridor (Mpulungu in Zambia/Durban in South Africa), and its connectivity covers the lake ports of: (i) Kigoma in Tanzania; (ii) Kalemie and Kalundu in DRC; and (iii) Mpulungu in Zambia.

7. Currently, 80% of Burundi's international trade passes through the Central Corridor via Dar-es-Salaam. The recent rehabilitation of the Tanzanian railway between Dar-es-Salaam and Kigoma and the rehabilitation of Bujumbura Port will foster resumption of traffic through the railway and the lake. The project will also help to unlock the region's untapped multimodal transport potential and provide more cost-effective (cost, time and safety) and environmentally friendly maritime transport. In addition, the project will boost trade in a wide range of agricultural, manufactured and fishery products, and thereby increase economic activities in the country and promote tourism.

Added Value for the Bank

8. The Bank's value added stems from its experience in financing regional infrastructure projects in Burundi and East Africa in general. In 2018, the Board approved the Burundi-Tanzania Multinational Project: Rumonge-Gitaza and Kabingo-Kasulu-Manyovu Roads Rehabilitation Project, which covers the project area and provides an important multimodal link between the Lake Tanganyika Maritime Corridor and the Central Corridor. The Bank also financed the feasibility studies for this project through the NEPAD-IPPF Special Fund. Consequently, transition from the feasibility study to the actual project implementation will optimise the Bank's resources.

9. In the sub-region, the Bank is considered as a strategic partner in the transport sector because of its various past and current operations. The financing of this project falls within the Bank's assistance strategy in Burundi, and seeks to support the country in creating appropriate conditions for achieving the objectives of Burundi 2025 Vision, namely double-digit economic growth and halving poverty. Similarly, this project is consistent with the National Transport Sector Planning and Management Strategy and PND 2018-2027, which aims to promote regional and continental trade. The Bank's intervention in this project will enrich its experience in port projects in East Africa and strengthen its leadership role in the development of regional infrastructure on the continent.

Knowledge Management

10. The rationale for Bank intervention is multi-dimensional: (i) the Bank is generally proactive as regards development of the region's main trade corridors, and brings a wealth of experience to the project, providing a global perspective and a broader scope to connect the continent's main infrastructure and fill the missing links; (ii) the Bank assists in diversifying and distributing port facilities on Lake Tanganyika, thereby providing EAC and Southern African landlocked countries with much-needed alternative access to East African ports and international markets; (iii) the project is expected to serve seven (7) economies in the region, and thereby foster the growth of inter-regional and international trade and related activities. Through this project, the Bank will promote regional integration, private sector development and job creation, with significant economic development in the sub-region.

11. To ensure that lessons are learned from this project, a monitoring and evaluation system will be established by the executing agency. The definition of key impact indicators before project start-up, as well as the conduct of impact assessment at project completion will provide useful information on project outcomes and impacts. The lessons learned, as well as the experience and knowledge gained from the project implementation will be managed on a database at the executing agency, and will be disseminated in the Bank's annual reports and website. The database will effectively facilitate management of all knowledge gathered during the project implementation. At the strategic level, the economic impact of improved maritime transport for a landlocked country will be monitored and evaluated to guide the Bank's future sector interventions, particularly as regards the development of tourism and agricultural value chains.

RESULTS-BASED LOGICAL FRAMEWORK

Country and Project Name: Burundi/Zambia Multinational Project: Lake Tanganyika Transport Corridor Development Project Phase I - Rehabilitation of Bujumbura Port						
Project Goal: Contribute to economic growth in Burundi and Zambia by developing transport infrastructure so as to improve the competitiveness of their economies.						
RESULTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/ MITIGATION MEASURES	
	INDICATOR (INCLUDING CSI)	BASELINE SITUATION	TARGET			
IMPACT	Contribute to economic growth in Burundi	GDP growth rate Transport sector contribution to GDP	2018 4% 3.4%	2025 10% 4.4%	Sources: ISTEERU Statistics, CSP 2019-2023 for Burundi and 2025 Vision	Impacts Risk Political risks in Burundi Mitigation Measures
	OUTCOMES	Outcome 1: Operational capacity of Bujumbura Port improved	Container capacity Number of passengers Capacity of terminals	2019 28 TEU 0 passenger 1 200 T/d	2023 25 000 TEU 15 000 passengers 9 600 T/d	Sources: Port Concession Holder statistics, Burundi Revenue Office (OBR) statistics, migration service statistics, and monitoring and evaluation reports on project impacts.	These risks will be mitigated by reinforcing the country's political stability, conducting inter-Burundian talks, and ensuring success of the elections scheduled for 2020. Outcomes Risk Difficulties in maintaining port infrastructure and facilities, as well as access roads to the port. Mitigation Measures The rehabilitation of the port and its regional dimension will generate additional income for the port concession holder, and therefore enable it to allocate appropriate resources for the maintenance of existing port infrastructure and facilities and those acquired under the project.
Outcome 2: Service level of Bujumbura Port improved		Ships' stay time	2019 4 days	2023 1.1 day	Sources: Port Concession Holder statistics, Burundi Revenue Office (OBR) statistics, migration service statistics, and monitoring and evaluation reports on project impacts.	
Outcome 3: Jobs created in the port and its environs		Number of new enterprises, micro-enterprises and small and medium-sized enterprises established around the port Number of jobs created	2019 0	2023 30, with 30% managed by women		
			Direct (481 jobs including 19% for women) Indirect (NA)	665 jobs, with 30% for women 1000 MH (including 30% for women)		
Outcome 4: Lower import/export transport costs	Transport cost per 20-foot container	USD 2,400	-30%			
OUTPUTS	Output 1: Port infrastructure constructed and access roads improved	(i) Length of quays rehabilitated; (ii) number of basin for Navy built; (iii) number of passenger quays built; and (iv) length of access roads to the port rehabilitated.	In 2019: NA	In 2023: (i) 400 m from the south cargo quay and 190 m from the north cargo quay; (ii) 1 basin for Navy; (iii) 1 passenger quay; and (iv) 11 km of access roads to the port.	Source: Project supervision, progress, audit, monitoring-evaluation and completion reports	
	Output 2: Port facilities acquired, installed and operational	Port facilities acquired	In 2019: NA	In 2023: (i) two 200-tonne cranes; (ii) 1 tugboat, 1 patrol ship, and 1 rescue ship; and (iii) 3 lighthouses.		

Output 3: Institutional support and capacity building	(i) Number of people trained by AMPF; (ii) number of people trained during ESMP implementation; (iii) number of individual consultants recruited; (iv) number of protected fish spawning grounds; and (v) the land certificates service computerised.	In 2019: NA	(i) 30 people trained by AMPF, including 30% women; (ii) 50 people trained, including 30% women, during ESMP implementation; (iii) 2 individual consultants recruited; (iv) 21 protected fish spawning grounds; and (v) the land certificates service computerised.		
Output 4: Tools and equipment for trade and transport facilitation delivered and operational	Types and number of tools and equipment delivered and operational	In 2019: NA	In 2023: (i) a single window established; (ii) facilities for identifying and registering passengers acquired; and (iii) texts harmonising rules and laws for Lake Tanganyika transport and port operations for riparian countries (Burundi, Tanzania, DRC and Zambia) adopted and transposed into national regulations.		
Output 5: Reports produced and validated	Number of reports validated	In 2019: NA	In 2023: (i) 3 impact monitoring and evaluation reports; (ii) 3 accounting and financial audit reports; (iii) 8 quarterly reports on ESMP implementation; (iv) 8 quarterly progress reports and 1 final report; (v) 3 reports on training; and (vi) 3 sensitization reports.		
COMPONENTS		RESOURCES (UA MILLION)			
Components	Components				
A- Port Infrastructure	UA Million	Source in UA Million			
B- Port Facilities		ADF GRANT	TSF GRANT	EU GRANT	Gov't
C- Institutional Support and Capacity Building	A-Port Infrastructure	22.72	6.79	2.38	11.78
D- Trade and Transport Facilitation	B-Port Facilities	6.96	2.07	0.73	4.16
E- Project Management	C-Institutional Support and Capacity Building	1.14	0.82	0.29	0
	D-Trade and Transport Facilitation	0.98	0.72	0.25	0
	F-Project Management	0.65	0.50	0.17	0
	Physical Contingencies	2.25	1.87	0.66	0
	Financial Contingencies	1.75	1.29	0.45	0
	Total	36.70	14.07	4.94	15.93
	Communication	0.08	0	0	0.08
	TOTAL RESOURCES	36.79	14.07	4.94	16.02

Outputs Risk
(i) Poor quality of works; (ii) poor performance of contractors; and (iii) project cost overruns.

Mitigation Measures
Periodic financial and technical audits; (ii) adoption of best practices for selection of contractors, and establishment of a rigorous control and monitoring system; and (iii) inclusion of a Technical Assistant to support project implementation.

REPORT AND RECOMMENDATION BY BANK GROUP MANAGEMENT TO THE BOARD OF DIRECTORS CONCERNING GRANTS TO THE REPUBLIC OF BURUNDI FOR THE LAKE TANGANYIKA TRANSPORT CORRIDOR DEVELOPMENT PROJECT PHASE I - REHABILITATION OF BUJUMBURA PORT

Management hereby submits a report and recommendation for a grant proposal: (i) ADF XIV Performance Based Allocation : UA 5.07 million, (ii) ADF XIV Regional Operations Envelope: UA 9.00 million; (iii) TSF: UA 4.94 million; et and (iv) EU's AFIF: EUR 19.70 million to the Republic of Burundi to finance the Lake Tanganyika Transport Corridor Development Project Phase I - Rehabilitation of Bujumbura Port.

1. STRATEGIC THRUST AND JUSTIFICATION

1.1 Project Linkages with Regional and Country Strategies and Objectives

1.1.1 The Lake Tanganyika Corridor is a priority of the African Union's (AU) Programme for Infrastructure Development in Africa (PIDA) and of the East African Community (EAC) and COMESA Regional Transport Facilitation Programme. The project is fully consistent with Theme VIII of the National Development Plan (PND): "Enhancing transport infrastructure, trade and ICT". Furthermore, the PND is designed to fall within a development perspective based on a new initiative to transform economic, demographic and social structures. Transport on Lake Tanganyika was identified in the Regional Integration Strategy Paper (RISP 2018-2022) and the East African Transport Strategy as a priority for action. As an integral part of the central and north-south corridor, the project is also a PIDA priority and aims to fill the missing links on this strategic regional corridor. Transportation on the corridor is currently hampered by inadequate port infrastructure and lack of facilities and legal frameworks to facilitate navigation, cross-border trade and movement of people along this lake transport corridor. The project will foster trade in a wide range of agricultural, manufacturing and fishery products, as well as enhance tourism and other economic activities in Burundi and the sub-region.

1.1.2 The Bank's Country Strategy Paper (CSP) for Burundi (2019-2023) is aligned with the PND focus areas and supports the Government's vision through two strategic pillars, namely: (i) development and transformation of agriculture; and (ii) upgrading of transport and energy infrastructure. This project is also aligned with Pillar II of the CSP and consistent with the Bank's priorities and strategies, particularly the Ten-Year Strategy 2013-22, the Five Key Priorities (High-5s) and, more specifically, regional integration. It should be noted that the objective of Pillar II of the CSP is to eliminate bottlenecks in productive sectors and facilitate access to domestic, regional and international markets. The transport sector is a key driver of regional integration and trade in Eastern and Southern Africa, whereas the current state of the energy sector is a major constraint in reducing factor costs, processing primary products, and ensuring the well-being of the population. The development of lake transport falls within this framework, as it offers enormous potential for the development of Burundi and the sub-region. Bujumbura Port is linked to about a dozen ports and should serve as a hub for inter-regional trade. The project is also consistent with the Bank's Second Climate Action Plan (2016 - 2020).

1.1.3 The project has been prioritized as a regional operation following an assessment process. Regional operations, as defined in the revised framework for selecting and prioritizing operations, are single-country operations that have a regional impact and their benefits are shared with neighbouring countries through positive border effects. In this regard, the project will have enormous regional impacts, although most of Phase I activities will be carried out in a single country (Burundi). The activities include: (i) addressing fragility; (ii) building resilience; and (iii) promoting regional peace and stability in the sub-region by linking food supply and demand. Food-importing countries such as Burundi, South Sudan, and Rwanda obtain most of their maize needs from Zambia, transported through Lake Mpulungu to Bujumbura and by road. The World Bank and the World Food Programme estimate that replacing road transport will reduce transport costs from USD 230- 287 to about USD 74

per tonne for maize deliveries from Zambia to Burundi. This will significantly improve security of supply and accelerate humanitarian response to emergency situations in countries such as South Sudan and DRC.

1.1.4 To improve regional benefits, the proposed project will include access roads linking the port to National Road No. 1 (RN 1) and providing a link to the regional road network (Burundi, Tanzania, DRC, Rwanda, Uganda and South Sudan further afield), as well as related components, particularly the establishment of a single window and related capacity building to improve inter-agency coordination and information sharing between the various authorities, thereby enhancing efficiency of the customs clearance process for goods and people. Another key regional benefit is support for harmonisation of transport legislation for Lake Tanganyika and port operations for riparian countries (Burundi, Tanzania, DRC and Zambia).

1.2 Rationale for Bank Intervention

1.2.1 Bujumbura Port falls with the Lake Tanganyika integrated regional transport corridor, which seeks to improve the regional network and is essential for trade competitiveness and regional integration. The overall goal of the Lake Tanganyika transport corridor is to reduce inter-regional trade barriers, particularly high costs and transportation time. Lake Tanganyika offers an alternative for trade to and from DRC, Burundi, Tanzania and Zambia through interconnection with existing road networks. The development of Bujumbura Port (Phase 1 of the Lake Tanganyika integrated regional transport corridor) is consistent with efforts to improve transportation time and export performance in the EAC and SADC region. This is also in line with the Bank's development priorities to strengthen intra-regional trade and regional integration.

1.3 Aid Coordination

1.3.1 In addition to the Bank, several other development partners support the country's transport sector. The partners include the World Bank (WB), European Union (EU), Japan International Cooperation Agency (JICA) and Belgian Technical Cooperation (BTC). During the appraisal mission, the Bank consulted these development partners in Burundi: EU, JICA, World Bank and the Netherlands Embassy. The Bank sent a request for the project co-financing to the EU in order to make up for its limited resources and ensure financing for all the proposed project components. Several working meetings were held with EU representatives in Brussels and Burundi on the possibility of co-financing. The request was approved by the TAM on 9 October 2019 and will be presented to the EU Board of Directors in November 2019.

1.3.2 In general, the Development Partners Group (GPD) is a body responsible for coordinating bilateral and multilateral development partners in Burundi. The Transport Sector Development Partners Group (GPD-T), led by the Bank, is a sector GPD sub-group, which provides a platform for discussion of financing and implementation issues related to the Transport Sector Investment Plan (TISP) and other policy documents. There is ongoing dialogue between the Government and development partners (DPs) to ensure that outcomes and outputs are achieved in accordance with agreed targets.

2. PROJECT DESCRIPTION

2.1 Project Objectives and Components

2.1.1 The main project objective is to improve the regional transport network so as to foster trade and contribute to the region's economic growth. Development of regional infrastructure is required to improve competitiveness and strengthen regional integration.

2.1.2. The main objective has specific objectives as follows: (i) increase the capacity and efficiency of Bujumbura (Burundi) and Mpulungu (Zambia) ports so as to improve regional connectivity; (ii) boost regional trade along the integrated Lake Tanganyika corridor and interconnect with existing regional trade corridors; and (iii) improve living conditions for the population in the project area.

2.1.3. To achieve the above-mentioned objectives, an integrated Bank intervention encompassing investments in physical and related infrastructure components along the Lake Tanganyika Integrated Transport Corridor is essential. The rehabilitation of Bujumbura Port (Phase 1) forms part of this much-needed investment in the region. The project is structured around five (5) components summarized in the table below:

Table 2.1: Project Components (*)

Components	Cost Estimates (UA Million)			Description of Components
	ADF/ TSF	EU	GoB	
A- Civil Works	9.18	11.75	1.76	<p>A.1. Port Rehabilitation Works (rehabilitation of the South cargo quay; rehabilitation of the North cargo quay; rehabilitation of the North jetty; construction of the new breakwater (south); construction of basin for Navy; construction of the RoRo passenger quay; dredging and excavation; roads and utilities networks (VRD); demolition (existing breakwater, south jetty, and old wooden jetty); and construction of PIU offices.</p> <p>A.2. Access roads to the port;</p> <p>A.3 Sensitisation on mitigation of HIV/AIDS, STIs, family planning, early pregnancies, malaria prevention, safety in the port, around the port and on access roads, environmental protection, climate change and encouraging girls and women to choose scientific fields of study in general and to engage in port professions, in particular.</p> <p>A.4 ESMP implementation and climate change adaptation measures identified; and</p> <p>A.5 Works supervision services.</p>
B-Port Facilities	2.80	4.16		<p>B.1. Navigation aid equipment, 3 lighthouses for signalling breakwaters;</p> <p>B.2 Three vessels (one tug, one patrol boat, and one search and rescue boat);</p> <p>B.3 Two mobile pneumatic cranes.</p>
C- Institutional Support and Capacity Building	1.11			<p>C.1. Training of PIU staff;</p> <p>C.2 Training of AMPF and ARB staff and the executives of the Ministry in charge of finance (environment + climate change) under the ESMP;</p> <p>C.3 Technical assistance (project management and procurement);</p> <p>C.4 Support activities for fishermen and development of entrepreneurial activities around the Port;</p> <p>C.5 Protection of fish spawning grounds (21 areas);</p> <p>C.6 Computerisation of Land Certificate Services and construction of offices for archiving.</p>
D- Trade and Transport Facilitation	0.98			<p>D.1. Establishment of a single window and capacity building for port users;</p> <p>D.2 Supply and installation of passenger identification and check-in equipment;</p> <p>D.3. Harmonisation of transport legislation on Lake Tanganyika and port operations for riparian countries (Burundi, Tanzania, DRC and Zambia).</p>

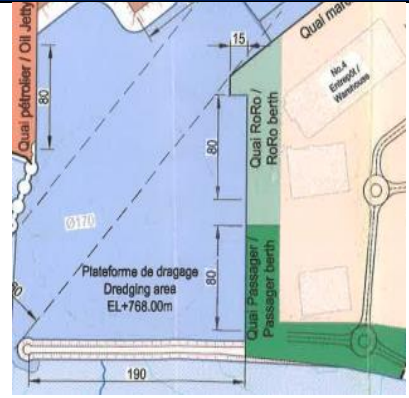
E- Project Management	0.67	0.03		E.1. Monitoring/evaluation of socio-economic impacts of the project; E.2. Financial and accounting audit of the project; E.3. Technical and safety audit; E.4. Operating costs and coordination of the Project Implementation Unit (PIU).
Base Cost	14.74	15.93	1.76	
		32.43		
		2.52		Physical contingencies
		1.75		Financial contingencies
Total		36.70		
Communication		0.08		Communication and project visibility (EU)
GRAND TOTAL		36.79		TOTAL PROJECT COST

(*)The budget and components of the Mpulungu Port Modernisation Project (Phase II of the project) are provided for indicative purposes in Annex VI.

2.2 Technical solutions adopted – alternatives considered

2.2.1 The technical solution adopted for Bujumbura Port comprises the following: (i) Rehabilitation of the South Cargo Quay; (ii) Rehabilitation of the North Cargo Quay; (iii) Rehabilitation of the North Jetty; (iv) Construction of the new breakwater (south); (v) Construction of the basin for Navy; (vi) Construction of the RoRo Passenger Quay; (vii) Dredging and excavation; (viii) Roads and Utilities Networks (VRD); (ix) Demolition (existing breakwater, south jetty, and old wooden jetty); and (x) Construction of PIU offices.

2.2.2. The alternative considered and the reasons for its rejection are summarised in Table 2.2 below: **Table 2.2: Alternative and reasons for rejection**

Alternative	Brief Description	Reason for Rejection
	<p>The alternative comprises: (i) Rehabilitation of the South Cargo Quay; (ii) Rehabilitation of the North Cargo Quay; (iii) Rehabilitation of the North Jetty; (iv) Construction of the new breakwater (south); (v) Construction of the basin for Navy; (vi) Construction of the passenger quay; (vii) construction of a two-berth RoRo quay; (viii) Dredging and excavation; (ix) Roads and Utilities Networks (VRD); (x) Demolition (existing breakwater, south jetty, and old wooden jetty).</p>	<p>Alternative rejected because it provides the construction of an independent passenger quay with two-berth RoRo quay for a higher traffic level that is not justified at this time.</p>

2.3 Project Type

2.3.1 This is a stand-alone regional investment operation. The required ADF and TSF resources will be used to finance known social and economic infrastructure. In addition, the investments for which funds will be disbursed are specific and clearly defined.

2.4 Project Cost Estimates and Financing Arrangements

Project Cost by Component

2.4.1 The project cost, exclusive of custom duty and tax, is estimated at UA 36.79 million or EUR 45.25 million (BIF 93.68 billion), of which UA 26.56 million or 72% in foreign exchange and UA

10.23 million or 28% in local currency. The unit costs of the works have been determined taking into account: (i) the results of final design studies in 2016; (ii) unit costs from bids received between 2014 and 2016 for similar works in the region; and (iii) price adjustments to take into account price fluctuations for the 2016-2019 period. It includes provisions for works execution contingencies and price escalation. The summary costs by category and the disbursement schedule by source of financing are provided in Annex III. The detailed costs by component and by expenditure category, as well as the expenditure schedule are presented in Technical Annex B2. The conversion rates applied are those in force at the Bank in August 2019, namely: UA 1 = EUR 1.23 and UA 1 = BIF 2546.54.

2.4.2 The table below gives a breakdown of the project cost by component:

Table 2.3: Summary cost estimates by project component

COMPONENTS	EUR Million			UA Million			BIF Million		
	F.E.	L.C.	Total	F.E.	L.C.	Total	F.E.	L.C.	Total
A. Civil works	18.24	9.66	27.90	14.83	7.86	22.68	37 755.68	20 009.27	57 764.95
B. Port facilities	7.70	0.86	8.56	6.26	0.70	6.96	15 951.71	1 772.41	17 724.12
C. Institutional support and capacity building	1.16	0.21	1.37	0.92	0.19	1.11	2 342.06	488.09	2 830.15
D. Trade and Transport Facilitation	0.99	0.21	1.20	0.80	0.17	0.98	2 049.65	434.78	2 484.43
E/ Project Management	0.73	0.13	0.86	0.60	0.11	0.70	1 519.37	268.12	1 787.50
Base Cost	28.83	11.07	39.89	23.41	9.02	32.43	59 618.47	22 972.67	82 591.14
Physical Contingencies	2.24	0.86	3.11	1.82	0.70	2.52	4 640.44	1 788.09	6 428.53
Financial Contingencies	1.55	0.60	2.15	1.26	0.49	1.75	3 212.95	1 238.04	4 450.98
PROJECT COST	32.62	12.52	45.15	26.50	10.21	36.70	67 471.85	25 998.79	93 470.65
Communication (EU)	0.09	0.02	0.10	0.07	0.01	0.08	175.98	31.06	207.04
TOTAL PROJECT COST	32.71	12.54	45.25	26.56	10.22	36.79	67 647.83	26 029.85	93 677.68

Financing Arrangements

2.4.3 The project will be jointly financed by the Bank, the EU, and the Government of Burundi. The Bank will finance 52% of the total project cost (UA 36.79 million or USD 45.25 million), through an ADF grant of UA 14.07 million (EUR 17.31 million), a TSF grant of UA 4.94 million (EUR 6.08 million) and an EU grant of UA 16.02 million (EUR 19.70 million). Burundi's counterpart contribution will account for 5% of the project cost, which corresponds to UA 1.76 million (EUR 2.16 million). Table 2.4 below presents the project financing plan.

Table 2.4: Sources of Financing

SOURCES	UA Million				EUR Million				USD Million			
	FE	LC	Total	%	FE	LC	Total	%	FE	LC	Total	%
ADF GRANT	10,68	3,39	14,07	38,25%	13,13	4,17	17,31	38,25%	14,73	4,68	19,42	38,25%
TSF GRANT	3,75	1,19	4,94	13,43%	4,61	1,47	6,08	13,43%	5,17	1,64	6,82	13,43%
EU GRANT	12,14	3,88	16,02	43,54%	14,93	4,77	19,70	43,54%	16,75	5,35	22,10	43,54%
GoB	0,00	1,76	1,76	4,78%	0,00	2,16	2,16	4,78%	0,00	2,43	2,43	4,78%
TOTAL RESOURCES	26,56	10,22	36,79	100,00%	32,67	12,57	45,25	100,00%	36,66	14,11	50,77	100,00%

2.4.4 The Bank's contribution, entirely as a grant to Burundi, will come from ADF XIV Performance Based Allocation (PBA) (UA 5.07 million or 14%), Regional Operations Envelope (ROE) (UA 9.00 million or 25%) and TSF (UA 4.94 million or 13%). It will be used to finance 52% of the cost of works, goods and services. The cost of the works will be jointly financed by the EU (43%) and Burundi's 5% counterpart contribution. Table 2.5 below presents ADF-CA and ROE sources of financing.

Table 2.5: Sources of Financing

SOURCES	UA Million				EUR Million				USD Million			
	FE	LC	Total	%	FE	LC	Total	%	FE	LC	Total	%
ADF GRANT (PBA)	3,85	1,22	5,07	13,78%	4,73	1,50	6,24	13,78%	5,31	1,69	7,00	13,78%
ADF GRANT (ROE)	6,83	2,17	9,00	24,47%	8,40	2,67	11,07	24,47%	9,42	3,00	12,42	24,47%
ISF GRANT	3,75	1,19	4,94	13,43%	4,61	1,47	6,08	13,43%	5,17	1,64	6,82	13,43%
EU	12,14	3,88	16,02	43,54%	14,93	4,77	19,70	43,54%	16,75	5,35	22,10	43,54%
GoB	0,00	1,76	1,76	4,78%	0,00	2,16	2,16	4,78%	0,00	2,43	2,43	4,78%
TOTAL RESOURCES	26,56	10,22	36,79	100,00%	32,67	12,57	45,25	100,00%	36,66	14,11	50,77	100,00%

2.4.5 In parallel, the rehabilitation of Bujumbura Port will be financed by JICA for about USD 25 million and includes the following components: (i) the shipyard; (ii) dredging of the Port basin; (iii) the container terminal; and (iv) deviation of the Ruvumera (Buyenzi) stormwater drainage channel. The contractor has already been selected, and works will start early November 2019.

2.5 Project Area and Beneficiaries

2.5.1 Development of the Lake Tanganyika Transport Corridor Phase I - Rehabilitation of Bujumbura Port, will enhance regional connectivity and trade in the region. The Port will link the main maritime centres for trade and passenger transport between the four (4) riparian countries namely, Burundi, Democratic Republic of Congo (DRC), Tanzania and Zambia, with a growing population of 12 million people living in the immediate project area and 60 million people in the entire Lake Tanganyika basin.

2.5.2 The project beneficiaries will mainly comprise: (i) stakeholders of Bujumbura Port, including AMPF, the concession holder of Bujumbura Port, carriers and ship-owners, following the rehabilitation of infrastructure and acquisition of new port equipment; (ii) customs, immigration and maritime police services following the establishment of a single window to streamline procedures; (iii) manufacturers following the reduction in transport costs and time; (iv) the population of the project area for the employment opportunities that will be created; (v) women involved in post-harvest fishing activities, fishermen and the fishermen's association for the support they will receive and the protection of 21 fish spawning grounds under the project; and (vi) small businesses operating around the port as a result of support for the development of entrepreneurship in the area.

2.5.3 Given the geostrategic location of Bujumbura Port, the positive impacts will be amplified, as the port will provide an economic link between Burundi and the countries bordering Lake Tanganyika, as well as with East and Southern African countries through the northern, central and southern corridors. Furthermore, as an alternative route to the central corridor linking Bujumbura to Dar-es-Salaam Port in Tanzania through Kigoma Port, Bujumbura Port will have greater economic impact following reduced transport costs due to shorter transportation times and better conditions offered by lake transport.

2.6 Participatory Approach

2.6.1 The various stakeholders were consulted during conduct of the technical studies, ESIA/ESMP (in 2016 and 2018 in Burundi and Zambia) and the Bank's preparation and appraisal missions. For Burundi, the stakeholder include: (i) administrative and political authorities; (ii) port stakeholders (AMPF, the port concession holder, Burundi Revenue Office, the migration service, the port navy and police, carriers, ship-owners, etc.); (iii) fishermen, women involved in post-harvest fishing activities, and the fishermen's association; (iv) private sector operators including maritime transport, and (iv) the Chamber of Commerce and Industry, and small businesses of young people and women around the port. During the meetings, the beneficiaries' opinions and concerns were collected.

2.6.2. Most of the beneficiaries' concerns and expectations have been reflected in the project design. The participatory approach and consultation process will continue during the project appraisal and implementation, in particular: (i) site installation and works start-up; (ii) establishment of the baseline situation and monitoring-evaluation of project impacts; and (iii) monitoring of implementation of the Environmental and Social Management Plan (ESMP). Provisions have also been made for the works contract and control mission to facilitate communication with the project area population.

2.7 Bank Group Experience Reflected in Project Design

2.7.1 As at 27 August 2019, the Bank's active portfolio in Burundi comprised fifteen (15) public sector operations, totalling about UA 227.956 million. The operations-concentrated sectors are: transport (60.6%), energy (32.9%), agriculture (4.8%), multi-sector (1.2%) and social (0.4%). This situation reflects the Bank's strategic choices for the country for the 2012-2016 period, which was extended to 2018, focusing on governance and infrastructure improvement. An analysis of the portfolio's performance shows a relatively satisfactory disbursement rate of about 35.42%, for an overall average age of about three (3.83) years. Up to the end of September 2019, 40% of the portfolio was deemed to be performing well, 40% required proactive measures to avoid them being considered non-performing, and only 20% was deemed non-performing (one project in the energy and institutional support sector).

2.7.2. In general, the Bank's completed transport operations have been relatively well implemented and the key lessons learned are reflected in the design of this project, namely: (i) review and update of the combined bidding documents for port and road infrastructure to ensure good quality of project at entry; (ii) the recruitment of two (2) individual consultants (Procurement and Project Management) in the Project Implementation Unit (PIC) to improve the quality of documents, accelerate the procurement process, strengthen staff capacity and thereby comply with the project implementation schedule; (iii) the appointment of an AMPF Officer in charge of the Socio-economic Impact Monitoring and Evaluation Component of the project; (iv) the establishment of a Technical Committee in charge of technical issues during project implementation; and (v) the organisation of training sessions for the Project Executing Agency staff on the Bank's procurement, disbursement and financial management rules and procedures during the project launching mission.

2.8 Key Performance Indicators

2.8.1 The identified key performance indicators and expected project outcomes included in the results-based logical framework are as follows: (i) GDF growth rate; (ii) container capacity; (iii) number of passengers; (iv) ships' stay time; (v) capacity of the port terminal; (vi) number of new micro-enterprises and small and medium-sized enterprises around the port; (vii) number of jobs created; and (viii) reduced 20-foot container transport cost. The baseline situation, as defined in the logical framework, will be verified, and the project will be reviewed mid-term and evaluated at completion by a consultant to be recruited under the project.

2.8.2. The performance indicators for project implementation, which will be defined and monitored, are mainly: (i) the time-frame for fulfilling the conditions precedent to the first disbursement of the Grant; (ii) the procurement timelines; (iii) the project implementation schedule; and (iv) the disbursement rates in terms of the expenditure schedule.

3. PROJECT FEASIBILITY

3.1 Economic and Financial Performance

Economic Analysis

3.1.1 For purposes of economic analysis, the benefits were determined on the basis of the "Without Project" and "With Project" scenarios over a period of 15 years, from 2020 to 2035. The economic performance indicator used is the Economic Rate of Return (ERR). The economic analysis of the project over the indicated period was based on the cost-benefit approach, comparing the baseline situation to the "With Project" situation. The project's economic benefits are assessed on several levels: (i) an increase in port revenues based on turnover and calculated on the tonnage handled; (ii) improved productivity of port operations; (iii) the creation of induced jobs; (iv) reduced transport costs on the Dar es Salaam - Bujumbura corridor. The project, upon completion, will further strengthen Bujumbura Port as a multimodal hub at the centre of Burundi's supply and transit system to Rwanda and North-East DRC, as well as traffic convergence point from the ports of Mpulungu in Zambia, Kigoma in Tanzania, and Kalemie in DRC.

3.1.2. It is estimated that the project will generate significant externalities for Burundi, with an economic NPV of EUR 8.40 million and an Economic Rate of Return (ERR) of 20.29%. The ERR was subjected to sensitivity tests based on the following scenarios: (i) 10% increase in economic cost; (ii) 10% reduction in benefits. The ERRs from the tests, 17.24% and 14.16% respectively, indicate that the project is economically viable. Other significant benefits, which are difficult to quantify and are not taken into account in the economic analysis, need to be considered, in particular: (i) reduced operating costs for shipping companies; and (ii) higher revenues for the port concession holder. The results of the economic analysis are presented in the table below:

Economic Analysis Result (Baseline Scenario)

Economic Rate of Return (ERR)	20.29%
Net Present Value (NPV)	EUR 8.39 million

3.2 Environmental, Social and Climate Change Impacts

Environment

3.2.1 **Project Categorization and Comprehensive Environmental and Social Studies.** In accordance with the Integrated Safeguards System (ISS) and the Environmental and Social Action Plan (ESAP), the project is classified in Category 1 because of the potential environmental impacts associated with certain activities (such as breakwaters and quay construction, dredging and excavation works, rehabilitation and demolition works) during the project's construction phase. An Environmental and Social Impact Assessment (ESIA), accompanied by an Environmental and Social Management Plan (ESMP), has been prepared in accordance with Burundi's legislation and the Bank's environmental and social safeguard requirements. Under the ESIA, appropriate public consultations were held with stakeholders directly and indirectly affected by the impacts associated with the construction and operational phases of the project. The environmental permit for the ESIA was issued on 9 October 2018. A summary of the ESIA and ESMP was published on the Bank's website on 26 July 2019. The comprehensive ESIA has also been published on the Bank's website.

3.2.2. **Main environmental and social impacts.** The environmental and social impacts identified during the construction and operational phases include impacts related to: (i) transportation of sediments from dredging; (ii) noise, and air and water quality on Lake Tanganyika; (iii) risk of lower fish catches due to mass mortalities, degradation of spawning grounds or fish migration due to noise or muddy waters in the vicinity of the port authorized for fishing during the dredging, excavation and demolition phases (traditional fishing authorised up to 100 m from the port entrance); and (iv) job

creation. The ESMP prepared under the project describes appropriate mitigation measures for the identified impacts. The main mitigation measures in the ESMP include: (i) refrain, as much as possible, from noisy nocturnal construction activities on the project site; (ii) use machinery in good working condition and emitting less noise; (iii) try to carry out dredging and excavation works during periods of calm lake waters; (iv) hire local labour as much as possible, especially young traders on access roads that will be constructed during the construction phase. AMPF has assigned a full-time Environmental Officer to work in the Project Implementation Unit (PIU) and oversee the ESMP implementation, the preparation of monitoring reports to be submitted to the Bank, and the implementation of climate change adaptation actions. The ESMP includes a grievance mechanism that will be put in place to ensure that all grievances are dealt with as quickly as possible. The overall ESMP cost (including costs related to sensitisation and institutional capacity building for the project during the construction and operational phases) is estimated at **three hundred and ninety-nine thousand one hundred and ten US dollars (USD 399,110)**.

3.2.3. Institutional capacity for ESMP implementation and environmental and social risk management. During the project appraisal mission, the Bank agreed with AMPF that a capacity building programme will be put in place for environmental and social safeguards to ensure that all ESMP measures are adequately translated into contractual clauses for contractors, and then implemented properly.

Involuntary Resettlement

3.2.4. All the project works will be carried out within Bujumbura Port. Consequently, there will be no involuntary resettlement (economic or physical) to be compensated by the project. Furthermore, works on access roads to Bujumbura Port will not involve permanent involuntary physical or economic resettlement.

Climate Change

3.2.5 The project has been classified in Category 2 based on the vulnerability analysis conducted by the Bank's Climate Safeguards System. Given the significant investments that will be made in the ports and associated road links, it is important to better understand the risks associated with climate change impacts on the lake. The main risk is flooding, because heavy rainfall will increase surface runoff and soil erosion, and raise lake levels, causing tidal flooding. The entrance to the port is also vulnerable to flooding due to frequent rainfall, and parts of the project roads are located in steep terrain areas with the risk of erosion and destruction of road infrastructure.

3.2.6. In order to adapt the port infrastructure and build climate-resilient facilities, climate adaptation measures will be taken during the port rehabilitation, particularly as regards proper sizing of drainage works. The measures are as follows: (i) restoration of the drainage system during the works and reconstruction of related structures; (ii) stabilisation of embankments and surfacing of exposed embankments, as well as extension of drainage channels to the lake.

3.2.7. With respect to greenhouse gas (GHG) emissions, project emissions are expected to come from: (i) various used port machinery, electricity/production capacity requirements, etc.; (ii) passenger traffic (similar to freight, but in passenger-km), (iii) mobile or stationary port equipment: cranes, forklifts, etc.; and (iv) on-site energy source (e.g. energy producing gas turbine). Emissions are also expected from land transport vehicles to the port.

3.2.8. To mitigate emissions from the above sources, the project should implement measures that limit and reduce GHG emissions through: (i) adoption and inclusion of innovative energy-efficient technologies in accordance with international standards to reduce GHGs and combat air pollution from maritime transport; (ii) environmental management (such as waste management, tree planting, and environmental education); (iii) capacity building in line with climate risk management and adaptation measures in Burundi's NDC; and (iv) adaptation of the blue and circular economy strategy.

3.2.9. Maintaining sound coastal and freshwater ecosystems will be ensured by: (i) promoting resilient development and low carbon emissions; (ii) catalysing sustainable fisheries management practices, national and regional policy processes under the Blue Economy Agenda; and (iii) reducing marine pollution through the Circular Economy Strategy. The Lake Tanganyika Transport Corridor Development Project provides a good opportunity to access climate finance and address climate issues, while ensuring sustainable development with a high potential to contribute to both mitigation and adaptation.

Gender and specific activities for women

3.2.10 According to the Gender Marker System (GMS), this project is classified as GEN III because at least one of the outcomes directly contributes to reducing gender inequalities in the project area. As illustrated in the points relating to social aspects, the development of the port will generate significant benefits and spin-offs for women's economic empowerment. The appraisal mission worked with port stakeholders and helped to identify some activities that will directly affect women. The activities are intended to address fragility factors and contribute to women's socio-economic empowerment. The identified activities concern: (i) development of women's entrepreneurship around Bujumbura Port; (ii) building the entrepreneurial capacity of women engaged in economic activities around the port; (iii) improvement of working conditions for women involved in Kajaga Port restoration and in post-capture fishing activities; and (vi) support for the development of cross-border trade between the countries bordering the Lake in predominantly female sectors. All these activities, once implemented, will have a significant impact in terms of empowering women living near Bujumbura Port.

3.2.11 During the project implementation, the inflow of people into the project area could accelerate the spread of HIV/AIDS and reprehensible social behaviour. In order to help achieve the objectives of the country's HIV/AIDS Policy, the project contractor will need an HIV/AIDS programme to sensitize its service providers and employees on HIV/AIDS. In addition, the country's gender policy requires the project management to lay emphasis on gender issues. It also requires that women and men should have equal employment opportunities in the project, whenever possible. During the works, the contractor will be required to ensure that, to the extent possible, men and women are given equal opportunities in the recruitment of construction workers.

Social Aspects and Poverty

3.2.12 This project will help to increase production, ensure better marketing of products, and improve household incomes, as well as create new businesses and foster economic development in general. Several social benefits, mainly for women, will be generated by the development of the two ports (Phase I, Bujumbura Port in Burundi and Phase II, Mpulungu Port in Zambia). The benefits include: (i) support for women involved in the restoration of fishing ports and in post-harvest fishing activities; (ii) support for the development of women entrepreneurs around the Lake; and (iii) support for the development of cross-border trade in female-dominated sectors. Relevant details are provided in Annex B.9.

3.2.13. **Protection of fish spawning grounds:** The project will support the construction of fences to protect fish spawning grounds on sites identified in collaboration with the Fisheries Development Department. The protection will increase fish production, and thereby mitigate the impacts of the port's development on fish production, as well as promote environmental protection.

3.2.14. **Support for improvement of hygiene conditions in Kajaga fishing port:** The project will help to improve hygiene conditions in Kajaga Port by: (i) constructing a block of 4 toilets, 2 of which will be for women; (ii) supplying drinking water to Kajaga Port and providing a 2,500-litre tank; and (iv) building fences around fish drying sites.

3.2.15. The project's socio-economic impacts at the micro-economic and macro-economic levels will be assessed using the computable general equilibrium model approach. It will quantify all the social and economic benefits of the port development, such as the effects of lower transportation costs on poverty, incomes, and competitiveness of businesses. The assessment will be included in the monitoring and evaluation of the project's socio-economic impacts.

Regional Integration

3.2.16 The Lake Tanganyika Integrated Transport Corridor Project is a strategic regional trade route for the EAC region and neighbouring countries. Inadequate regional infrastructure and trade facilitation costs have been cited as the main barriers to intra-regional trade. That is why this project is given priority over the seventeen (17) flagship projects sponsored by EAC Heads of State at their Joint Retreat on Financing and Development of Infrastructure and Health, held in Kampala, Uganda, in February 2018. The project is also a priority under PIDA and complements the existing regional transport network financed by the Bank. The Bank's sector investments in the region include the recently (November 2018) approved Burundi-Tanzania Multinational Project: Rehabilitation of Kasulu-Manyovu and Mugina-Rumonge-Gitaza roads, which link the Central Corridor of the EAC region.

3.2.17. As a strategic transport and logistics hub along Lake Tanganyika, Phase I of the Bujumbura Port Rehabilitation Project will facilitate connection with adjacent landlocked countries, mainly through the Northern and Central Corridors, in addition to other existing logistics and transport links. Furthermore, the corridor will connect the main maritime trade and passenger transport centres between the four (4) riparian countries, namely Burundi, Democratic Republic of Congo (DRC), Tanzania and Zambia, with a growing population of about 12 million people living in the immediate project area. For many communities, Lake Tanganyika is the most direct route or the only access to external markets. It will also connect landlocked countries in the region bordering Burundi and DRC to overseas markets through Dar-es-Salaam Port in Tanzania via the Central Corridor. In addition, it will provide a vital trade link between southern African countries, such as Zambia, and East African neighbours, such as Rwanda and Uganda.

3.2.18 Bujumbura Port is located between Bujumbura's industrial zone and central business district. Consequently, the rehabilitation of the port will not only boost businesses in Burundi, but also open links with adjacent common and regional areas. The main products currently marketed are cement, clinker, building materials, sugar, cereals (particularly maize, millet/sorghum and wheat), coffee, salt, beverages, fertilizers, paper and other manufactured goods.

3.2.19 The project is the first of its kind in Burundi for the Bank, which has traditionally been involved in road infrastructure. In this regard, the project provides a new opportunity for opening up multimodal transport links for the Lake's riparian countries, leading to significant reductions in transportation costs, particularly with the ongoing modernisation of the railway line from Dar-es-Salaam to Kigoma in Tanzania. The project's feasibility study shows that a rail/lake multimodal link is much cheaper than the road and rail/road options from Dar-es-Salaam to Bujumbura. Consequently, increased use of the lake as part of the multimodal option will reduce transport costs for Burundi by 30% or USD 2,400 per 20-foot container (from Dar-es-Salaam Port to Bujumbura). Lake transport is also more environmentally friendly than the road option. Across the lake from Mpulungu in Zambia to Bujumbura, a 2015 joint World Bank/World Food Programme study showed that replacing the road-only route will reduce transportation costs from USD 230 to 287 to about USD 74 per tonne for maize deliveries from Zambia to Burundi.

3.2.20 Zambia is the main regional supplier to food-importing countries such as Burundi, South Sudan, Rwanda and DRC. Consequently, increased use of Lake Tanganyika will have significant regional impacts on food security, fragility and resilience in the sub-region. It will reduce food costs, improve the reliability of supply, and accelerate humanitarian responses in emergency situations in

countries such as South Sudan and DRC, thereby enhancing stability in the sub-region. Increased use of the lake will also create business opportunities, boost the blue economy, and create green jobs for the growing and young population of 12 million people living in the areas served by the lake, thereby helping to consolidate peace and stability in the region.

3.2.21 The Bank has pointed out that it will be essential to put related components of the project together to achieve the physical infrastructure development impact. For example, delays in the clearance of goods will lead to bottlenecks and congestion in the port, and adjacent areas will be transformed into parking space in the long term. Ideally, transport trucks should be kept in the port just for the minimum time required for loading/unloading operations. To meet these challenges, the appraisal mission identified the following trade facilitation measures to be included in the project:

- * Establishment of a Single Window (electronic single window) to improve inter-institutional coordination and information exchange between the various authorities involved in the customs clearance process. The single window would also be established in other riparian ports to facilitate exchange of information on vessel movements. To operationalize the Single Window, the project will support a diagnostic study and mapping of "as-is" and streamlined "to-be" processes, the procurement of ICT hardware and software, and capacity building for officials of the various port agencies, including OBR, AMPF, Migration Service, Maritime Police, etc., on the Single Window, as well as management improvement.
- * Harmonisation of legislation on Lake Tanganyika transport and port operations in Burundi, Tanzania, DRC and Zambia, as well as implementation of the EAC Single Customs Territory (SCT) for cargo transiting through Kigoma Port. The regulations to be harmonized include common standards for dredging depth, vessel size, staff qualification, etc. These standards have already been identified at regional level by the Integrated Lake Tanganyika Transport Programme and will be promoted by relevant regional bodies such as the Central Corridor Authority. The implementation of EAC's SCT in Kigoma will facilitate multimodal rail-to-lake transit and strengthen the existing freight and tracking system on the Kobero to Bujumbura road corridor along the Central Corridor.

3.2.22 During the consultations, it was also pointed out that harmonisation of rules will be easy since all countries served by the Lake Tanganyika transport corridor were members of the Tripartite (EAC, COMESA, and SADC), and that DRC is expected join the EAC by the end of 2019. Since Zambia is not an EAC member, the OBR has stressed on the need for a bilateral agreement on a single customs territory with Zambia to facilitate transit trade through Mpulungu Port. This activity will be included in Phase II of the project involving Mpulungu Port. However, in the meantime, the relevant Government entities of the two countries are encouraged to enter into discussions so as to reach consensus on the need to negotiate the proposed bilateral agreement.

3.2.23. With regard to the physical infrastructure, regional integration will be enhanced by linking port access roads to National Road No. 1 (RN1), which forms part of the main road transport corridors linking Burundi, DRC, Tanzania, Rwanda and Uganda

4. IMPLEMENTATION

4.1 Implementation Arrangements

Executing Agencies

4.1.1 The Project Executing Agency will be the Maritime, Port and Railway Authority (AMPF) of the Ministry of Transport, Public Works, Equipment and Territory Development (MTTPEAT), given the role it has played in monitoring and coordinating the technical studies. It will be supported by the Burundi Road Agency (ARB), which has gained considerable experience in the management of Bank-

financed projects and has produced satisfactory results. However, for the day-to-day monitoring of project activities, the Project Implementation Unit (PIU) will rely on the institutional mechanisms put in place by the Bank-financed project preparation study.

4.1.2. The PIU will be placed under the authority of the Director-General of AMPF and under the technical supervision of the Port Director. It will be responsible for the technical, administrative, accounting and financial management of the project. It will comprise: (i) a Project Coordinator (Civil Engineer or Economist), (ii) two Port Site (AMPF) and Access Roads (ARB) Engineers; (iii) two Environmental Specialists from AMPF and ARB, (iii) a Monitoring and Evaluation Officer (Civil Engineer/Economist), (iv) two Procurement Specialists from AMPF and ARB; (v) a Chief Accountant; (vi) an Accounting Assistant; and (vii) support staff. The CVs of PIU members than support staff will be submitted to the Bank for no-objection opinion before the grant agreement negotiations.

4.1.3. The project also provides for the assignment of five (5) Trainee Engineers/Senior Technicians (including at least three young girls) to the control mission teams for skills transfer to the Administration's staff. The executing agency will also request the successful bidder to include five (5) Trainee Engineers/Senior Technicians, including at least three young girls, in its team.

4.1.4. As regards capacity building, the PIU will rely on technical assistance, including a Procurement Expert and a Port Engineer. In addition, a Hygiene, Safety, Health and Environment Unit will be established before works start-up.

4.1.5. With respect to project coordination, a Technical Committee (TC) will be established, and will include representatives of the Ministries of Finance and Transport, the Director-General of AMPF, the Director-General of ARB, representatives of the Port Concession Holder (Global Port Services), OBR, Migration Service, and Lake Tanganyika Authority, as well as a representative of CCTTFA and the East African Community (EAC). The TC will be chaired by a representative of the Ministry of Transport, assisted by a representative of the Ministry of Finance, and will serve as a platform for discussion of technical issues of the project. The project includes a provision under the financing plan to support project coordination. Air tickets and per diems for CCTTFA and EAC representatives will be provided by their Organisations.

Procurement Arrangements

4.1.6 Following an assessment of Burundi's public procurement system (PPS), the procurement risk was deemed moderate. This generic country risk was reassessed with respect to the implementation of all activities of the "LAKE TANGANYIKA TRANSPORT CORRIDOR DEVELOPMENT PROJECT PHASE I - REHABILITATION OF BUJUMBURA PORT" to determine the overall project procurement risk. The overall project procurement risk at the time of the assessment was deemed moderate. Consequently, Burundi's PPS will be used for the procurement of goods, works and consulting services relating to: (i) sundry equipment for supporting fishermen (fish drying racks, solar farms, cold rooms, and water tanks); (ii) sundry equipment for land certificate services computerization (UPS, cooling systems, physical safety, computer platform and networking); (iii) installation of software for land certificate services computerization, (iv) protection of fish spawning grounds; (v) building the entrepreneurial capacity and skills of women involved in catering on good hygiene practices, welcoming customers and tourists, etc.; (vi) support for the development of cross-border trade in female-dominated sectors; and (vii) training of PIU, AMPF and ARB staff and the executives of the Ministry in charge of finance (environment + climate change) under the ESMP. Other procurements that carry substantial risk if Burundi's PPS is used will be made in line with the Bank's procurement methods and procedures as defined in the "Procurement Policy and Methodology for Bank Group-Funded Operations" of October 2015 using the Bank's relevant standard bidding documents (SBDs). Relevant details are provided in Annex B.5.

4.1.7. The country, sector and project risks, as well as the procurement capacity of the Executing Agency (EA) were assessed and a market analysis conducted to obtain information on market characteristics and factors that may affect competition and key players in sector markets. The results of the assessments and market analysis helped to guide decisions in the selection of Bank methods and procedures for all project procurements. The results were also used in planning procurement, structuring contracts, selecting the best procurement methods and procedures (Bank or Burundi's procurement system) appropriate for the set objective, and defining the Bank's review and supervision framework. Appropriate risk mitigation measures have been included in the PERCA Action Plan presented in Annex B5.

4.1.8. In addition, the project will be jointly financed by the Bank, the EU and the Government. EU co-financing accounts for 43% of the project cost and mainly concerns the procurement of works and port facilities in accordance with the Procurement Policy and Methodology for Bank Group-Funded Operations adopted on 14 October 2015, using the Bank's relevant standard documents. The Board of Directors will be requested to waive the Bank's rule of origin, so that procurements funded by EU resources will be open to countries that are not Bank members in accordance with the Pillar Assessed Grant or Delegation Agreement (PAGODA) concluded between the European Commission and the Bank.

4.1.9. As regards procurement activities and taking into account the Executive Agency's relevant experience and expertise, a Procurement Consultant will be recruited to assist the PIU. The Consultant should have a good knowledge of the Bank's procurement methods and procedures.

Financial Management

4.1.10 During appraisal of the Lake Tanganyika Transport Corridor Development Project, effective and efficient management of the project's resources requires that Burundi's public financial management systems be assessed to determine whether it would be better to use the national systems in accordance with the Paris Declaration. If it is better to establish an Agency or an Implementing Unit, it would be necessary to assess their financial management systems.

4.1.11 The appraisal mission found a number of shortcomings in the Executing Agency's (AMPF) financial management. To remedy these shortcomings, it was agreed that AMPF could: (i) adopt, at the beginning of each fiscal year, a budget with an execution schedule and projected cash flow plans for the Executing Agency and the Implementation Unit; (ii) update the administrative, financial and accounting procedures manual of AMPF's Implementation Unit; (iii) open a register for fixed assets and mission monitoring reports; (iv) prepare cost and budget accounting plans for the Executing Agency and the Implementation Unit; (v) arrange for premises in the Executing Agency and install secure metal cabinets for the storage of supporting documents; (vi) procure software for the Implementation Unit; and (vii) prepare activity reports with interim financial statements.

Disbursement

4.1.12 All project payments from ADF and TSF resources will be made using the direct payment method. In addition, AMPF will establish an appropriate system for processing, accounting and archiving direct payment requests. However, the reimbursement method may be used for cases of reimbursement of eligible expenses pre-financed by the country with the Bank's prior approval. The disbursement letters, attached to each financing agreement, will specify the disbursement arrangements. The capacity of the Executing Agency staff will be strengthened as regards the Bank's disbursement methods and procedures during the project launching mission.

Financial and Accounting Audit

4.1.13 The project will undergo an annual financial and accounting audit by an independent firm selected by competition within six months following the launching of the project. The audit will cover all project resources (grants and counterpart contribution) and expenditure. The terms of reference for

the audit should be submitted to the Bank for prior approval. The audit contract will be concluded for a maximum period of three (3) years, and the Bank's approval of the audit reports for the first fiscal year will be a condition for continuation of the auditor's contract. Audit fees will be paid by the direct payment method following Bank approval of the audit reports. Finally, the audit reports will be submitted to the Bank within six months following the close of the fiscal year.

Implementation and Supervision Schedule

4.1.14 The project implementation schedule is summarized at the beginning of this report. It takes into account the Bank's relevant experience in processing documents in previous similar projects.

4.1.15 The project will be implemented over a five-year period. The corresponding implementation schedule, a summary of which is provided at the beginning of this report, is presented in detail in Technical Annex B.2. Upon approval of the grant, the Bank will launch the project and subsequently organise supervision missions. Table 4.1 below provides details on the missions.

Table 4.1: Project Monitoring and Supervision Schedule

Duration	Stages	Monitoring Activities/Feedback Loop
1st quarter – 2020	Launching of the project	Progress reports
1st quarter -2020	Completion of civil works procurement	Procurement Plan/Progress Report
2nd quarter - 2020	Mobilisation of service providers	Supervision and progress reports
4th quarter - 2021	25% civil works implementation	Supervision and progress reports
3rd quarter – 2021	60% civil works implementation	Mid-term review and progress report
2nd quarter - 2022	Completion of civil works	Supervision and progress reports
2nd quarter - 2023	End of guarantee period	Supervision and progress reports
4th quarter - 2023	Project completion	Project Completion Report

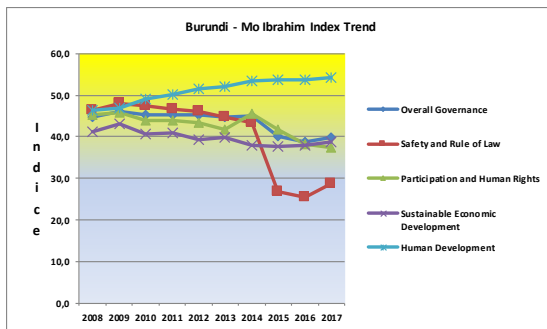
4.2 Monitoring and Evaluation

4.2.1. Monitoring and evaluation will consist of the Bank's launching and supervision missions, a mid-term review, and a final evaluation with the project completion report. Works implementation will be presented in monthly and quarterly reports prepared by the control and monitoring firms. The Executing Agency will submit periodic and specific progress reports to the Bank. The reports will be monthly and quarterly reports on aspects relating to the physical and financial progress of the project and the ESMP implementation. In addition, the reports will provide information on sensitisation campaigns and highlight the results achieved. The reports should be submitted to the Bank within forty-five (45) days following the relevant periodicity.

4.2.2. Under the project, a monitoring and evaluation system will be established to: (i) collect and manage information on implementation of the various components; (ii) establish the baseline situation for impact monitoring purposes; and (iii) conduct an impact assessment of the project at project completion using the same methodology that established the baseline situation. A Consultant (consulting firm) will be recruited to monitor and evaluate the project. An AMPF Monitoring and Evaluation Officer, appointed under the project, will work with the consulting firm in the project monitoring and evaluation. In addition, the Bank will undertake at least two field supervision missions each year.

4.3 Governance

4.3.1 In the Mo Ibrahim Index of African Governance (IIAG) published in 2018, Burundi obtained an overall rating of 39.8 (out of 100). It was ranked 43rd out of 54 African countries. Its score was lower than the African average (49.9) and the East African regional average (44.8).



4.3.2 With a score of 17 points for the 2018 Corruption Perception Index calculated by Transparency International, it was ranked 170th out of 180 countries. Following assessment of Burundi's Public Procurement System, the procurement risk was deemed moderate. This generic country risk was reassessed for the activities of this project.

4.3.3 The risks of corruption in contract award and performance of relatively large civil engineering contracts will be identified and mitigated by: (i) screening the country's national procurement structures; (ii) reviewing procurement documents to allow the Bank to control the process by giving its formal approval at each major stage; (iii) ensuring regular Bank supervision, as well as financial and accounting audits to detect discrepancies between the terms of reference and the services and works actually executed, as well as disbursements and loan/grant agreements; (iv) adopting the direct payment method for disbursement of funds to contractors and service providers; and (v) using procedures that ensure greater competition; and (vi) sensitising road users and government officials (community regulations, road users' rights, etc.) on transport facilitation procedures so as to combat corruption.

4.3.4 Law No. 1/04 of 29 January 2018 on the Public Procurement Code defines the legislative and regulatory framework for procurement, consisting of the law and decrees establishing, organising and specifying the functioning of the Public Procurement Regulatory Authority (ARMP), the National Directorate for Public Procurement Control (DNCMP), and Public Procurement Management Units (CGMP).

4.4 Sustainability

4.4.1 The Bank discussed the sustainability of investments in the port and road transport sector with the Government. The institutional framework of the road sub-sector in Burundi is structured around the ARB, which is responsible for: (i) preparing and implementing programming tasks; and (ii) awarding contracts and monitoring road works.

4.4.2 The resources of the Road Fund (RF) for road maintenance are specified by Law No. 1/06 of 10 September 2002 and consists of the following: (i) road user charges on diesel and petrol; (ii) road toll charges on domestic and foreign vehicles; (iii) axle load charges; (iv) proceeds from motor vehicle tax; (v) charges for issuing driving licences; (vi) penalties for overloading transport vehicles; (vii) State contributions, if any; and (viii) grants and contributions from multilateral and/or bilateral aid donor agencies for road maintenance. The financial resources mobilised by the RF for maintenance of the classified road network have been steadily increasing since 2007, despite a sudden drop in 2015 due to the current crisis. However, the RF resources have begun to increase again because, at the end of 2017, they amounted to BIF 17.5 billion or USD 9.7 million. In addition, Decree No. 100/036 of 13 April 2018 on financial penalties for damage to roads also strengthens the State's efforts in the road maintenance sector and further increases RF resources.

4.4.3 The port concession holder is responsible for maintenance of port infrastructure in accordance with obligations arising from the concession agreement signed with the Government of Burundi. The port's rehabilitation and its regional dimension will help to generate additional income for the concession holder and will therefore enable it to allocate appropriate resources for maintenance operations, particularly periodic dredging of the port basin.

4.4.4 Furthermore, it has been demonstrated that the port's rehabilitation will be a long-term self-sustaining economic activity, which will generate sufficient financial return on investment to cover all operating and maintenance costs. According to the economic study conducted in September 2016, the

projected port revenue and maintenance costs for port infrastructure and facilities in “with project” and “without project” situations are as follows:

Table 4.2: Port Revenue for 2015-2030

Item	2015	2020	2025	2030
Annual traffic (tonnes)	104 900	349 726	499 715	691 834
Total port revenue (in EUR)	1 384 680	4616 383	6 596 238	9 132 209

Table 4.3 – Annual Maintenance Cost for Port Structures and Equipment

Item	“With Project” Situation	“Without Project” Situation
Annual maintenance cost for port structures	EUR 189 160/year	EUR 53 000/year
Annual maintenance cost for port facilities	EUR 162 400/year	

4.5 Port Concession

4.5.1 The Bank noted that Bujumbura Port has been under a 30-year concession since December 2012 with Global Port Services (the "Concession Holder") pursuant to a concession agreement signed between the Concession Holder and the Ministry of Transport, Public Works, Equipment and Territory Development of Burundi.

4.5.2 Article 2 of the Agreement grants the right of modernising the port to the Concession Holder.

4.5.3 To dispel any ambiguity regarding the Maritime, Port and Rail Authority’s capacity as Executing Agency for the Bujumbura Port Rehabilitation Project financed by the AfDB Group, it was recommended that a project agreement be concluded between the Concession Holder and the Ministry of Transport, Public Works, Equipment and Territory Development, which would, in particular, specify that:

- (1) the project will be implemented by AMPF;
- (2) the Concession Holder will contribute to project implementation by allowing unrestricted access to the port;
- (3) the new infrastructure and facilities will belong to the Ministry of Transport, and will be included in the existing concession at project completion; and
- (4) the Concession Holder’s obligations under the Concession Agreement will apply to the new infrastructure and facilities, particularly the obligation of maintenance and servicing.

4.5.4 This proposal was discussed with the stakeholders (the Concession Holder, AMPF and the Ministry of Transport, Public Works, Equipment and Territory Development) who approved it.

4.5.5 It was agreed that the draft agreement will be prepared as soon as possible. The Bank Group has affirmed its willingness and readiness to assist the parties in this process.

4.5.6 The signing of the project agreement, which should be acceptable in substance and form to the AfDB Group, will be one of the conditions precedent to the first disbursement of AfDB Group financing.

4.6 Risk Management

4.6.1 The major risks identified at this stage of project appraisal are summarised in the table below:

Risk Type	Mitigation Measures
Political situation and fragility of the country	According to the United Nations Security Council Statement adopted on 22 August 2018, the security situation in the country is generally calm. Burundi's membership in regional bodies (EAC, COMESA, etc.) is likely to help mitigate this risk through a programme for peace, security and economic growth. In addition, the Government has undertaken to hold credible and transparent elections.
Financial Risks	The increase in costs compared to the project appraisal estimates could put pressure on the budget. This risk is mitigated by: (i) a thorough review of the detailed study reports; (ii) price adjustments to reflect price fluctuations; and (iii) inclusion of a provision for physical and financial contingencies in the cost estimates.
Fiduciary Risks (procurement and financial management)	The risk is moderate and will be mitigated through regular supervision, annual audits of accounts, implementation of the monitoring system (reports, etc.) and launching of the project, which will provide an opportunity for more in-depth exchange on project implementation arrangements.
Poor management or design of identified mitigation measures	Preparation and implementation of the ESMP. Commitment of a competent monitoring team under the supervision of consultants and project implementation units. Capacity building (Environmental and social safeguards and climate change) for the PIU to monitor ESMP implementation. The Bank also recommends that AMPF should establish a HSE Unit with adequate resources to oversee all environmental and social, as well as health risk management aspects in the organisation and ensure close collaboration with all project stakeholders that have potentially negative impact. The project's ESMP is included in the ESIA summary published on the AfDB website on 26 July 2019.
Implementation Quality	Establishment of a structured project monitoring mechanism to quickly identify problems that could affect implementation. The commitment of the project implementation unit and consultants responsible for works supervision, as well as periodic technical audits of the project will also ensure achievement of the set objective as regards quality.

4.7 Knowledge Building

4.7.1 The rehabilitation of the port of Bujumbura, which is an alternative to the corridor, will significantly reduce import-export costs and boost the country's economic growth. The establishment of a single window to streamline procedures and improve port management could play a major role in increasing the revenues of the port and the concession holder (Global Port) responsible for the maintenance and upkeep of port infrastructure and facilities.

4.7.2. The project offers an excellent opportunity to develop new skills within the Bank in Burundi. It also allows the institution to further enhance its knowledge of ports and regional integration. In addition, it provides for specialized training that will help to upgrade the skills of the Executing Agency and the Port Concession Holder. The project will also have a positive impact on local capacity building through the employment of nationals for work related to project activities requiring both skilled and unskilled labour.

4.7.3. The port project will help to create development centres around the port, e.g. the development of a social zone northwest of the port. The monitoring and evaluation system to be established will capture changes and economic opportunities created by the rehabilitation of Bujumbura Port. It will also build on knowledge for the design of future projects. Such knowledge will be disseminated through the Bank's communication media (website, workshops, etc.).

5. LEGAL FRAMEWORK

5.1 Financing Instrument

The project will be funded from: (i) TSF resources; (ii) ADF XIV resources comprising ADF Performance Based Allocation from Burundi's allocation and the Regional Operations Envelope; and EU resources through the PAGoDA mechanism. A grant agreement will be concluded for each funding source.

5.2 Conditions for Bank Intervention

A. Conditions precedent to effectiveness of the Grant Agreements

5.2.1 Effectiveness of the ADF, TSF and EU-AfIF Grants shall be subject to fulfilment, by the Recipient and to the satisfaction of the Bank, of the conditions set out in Section 12.01 of the General Conditions applicable to ADF grant and guarantee agreements.

B. Conditions precedent to first disbursement of the Grants

In addition to effectiveness of the Grant Agreement, the first disbursement of grant resources shall be subject to fulfilment, by the Recipient fulfilling and to the satisfaction of the Fund, of the following conditions:

- (i) Provide the Bank with evidence of the signing of the project agreement between the Concession Holder and the Ministry of Transport, Public Works, Equipment and Territory Development, acceptable to the Bank Group in substance and form, dispelling any ambiguity on the Maritime, Port and Rail Authority's (AMPF) capacity to act as the Project Executing Agency;
- (ii) Provide the Bank with evidence that a Hygiene, Safety, Health and Environment (HSHE) Unit has been established at AMPF;
- (iii) Provide the Bank with evidence of the appointment of the PIU staff;
- (iv) Provide the Bank with evidence of updating and validating the PIU Administrative, Financial and Accounting Procedures Manual.

C. Other Conditions of the Grants

The Recipient shall, to the satisfaction of the Bank:

- (i) Provide, not later than 31 March each year starting in 2020, the maintenance budget for port infrastructure and facilities for the year concerned, as well as the execution report of the previous year's budget;
- (ii) Provide the Bank no later than six (6) months after the signature date with evidence of the preparation of a procedures manual for the HSHE Unit within an Environmental and Social Management System (ESMS).

D. Undertakings

The Recipient undertakes to:

- (i) Implement the Project, the Environmental and Social Management Plan (ESMP), and the identified climate change adaptation measures, and have them implemented by its contractors, in accordance with national law and the recommendations, requirements and procedures contained in the ESMP, as well as the relevant Bank rules and procedures;
- (ii) Submit to the Bank quarterly reports on the ESMP implementation including, where applicable, deficiencies and corrective actions taken or to be taken, in accordance with the Bank's policies;

- (iii) Assess the Concession Holder's capacity to fulfil its obligations with regard to the maintenance and upkeep of port infrastructure and facilities.
- (iv) Provide the Bank with proof of the opening of a special account with the Bank of the Republic of Burundi by 31 March 2020 in order to receive the grants resources.

5.3 Compliance with Bank Policies

5.3.1 The project complies with all applicable Bank policies.

6. CONCLUSION AND RECOMMENDATION

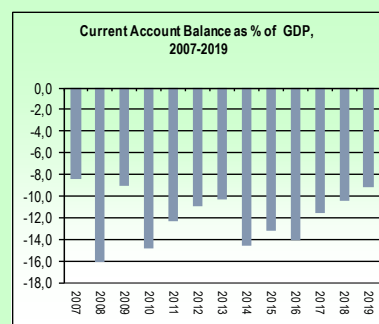
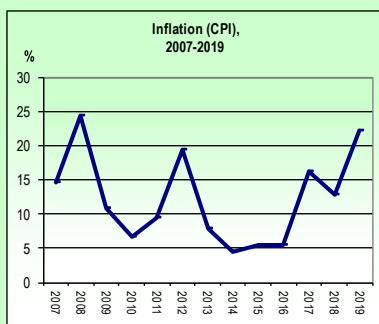
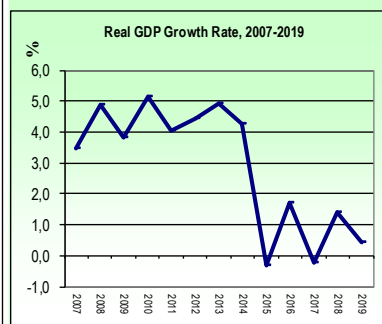
6.1 Recommendation

Management recommends that the Boards of Directors approve (i) the proposal for an ADF grant of UA 14.07 million, a TSF grant of UA 4.94 million and an Afif grant from the European Union resources of EUR 19.70 million for the benefit of the Republic of Burundi, to finance this Project and in accordance with the conditions set out in this report; and (ii) that procurement of goods, works and services financed from the resources of the EU-AfIF grant be opened to all countries, including those which are not Member States of the Bank.

Annex I: Comparative Socio-economic Indicators (March 2019)

Burundi Selected Macroeconomic Indicators

Indicators	Unit	2010	2014	2015	2016 ^r	2017	2018 (e)	2019 (p)
National Accounts								
GNI at Current Prices	Million US \$	1 987	2 812	2 907	3 119	3 342	...	...
GNI per Capita	US\$	227	284	285	296	308	...	...
GDP at Current Prices	Million US \$	2 032	2 706	2 814	2 874	2 991	3 085	3 412
GDP at 2000 Constant prices	Million US \$	988	1 174	1 170	1 191	1 188	1 205	1 210
Real GDP Growth Rate	%	5,1	4,2	-0,3	1,7	-0,2	1,4	0,4
Real per Capita GDP Growth Rate	%	1,8	1,2	-3,3	-1,4	-3,3	-1,8	-2,7
Gross Domestic Investment	% GDP	17,5	15,2	11,7	9,6	11,2	11,8	12,4
Public Investment	% GDP	7,9	4,9	3,3	3,1	3,6	3,9	3,7
Private Investment	% GDP	9,7	10,3	8,5	6,5	7,5	7,8	8,7
Gross National Savings	% GDP	3,7	-3,4	-6,7	-4,1	-5,7	-8,0	-8,8
Prices and Money								
Inflation (CPI)	%	6,6	4,4	5,6	5,5	16,1	12,7	22,1
Exchange Rate (Annual Average)	local currency/US\$	1 230,7	1 546,7	1 571,9	1 654,6	1 735,2	1 820,5	1 914,5
Monetary Growth (M2)	%	20,1	14,6	5,5	1,5	10,6	...	...
Money and Quasi Money as % of GDP	%	31,2	32,0	32,0	30,2	30,6	...	...
Government Finance								
Total Revenue and Grants	% GDP	25,4	19,8	16,7	16,3	15,9	16,1	15,9
Total Expenditure and Net Lending	% GDP	32,6	23,6	24,4	23,0	22,5	24,8	24,7
Overall Deficit (-) / Surplus (+)	% GDP	-7,2	-3,8	-7,7	-6,6	-6,5	-8,8	-8,8
External Sector								
Exports Volume Growth (Goods)	%	16,4	23,1	5,6	14,8	-4,8	2,4	4,9
Imports Volume Growth (Goods)	%	87,0	10,3	-35,9	-2,2	-1,9	4,4	0,9
Terms of Trade Growth	%	51,7	25,4	-42,7	28,0	-2,9	-11,7	1,0
Current Account Balance	Million US \$	-301	-394	-374	-406	-346	-321	-313
Current Account Balance	% GDP	-14,8	-14,5	-13,3	-14,1	-11,6	-10,4	-9,2
External Reserves	months of imports	4,5	3,5	1,7	1,7	2,9	3,2	...
Debt and Financial Flows								
Debt Service	% exports	1,5	14,4	20,7	21,8	22,5	21,1	21,6
External Debt	% GDP	22,4	18,9	18,2	16,7	15,3	14,9	14,1
Net Total Financial Flows	Million US \$	691	539	260	734	545	...	...
Net Official Development Assistance	Million US \$	628	515	367	742	428	...	...
Net Foreign Direct Investment	Million US \$	1	47	7	0	...	...	...



Source : AfDB Statistics Department: African; IMF: World Economic Outlook, October 2018 and International Financial Statistics, October 2018; AfDB Statistics Department: Development Data Portal Database, October 2018. United Nations: OECD, Reporting System Division.

Notes: ... Data Not Available (e) Estimations (p) Projections

Last Update: March 2019

Annex II: Portfolio of Ongoing Bank Projects in Burundi

(27 SEPTEMBER 2019)

No.	PROJECTS	Project No.	Approved	APPROV – SIGNATURE	SIGNATURE - EFFECTIVENESS	FULFILMENT- DISBURSEMENT	START- UP TIME	START- UP TIME	DISBURSEMENT RATE	AGE
			Amount	(month)	(month)	(month)	(month)	year		(years)
1	Support project for preparation of the development strategy	P-BI-I00-002	877 000	3.03	5.00	1.30	9.30	0.8	40.40%	2.4
2	Support project for the socio-economic reintegration of young people and women - PARSEJF	P-Z1-IZ0-026	770 000	4.70	3.90	1.20	9.90	0.8	35.93%	3.4
3	RN-15: Gitenga-Nyangungungu-Ngozi Road Development and Paving Project Phase 2	P-BI-DB0-016	10 000 000	8.70	6.90	10.80	26.40	2.2	64.40%	8.4
			32 000 000	8.70	6.90	10.80	26.40	2.2	98.65%	8.1
4	RN-18 : Nyakararo-Mwaro -Gitega Kibumbu-Gitega (Mweya) Road Phase II	P-BI-DB0-020	9 720 000	3.70	0.00	5.90	9.60	0.8	17.75%	2.7
			4 080 000	3.70	0.00	5.90	9.60	0.8	3.78%	2.7
5	Jiji Mulembwe Hydro-Power Project	P-BI-FA0-100	14 340 000	1.27	5.50	53.20	60.00	5.0	12.06%	5.3
6	Agricultural Processing Support Project in Bugesera Natural Region	P-BI-K00-013	12 000 000	1.37	4.60	1.00	6.97	0.6	2.80%	1.8
7	Support project for supply of cooking energy and environmental restoration in four refugee camps	P-BI-K00-014	1 000 000	3.33	0.00	4.20	7.53	0.6	96.17%	1.4
8	Support project for socio-economic reintegration of young people and women - PARSEJF (CIRGL)	P-Z1-IZ0-028	380 000	5.53	3.10	3.70	12.40	1.0	32.73%	3.4

9	RN-3: Mugina-Mabanda-Nyanza-Lac Road Development and Paving Project	P-Z1-DB0-073	27 500 000	0.87	9.80	6.30	16.97	1.4	83.76%	7.4
10	Rmunge-Giteza and Kabingo-Kasulu-Manyovu Roads Rehabilitation Project	P-Z1-DB0-224	47 250 000	0.87	5.80	0.60	7.30	0.6	0.06%	0.9
11	NELSAP Interconnection Project - BURUNDI (KAMANYOLA (RDC) - Bujumbura power transmission line	P-Z1-FA0-034	15 150 000	3.63	28.10	2.30	34.03	2.8	53.71%	11.0
12	Capacity Building Support Project for OBR	P-BI-KF0-007	1 000 000	3.1	0.0	4.2	7.3	0.6	27.28	0.7
13	Ruzizi Hydro-Power Project III (BURUNDI)	P-Z1-FA0-076	19 290 000	2.73	40.30	0.00	43.10	3.6	0.00%	3.8
14	Rusumo – BURUNDI Regional Hydro-power Project	P-Z1-FAD-007	16 700 000	2.77	11.60	4.50	18.80	1.6	17.89%	5.7
			10 403 068	10.20	5.60	18.50	34.30	2.9	22.61%	5.9
15	Burundi and Rwanda Electricity Networks Interconnection Project under NELSAP	P-Z1-F00-077	2 510 000	2.30	3.70	0.06	6.60	0.6	0.00%	0.8
			3 170 000	2.30	3.70	0.60	6.60	0.6	0.79%	0.8
Total			227 956 376							
AVERAGE				3.73	7.77	8.24	19.84	1.65		3.83

- 1) Total active portfolio amount = UA 227 956 375.94
- 2) Total disbursed amount = UA 80 749 860
- 3) Total disbursement rate = 35.42%
- 4) Average portfolio age = 3.83 years

Annex III- PROJECT COST

Annex 3.1: Summary Project Cost by Expenditure Category (UA Million)

CATEGORIES	ADF GRANT			TSF GARNT			EU			GOVERNMENT			TOTAL IN UA MILLION		
	FE	LC	Total	FE	LC	Total	FE	LC	Total	FE	LC	Total	FE	LC	Total
A. Works	4,47	1,91	6,38	1,57	0,67	2,24	7,85	3,36	11,21	0,00	1,76	1,76	13,88	7,71	21,59
B. Goods	2,36	0,32	2,68	0,83	0,11	0,94	3,74	0,42	4,16	0,00	0,00	0,00	6,93	0,85	7,78
C. Services	1,33	0,24	1,57	0,47	0,08	0,55	0,48	0,09	0,57	0,00	0,00	0,00	2,28	0,41	2,69
D. Misc.	0,24	0,04	0,28	0,08	0,01	0,10	0,00	0,00	0,00	0,00	0,00	0,00	0,32	0,06	0,38
Base Cost	8,39	2,51	10,91	2,95	0,88	3,83	12,07	3,86	15,93	0,00	1,76	1,76	23,41	9,02	32,43
Physical Contingencies	1,35	0,52	1,87	0,47	0,18	0,66	0,00	0,00	0,00	0,00	0,00	0,00	1,82	0,70	2,52
Financial Contingencies	0,93	0,36	1,29	0,33	0,13	0,45	0,00	0,00	0,00	0,00	0,00	0,00	1,26	0,49	1,75
PROJECT COST	10,68	3,39	14,07	3,75	1,19	4,94	12,07	3,86	15,93	0,00	1,76	1,76	26,50	10,21	36,70
Communication (EU)	0,00	0,00	0,00	0,00	0,00	0,00	0,07	0,01	0,08	0,00	0,00	0,00	0,07	0,01	0,08
TOTAL PROJECT COST	10,68	3,39	14,07	3,75	1,19	4,94	12,14	3,88	16,02	0,00	1,76	1,76	26,56	10,22	36,79

Annex 3.2: Disbursement Schedule by Source of Financing (UA million)

Source	UA MILLION					
	2020	2021	2022	2023	2024	Total
ADF Grant	5,97	6,68	1,30	0,06	0,06	14,07
Percentage (%)	42%	47%	9%	0%	0%	100%
TSF Grant	2,10	2,35	0,46	0,02	0,02	4,94
Percentage (%)	42%	47%	9%	0%	0%	100%
EU Grant	6,73	8,03	1,21	0,02	0,02	16,02
Percentage (%)	42%	50%	8%	0%	0%	100%
GoB	0,88	0,70	0,18	0,00	0,00	1,76
Percentage (%)	50%	40%	10%	0%	0%	100%
Total Cost	15,67	17,76	3,14	0,10	0,10	36,79

Annexe 3.3: Disbursement Schedule by Expenditure Category and Source of Financing (UA Million)

CATEGORY	MILLIONS D'UC																												
	2020				2021				2022				2023				2024				Total								
	ADF	TSF	EU	GOV	ADF	TSF	EU	GOV	ADF	TSF	EU	GOV	ADF	TSF	EU	GOV	ADF	TSF	EU	GOV	ADF	TSF	EU	GOV	Total				
A. Works																													
Sub Total A	3,22	1,13	5,60	0,88	2,54	0,89	4,48	0,70	0,63	0,22	1,12	0,18	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	6,38	2,24	11,21	1,76	21,59
B. Goods																													
Sub Total B	0,57	0,20	0,83	0,00	1,88	0,66	3,33	0,00	0,23	0,08	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	2,68	0,94	4,16	0,00	7,78
C. Services																													
Sub Total C	0,55	0,19	0,28	0,00	0,63	0,22	0,20	0,00	0,39	0,14	0,07	0,00	0,00	0,00	0,01	0,00	0,00	0,00	0,01	0,00	0,00	0,01	0,00	0,00	1,57	0,55	0,57	0,00	2,69
D. Misc.																													
Sub Total D	0,06	0,02	0,00	0,00	0,06	0,02	0,00	0,00	0,06	0,02	0,00	0,00	0,06	0,02	0,00	0,00	0,06	0,02	0,00	0,00	0,28	0,10	0,00	0,00	0,28	0,10	0,00	0,00	0,38
Base Cost	4,39	1,54	6,72	0,88	5,10	1,79	8,01	0,70	1,30	0,46	1,19	0,18	0,06	0,02	0,01	0,00	0,06	0,02	0,01	0,00	10,91	3,83	15,93	1,76	32,43				
Physical Contingencies	0,93	0,33	0,00	0,00	0,93	0,33	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1,87	0,66	0,00	0,00	2,52				
Financial Contingencies	0,65	0,23	0,00	0,00	0,65	0,23	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1,29	0,45	0,00	0,00	1,75				
PROJECT COST	5,97	2,10	6,72	0,88	6,68	2,35	8,01	0,70	1,30	0,46	1,19	0,18	0,06	0,02	0,01	0,00	0,06	0,02	0,01	0,00	14,07	4,94	15,93	1,76	36,70				
Communication (EU)	0,00		0,02	0,00	0,00	0,00	0,02	0,00	0,00	0,00	0,02	0,00	0,00	0,00	0,02	0,00	0,00	0,00	0,02	0,00	0,00	0,00	0,02	0,00	0,08				
TOTAL PROJECT COST	5,97	2,10	6,73	0,88	6,68	2,35	8,03	0,70	1,30	0,46	1,21	0,18	0,06	0,02	0,02	0,00	0,06	0,02	0,02	0,00	14,07	4,94	16,02	1,76	36,79				

Annex IV: Fragility Mainstreaming in Burundi

1. Fragility Context in Burundi

After making significant progress in consolidating peace and security, economic and financial reforms, as well as improving the living conditions of the population, Burundi experienced a socio-political crisis in 2015 that slowed down the overall progress made. Fragility from the 2015 crisis has broken down socio-political cohesion. The recommendations of the inter-Burundian dialogue launched in May 2016 with the assistance of the international community have not yet been translated into concrete actions. Nevertheless, before the current situation, Burundi had experienced more serious and intense crises that ended with a peace process and the signing of the Arusha Accords in 2000, recognised worldwide as a successful example of social dialogue and peacebuilding. The country also made considerable efforts to include gender parity in its laws and policies, as indicated in the Arusha Agreement for Peace and Reconciliation concluded with Burundi in 2000. At the economic level, the 2015 political crisis led to a -1,6%² drop in GDP. Burundi resumed growth in 2016, but at a slower pace (0.3%) to improve the living conditions of its population. Efforts must be maintained to strengthen relations between the country and Technical and Financial Partners (TFPs). **The level of poverty remains high, especially in rural areas**³. Burundi ranks 185th out of 189 countries in the 2018⁴ UNDP Human Development Index with a human development index of 0.404. Food security remains a major challenge: in 2016, with nearly one in two households suffering from food insecurity, according to the Global Food Security Index. More than half of children (six out of ten) were stunted in 2017.

Fragility Mainstreaming in the Project

The various documents available on Burundi (CSP, study on regional fragility, briefs, information notes, etc.) show that the key fragility factors are political, economic, social and environmental. Under this project, the following interventions will address the key fragility factors identified and summarized below:

² Bank Statistic Department Data, October 2019

³ The latest Survey on Household Living Conditions ECMVB was conducted in 2013/2014 with results released in 2016.

⁴ UNDP Report on Human Development 2018

Annex IV: Fragility Assessment Table for Burundi

Fragility Factors	Situation and Challenges	Measures supported by the project
1. Low quality education reduces the employability of young people	<ul style="list-style-type: none"> - Few internship opportunities for young people from technical and vocational training centres (CFTP). 	<ul style="list-style-type: none"> - Facilitation of internships for technical training graduates during project implementation through job creation.
2. Inadequate port and road infrastructure	<ul style="list-style-type: none"> - Port and road infrastructure in poor condition Rehabilitation of Bujumbura Port and its access roads 	<ul style="list-style-type: none"> - Regional planning in collaboration with the relevant departments of other Ministries; - Sensitisation of the community on environmental protection; - Specific measures for young people and women's entrepreneurship around the port; - Rehabilitation of access roads to the port to avoid the negative impact of traffic jams in Bujumbura city centre; - Facilitation of regional trade opportunities; - Improvement of living conditions of people in the project area; - Support for development of women's entrepreneurship around the lake; - Support for development of cross-border trade for female-dominated sectors; and - Organisation of women and young people into cooperatives to promote entrepreneurship around the port.
3. Poor organisation of farmers, processing and marketing of agricultural products	<ul style="list-style-type: none"> - Structuring of associations, groups or cooperatives; - Undeveloped private sector despite some initiatives; - Informal marketing of agricultural products; and - Sale of products directly to consumers or to intermediaries. 	<ul style="list-style-type: none"> - Protection of 21 fish spawning grounds; - Support for women in post-capture fishing activities; - Support for women involved in catering in fishing ports; - Construction of fences to improve hygiene in fish drying areas; - Building the entrepreneurial capacities and skills of women involved in catering with respect to good hygiene practices and welcoming of customers and tourists; and - Promotion of cross-border trade and networking of small farmers in countries bordering Lake Tanganyika.
4. Poverty and inequalities	<ul style="list-style-type: none"> - Difficulties of family survival; - Several categories of vulnerable people 	<ul style="list-style-type: none"> - Increase in women's basic incomes; - Employment and income opportunities for the poor, young people and women during and after the project implementation.
5. Gender inequality coupled with socio-economic vulnerabilities	<ul style="list-style-type: none"> - High labour force participation; - Women's triple role seriously compromises their capacity to participate effectively in the national development agenda. 	<ul style="list-style-type: none"> - Support for improvement of hygiene conditions in Kajaga fishing port by: (i) building a block of 4 toilets, 2 of which are for women far from those for men; (ii) supplying drinking water to Kajaga Port and providing a 2,500-litre tank; and (iv) constructing fences around fish drying sites; - Improvement of women's living conditions and the environment.

6. Natural disaster management and adaptation to climate change	<ul style="list-style-type: none"> - Combined effect of climate change; - Degradation of natural resources (soil, forests, etc.); - Temporary drying and flooding of wetlands; and - Limited access to safe drinking water. 	<ul style="list-style-type: none"> - Strengthening the resilience of ecosystems and communities to climate change by: <ul style="list-style-type: none"> o restoring ecosystems; o mitigating the impacts of solid waste dumped into the lake; o constructing hydraulic structures for optimal water management; and o diverting Ruvumera drainage channel (Buyenzi).
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ANNEX V: Rationale for level of Burundi's Counterpart Contribution

1. The Bujumbura Port Rehabilitation Project will be financed by: (i) an ADF grant of UA 14.07 million (UA 5.07 million from ADF XIV Performance Based Allocation and UA 9.00 million from ADF Regional Operations Envelope); and (ii) an TSF grant of UA 4.94 million. Burundi's counterpart contribution accounts for 5% of the project cost (UA 1.76 million).

2. The Government's counterpart contribution therefore corresponds to less than 10% of the total project cost, as provided for in Section 4.2.2 of the Policy on Expenditure Eligible for Bank Group Financing. Thus, in accordance with the provisions of Section 4.2.2 of the Policy (revised version of 19 March 2008), the Government's counterpart contribution level for the ADF window was defined in terms of the following four (4) criteria: (i) the country's commitment to implement its overall development programme; (ii) the financing allocated by the country to sectors targeted by Bank assistance; and (iii) the country's fiscal situation and debt level; and (iv) the cost-sharing upper limit and guidelines specified in the country's financing parameters.

Burundi is experiencing serious fragility factors

3. Burundi is one of the regional member countries (RMCs) that have experienced recurrent socio-political conflicts. The resulting situations of violence and insecurity have led to mistrust within the political class, and particularly to tensions between coalitions and dominant communities, with exploitation of ethnic differences. The country has failed to develop sufficient resilience capacity to contain violence and address economic, social and environmental problems. Given all these risks, the Government and the political class have been unable to meet the expectations of the population, especially women and young people, let alone use mechanisms of inclusive socio-political dialogue, which are provided for and guaranteed by the Constitution.

4. In 2008, Burundi, a post-conflict country, was declared a "fragile State" and currently benefits from the commitment of partners, particularly the Bank Group, based on the New Deal (Busan New Deal) concluded ten (10) years earlier. Fragility factors can be summarized in the following five (5) points: (i) political, security and institutional factors; (ii) economic, financial and natural resource management factors; (iii) social, poverty and gender factors; (iv) environmental factors and the effects of climate change; and (v) interactions between external and internal factors (particularly regional dimension).

A. Burundi is committed to implementing its National Development Action Plan (PND 2018-2027)

5. In order to meet major economic and social development challenges and in response to the Poverty Reduction Strategy 2012-2016, the Government of Burundi developed a national development plan for 2018-2027 (PND Burundi 2018-2027). The PND falls within a development approach based on a new initiative to transform economic, demographic and social structures. The plan provides for production of multiplier and sustainable effects on improving economic growth and average per capita income to promote satisfaction of basic needs, poverty reduction, human capital development, environmental sustainability, and social justice.

6. PND 2018-2027 was prepared within a political, economic and social context marked by openness to dialogue and consultation between the Government and partners from political parties, civil society, religious denominations and young people who are key development stakeholders. It seeks to provide a basis for strong and inclusive growth in 2018 so as to help Burundi achieve an emerging country status by 2027.

7. PND 2018-2027 is structured around eleven (11) pillars: (i) modernising agriculture; (ii) increasing energy production; (iii) improving knowledge based on technology and know-how; (iv) developing the natural resources sector; (v) diversifying and promoting a competitive and healthy economy; (vi) creating an enabling environment for industrialisation; (vii) strengthening human capital; (viii) reinforcing transport, trade and ICT infrastructure sectors; (ix) promoting tourism; (x) promoting public-private partnerships; and (xi) enhancing regional integration and international cooperation.

B. Financing allocated by the country to the sector targeted by Bank assistance

8. As of 27 August 2019, the Bank's active portfolio in Burundi in the public sector comprised 15 operations with a total net commitment of UA 227,956 million, including UA105.207 million for 9 projects and UA 122.749 million for six regional operations. An analysis of the sector breakdown of projects highlights the priority given to the transport sector (60.6%), then to energy (32.9%), agriculture (4.8%), multi-sector (1.2%) and social sector (0.4%).

9. It should be noted that transport investment projects have social sector components. The types of activities financed are as follows: construction/rehabilitation/equipment of socio-economic infrastructure (schools, health centres, markets, storage warehouses, women's development centres, etc.), support for income-generating activities for training youth groups in labour-intensive work, and sensitisation campaigns on HIV/AIDS and road safety. On 12 July 2017, the Bank approved a support project for cooking energy supply and environmental restoration in four (4) refugee camps in Burundi, for a total amount of USD 1,000,000. The programme will be implemented by UNHCR. The grant agreement was signed on 10 August 2018.

10. With this new project, the Bank will consolidate the achievements of previous operations to attain the objectives set out in the country's Infrastructure Development Strategy.

C. The country is in a tough fiscal situation with a high debt risk

11. Since 2015, Burundi has been going through a crisis that has had significant impact on public finance and fiscal policy. The severe reduction in external financing through the State budget has worsened the budget deficit and resulted in inadequate budgetary savings to finance infrastructure investment from the State's own resources.

12. In 2018, the objective was to contain the budget deficit, which had worsened in 2017 (8.2% of GDP compared to 6.2% in 2016). The forecasts were based on 8.9% deficit. In the first half of the year, tax and non-tax revenue improved, up 19.2% compared to the same period in 2017, mainly due to increases in internal trade taxes (+28.3%) and income taxes (+27.1%). However, taxes on foreign trade have been stabilised. The increase in public expenditure should be limited to 4.6% compared to 2017 (7% for current expenditure, 4.6% for domestic resource investments, and 1.2% for external resource investments). Overall, the budget deficit is expected to be slightly below the initial forecast of 8.9% of GDP. To finance the deficit, the Government is expected to resort to Central Bank advances and issue Treasury bills, the latest of which was issued in July 2018.

13. Burundi reached the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative in 2009. However, according to the IMF/World Bank Debt Sustainability Analysis (DSA) in 2015, Burundi is still exposed to a high risk of over-indebtedness, even though the net present value of debt to GDP ratio, which was 18% in 2015, is well below the 30% threshold. The country's exposure to high debt risk due to the net present value of external debt in relation to exports of goods and services, estimated at 152% in 2015 (compared to 187% in 2012), is well above the reference threshold of 100%. The current crisis has aggravated Burundi's overall debt, which increased from 34% of GDP in 2014 to 44% in 2016. Estimates stand at 50% for 2017.

14. It is therefore necessary to increase exports and broaden the range of products by unlocking the potential of sectors other than coffee (mining, tea, horticulture, and tourism). To that end, short-term measures must be taken to improve the productivity and financial health of the coffee sector.

15. These conclusions call for more prudent and rigorous debt management. To reduce the risk of over-indebtedness, the institutional debt management system has been reinforced. The public debt management framework was improved by the promulgation of Law No. 1/03 of 11 May 2016, which promotes lower-cost-and-risk public debt management, without compromising public finance sustainability. The National Public Debt Management Committee, which is responsible for developing the debt strategy, determines the overall debt ceiling, the maximum amount of Treasury bills, the maximum amount of Government guarantees and the degree of concessionality acceptable for loans. However, despite this institutional framework, the country does not have a medium-term debt strategy. At the operational level, the country's debt is managed through a process which systematically verifies data from SYGADE software (DMFAS - Debt Management and Analysis System) and compares them with due dates sent by creditors. However, the internal capacity is limited as regards data production and debt sustainability analysis.

D. Bank Support to Burundi

16. Given the high risk of over-indebtedness, the country can obtain only limited resources from the Bank. The financing of the Indicative Operations Programme under CSP 2012-2016, extended to 2018, comes mainly from ADF grant resources. For 2017-2019, the performance-based allocation (ADF-14) amounts to UA 29.22 million, in addition to TSF funding of UA 26.11 million. For 2020-2021, it is hoped that the same allocations will be made. The Bank will also continue its efforts to mobilise additional resources, such as special/thematic and trust funds, to increase the country's limited allocation from ADF. Finally, the regional package, with its significant leverage effect, will be used to finance key integrative projects given the country's isolation. Co-financing will also be sought for large-scale operations in the infrastructure sector.

E. Conclusion

In light of the foregoing and mindful of the Government's request, we recommend that the Government of Burundi's counterpart contribution be limited to UA 1,760,000, which corresponds to 5% of the Bank's financing. This amount will be used to partially finance port infrastructure works.

ANNEX VI: LAKE TANGANYIKA TRANSPORT CORRIDOR DEVELOPMENT PROJECT PHASE II: MODERNISATION OF MPULUNGU PORT

VI-1. General Project Overview

The Lake Tanganyika Transport Corridor is currently hampered by inadequate port infrastructure and legal framework to boost cross-border trade and movement of people on the corridor. The high potential of lake transport has not yet been fully unlocked due to limited infrastructure, particularly port facilities. In Mpulungu Port, the quays provide only 20 m or less berthage, which is insufficient to accommodate 70-m long ships deployed in the lake, and therefore makes port operations inefficient. As regards Bujumbura Port, the existing quays built in the 1950s, including the quayside cranes, have not been upgraded. As a result, the quay productivity and capacity cannot meet future demand or serve as a regional hub. To resolve current port problems and fully unlock the potential of lake transport, which has comparative advantages over other transport modes, particularly transport costs and capacity, the Governments of Zambia and Burundi have requested the Bank to finance a study to rehabilitate Bujumbura Port (Burundi) and upgrade Mpulungu Port (Zambia).

The Bank has supported the two Governments in conducting technical studies for development of the Lake Tanganyika transport corridor. The studies focused on the feasibility and detailed studies of Bujumbura Port in Burundi and Mpulungu Port in Zambia. The two studies were completed in September 2016 and June 2018 respectively. Requests for financing were then submitted to the Bank for rehabilitation and modernisation works and equipment for both ports.

The project will help unlock the region's multimodal transport potential and provide affordable and environmentally friendly maritime transport linking the Northern Province of Zambia and Burundi. The project will therefore boost trade in a range of agricultural, manufactured and fishery products. It will also foster tourism and other economic activities.

VI.2. Components of Mpulungu Port Modernisation Project

The project components, presented in the table below, are indicative and will be finalised during the project appraisal scheduled for 2020.

No.	Description	Amount in EUR Million
1	<u>Port Infrastructure</u>	42.24
	▪ Multi-purpose quay for goods/containers	
	▪ Passenger quay and haulage ramp	
	▪ Boat ramp/shipyard	
	▪ Dredging	
	▪ Buildings	
2	<u>Equipment</u>	4.74
	▪ Berthing and mooring equipment	
	▪ Navigation aids	
	▪ Cranes and forklifts	
	▪ Reach stackers	

3	Trade and Transport Facilitation	1.72
	▪ Maritime communication study	
	▪ Analysis of private sector participation in a maritime study	
	▪ Preparation of an intermodal transport framework	
	▪ Review of Zambian Maritime Law; and ▪ ICT development and asset management	
4	Consulting Services	3.87
	▪ Studies review services	
	▪ Works supervision	
	▪ Monitoring and evaluation	
	▪ Technical audits Financial audits	
5	Institutional Support and Capacity Building	3.21
	▪ Training of port staff ▪ Technical assistance (project management)	
6	Physical and financial contingencies for Zambia	6.98
7	Total including contingencies	62.76
8	Resettlement and compensation	2.55
9	Total including compensation	65.31

VI.3 Indicative Financing Plan of the Project

Country	Source of Financing					Total UA Million
	AfDB Loan	ADF Grant	EU-AFIF	Other Financing	Counterpart Contribution	
Zambia	47.54	0.00	12.36	15.22	2.55	65.31

The final financing plan for Zambia will be determined during appraisal of Phase II of the Project. However, in the meantime, the Bank intends to participate in the financing of this project through the private sector window. The Borrower will be Mpulungu Harbour Corporation Limited, which is a limited liability company and holds 100% of the capital of Zambia Development Corporation (IDC). IDC is preparing to present the Project to the African Investment Forum in November 2019 in order to attract potential investors. It is already working with Development Bank of Southern Africa (DBSA). In addition, Netherlands Enterprise Agency (RVO) also intends to participate in the project financing.

Annexe I: Principaux Ports au Sud et à l'Est de l'Afrique



Plan de situation des Projets de Développement des Ports (Deux Ports)



AFRICAN DEVELOPMENT FUND

BOARD OF DIRECTORS

Resolution N° F/Z1/2019/115

Adopted by the Board of Directors on a lapse-of-time basis, on 5/12/2019

Multinational : Grant to the Republic of Burundi to finance part of the costs of the Lake Tanganyika Transport Corridor Development Project Phase I: Rehabilitation of Bujumbura Port

THE BOARD OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 11, 12, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (ii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (“ADF-14”); (iii) the applicable ADF-14 Country Resource Allocation; (iv) the Guidelines for the Financing of Multinational Operations; (v) the Strategic and Operational Framework for Regional Operations; and (vi) the appraisal report contained in Document ADB/BD/WP/2019/279/Rev.1/Approval - ADF/BD/WP/2019/191/Rev.1/Approval and the corrigendum thereto (the “Appraisal Report”);

NOTING the availability of sufficient resources to enable the Fund to commit the amount of the Grant;

DECIDES as follows:

1. To award to the Republic of Burundi (the “Recipient”), from the resources of the Fund, a grant of an amount not exceeding the equivalent of Fourteen Million, Seventy Thousand Units of Account (UA 14,070,000) (the “Grant”) to finance part of the costs of the Lake Tanganyika Transport Corridor Development Project Phase I: Rehabilitation of Bujumbura Port (the “Project”);
2. To authorize the President to conclude a protocol of agreement between the Fund and the Recipient (the “Protocol of Agreement”) on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund and the Appraisal Report;
3. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by this Board; and
4. This Resolution shall become effective on the date above-mentioned.

BOARDS OF DIRECTORS

Resolution N° B/Z1/2019/103 - F/Z1/2019/116

Adopted by the Boards of Directors of the Bank and the Fund on a lapse-of-time basis, on 5/12/2019

Multinational: Grant to the Republic of Burundi, from the resources of the Transition Support Facility, to finance part of the costs of the Lake Tanganyika Transport Corridor Development Project Phase I: Rehabilitation of Bujumbura Port

THE BOARDS OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 32 and 37 of the Agreement Establishing the African Development Bank (the “Bank”); (ii) Articles 1, 2, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund” or “ADF”); (iii) the Report on the Fourteenth General Replenishment of the Resources of the Fund (“ADF-14”); (iv) the Operational Guidelines for the Implementation of the Strategy for addressing Fragility and building Resilience in Africa and for the Transition Support Facility (the “TSF Operational Guidelines”); (v) the Guidelines for the Financing of Multinational Operations; (vi) the Strategic and Operational Framework for Regional Operations; and (vii) the appraisal report contained in Document ADB/BD/WP/2019/279/Rev.1/Approval - ADF/BD/WP/2019/191/Rev.1/Approval and the corrigendum thereto (the “Appraisal Report”);

RECALLING:

- (i) Resolution N° B/BD/2008/05 - F/BD/2008/03 approved by these Boards on 28 March 2008 establishing the Fragile States Facility;
- (ii) Document ADB/BD/WP/2014/46/Rev.2 - ADF/BD/WP/2014/30/Rev.2 entitled “Addressing Fragility and Building Resilience in Africa: The African Development Bank Group Strategy 2014 – 2019”; and
- (iii) Document ADB/BD/WP/2017/175 - ADF/BD/WP/2017/123 entitled “Fourth Cycle Assessment of Eligibility for Countries to the Transition Support Facility (TSF) Supplemental Support Funding (Pillar I) Resources” and the corrigendum thereto which confirmed, *inter alia*, the eligibility of the Republic of Burundi to receive financing from the TSF Supplemental Support Window (Pillar I);

DECIDE as follows:

1. To award to the Republic of Burundi (the “Recipient”), from the resources of the TSF Supplemental Support Window (Pillar I), a grant of an amount not exceeding the equivalent of Four Million, Nine Hundred and Forty Thousand Units of Account (UA 4,940,000) (the “Grant”) to finance part of the costs of the Lake Tanganyika Transport Corridor Development Project Phase I: Rehabilitation of Bujumbura Port (the “Project”);
2. To authorize the President to conclude a protocol of agreement amongst the Bank, the Fund and the Recipient (the “Protocol of Agreement”), on the terms and conditions specified in the General Conditions Applicable to Protocols of Agreement for Grants of the African Development Fund, the TSF Operational Guidelines and the Appraisal Report;
3. The President may cancel the Grant if the Protocol of Agreement is not signed within ninety (90) days from the date of approval of the Grant by these Boards; and

This Resolution shall become effective on the date above-mentioned.

BOARDS OF DIRECTORS

Resolution N° B/Z1/2019/104 - F/Z1/2019/117

Adopted by the Boards of Directors of the Bank and the Fund on a lapse-of-time basis, on [●] 2019

Multinational: Grant to the Republic of Burundi, from the resources of the Africa Investment Platform (AIP) Committed under the European Union Pillar Assessed Grant or Delegation Agreement (PAGoDA), to finance part of the costs of the Lake Tanganyika Transport Corridor Development Project Phase I: Rehabilitation of Bujumbura Port

THE BOARDS OF DIRECTORS,

HAVING REGARD to: (i) Articles 1, 2, 12, 13, 14, 15, 16, 17, 18, 32 and 37 of the Agreement Establishing the African Development Bank (the “Bank”); (ii) Articles 1, 2, 11, 12, 13, 14, 15, 16, 26 and 30 of the Agreement Establishing the African Development Fund (the “Fund”); (iii) the Guidelines for the Financing of Multinational Operations; (iv) the Strategic and Operational Framework for Regional Operations; and (v) the appraisal report contained in Document ADB/BD/WP/2019/279/Rev.1/Approval - ADF/BD/WP/2019/191/Rev.1/Approval and the corrigendum thereto (the “Appraisal Report”);

RECALLING:

- (i) Resolution N° B/BD/2017/16 – F/BD/2017/08 adopted by these Boards on 12 July 2017, approving the European Commission and African Development Bank Group: Pillar Assessed Grant or Delegation Agreement (PAGoDA) contained in Document ADB/BD/WP/2017/124 - ADF/BD/WP/2017/87; and
- (ii) The Framework Arrangement between the European Commission (EC) and the African Development Bank Group on Actions administered by the African Development Bank Group and funded or co-funded by the European Union (EU) (the “Framework Arrangement”) signed on 25 September 2017, pursuant to which, the Bank is eligible to receive grant financing directly from various funds of the EC including the EU Africa Investment Platform (AIP), to be utilized to bridge the funding gap of public sector programmes in view of promoting and facilitating economic growth and the achievement of greater development outcomes for Regional Member Countries;

HAVING CONSIDERED that on 18 November 2019, the EC committed, from EU AIP resources under the PAGoDA, a grant of an amount of Twenty Million Euros (EUR 20,000,000) to the Republic of Burundi to finance part of the costs of the Lake Tanganyika Transport Corridor Development Project Phase I: Rehabilitation of Bujumbura Port (the “Project”) and the Bank’s administrative fees;

DECIDE as follows:

1. To award to the Republic of Burundi (the “Recipient”), from EU AIP resources under the PAGoDA, a grant of an amount not exceeding Nineteen Million, Seven Hundred Thousand Euros (EUR 19,700,000) (the “Grant”) to finance part of the costs of the Project;
2. That procurement of goods, works and services that are financed by the proceeds of the Grant shall be open to all countries including those that are not Member States of the Bank;

3. To authorize the President to conclude a delegation agreement between the Bank and EU (the “Delegation Agreement”) and a grant agreement between the Bank and the Recipient (the “Grant Agreement”), on the terms and conditions specified in the Standard Conditions Applicable to Grants made by the African Development Bank and the African Development Fund from the Resources of Various Funds, the Framework Arrangement, the PAGoDA and the Appraisal Report;
4. That the President may cancel the Grant if the Delegation Agreement and the Grant Agreement are not signed within three hundred and sixty-five (365) days from the date of approval of the Grant by these Boards; and
5. That this Resolution shall become effective on the date above-mentioned.