Report Number: ICRR0024534

1. Project Data

Project ID P155060	**Project Name** BI-Local Development for Jobs Project
Country Burundi	**Practice Area(Lead)** Finance, Competitiveness and Innovation

L/C/TF Number(s)	**Closing Date (Original)**	**Total Project Cost (USD)**
IDA-D2250	31-Jul-2022	49,218,347.20
Bank Approval Date	**Closing Date (Actual)**	
22-Aug-2017	30-Jun-2024	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	50,000,000.00	0.00
Revised Commitment	49,553,961.00	0.00
Actual	49,218,347.20	0.00

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2. Project Objectives and Components

a. Objectives

According to the Financing Agreement (page 4) and the Project Appraisal Document (page i), the project development objective (PDO) of the Republic of Burundi Local Development for Jobs Project was "to create income-generating opportunities for individuals and businesses and improve access to basic infrastructure in selected regions, targeting vulnerable populations and micro, small, and medium enterprises (MSMEs) in selected value chains."

This ICRR will evaluate this project on two objectives:

Objective 1. To create income-generating opportunities for individuals and improve access to basic infrastructure in selected regions, targeting vulnerable populations.
Objective 2. To create income-generating opportunities for businesses, targeting MSMEs in selected value chains.

In parsing the project objective into two, this ICR Review distinguishes between individuals and businesses, as the ICR does. However, unlike the ICR (paragraph 15, page 4), which rewords the project objective – “Objective 1 - Improved service delivery and creation of short-term employment," and “Objective 2 - Improved MSME capabilities and performance in selected value chains (fruits, fisheries, and construction)" – this ICR Review retains the original language of the PDO.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project had four components.

Investments in Local Public Infrastructure (US$32.5 million estimated at appraisal, US$29.7 million disbursed by closing) aimed to develop public works to generate demand in the construction sector and support vulnerable communities hardest hit by the crisis through employment opportunities and improved access to basic services by supporting: (a) investment in local public economic (markets and road) and social (primary and secondary schools, health centers, youth centers) infrastructure; (b) institutional and capacity building at the Ministère du Développement Communal (MDC), which supported local government sustainability, and the Association Burundaise des Elus Locaux (ABELO), which collaborated with municipal and local authorities.

Support for Value Chain Development (US$13.5 million estimated at appraisal, US$15.3 million disbursed by closing) aimed to create and preserve long-term income-generating activities in high-potential value chains in the agribusiness (fruits and fisheries) and construction sectors by supporting: (a) a Catalytic Financing Facility to provide business development grants to MSMEs and MSME clusters to upgrade the capacities of value chains; (b) institutional and capacity building at business climate improvement and value chain development institutions, including the Agence de Promotion des Investissements (API), the successor Agence de Développement du Burundi (ADB), the Chambre Fédérale de Commerce et d'Industrie du Burundi (CFCIB), and the chambers of agri-business and construction; and (c) improvements to the business environment – the regulatory framework for investment and export development by MSMEs in the agri-business and construction sectors; the business registration process, the building permit approval procedures, and cross-border logistics arrangements.

Project Management, Coordination, and Monitoring (US$4 million estimated at appraisal, US$4.2 million disbursed by closing) supported technical assistance to and project implementation support for the Project

Implementation Unit (PIU), including project management, procurement, financial management (FM), safeguards, and monitoring and evaluation (M&E), as well as capacity-building and operating costs.

Contingency Emergency Response (no cost estimate at appraisal, no disbursement made by closing) aimed to support an immediate response to an eligible crisis or emergency.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. The project was estimated to cost Special Drawing Rights (SDR) 36.2 million at appraisal (US$50 million equivalent).

Financing. The project was financed by a grant from the International Development Agency (IDA) to the Republic of Burundi in the amount of SDR 36.2 million, which was fully disbursed by closing (US$49.2 million equivalent). (The difference in the US$ equivalent amounts between appraisal and closing is due to changes in the SDR to US$ exchange rate.)

Grantee Contribution. The grantee did not provide any financial contribution to the project.

Dates. The project was approved on August 22, 2017, became effective on March 31, 2018, and closed on June 30, 2024, two years after the original closing date of July 31, 2022.

Restructuring. The project underwent four restructurings, all of which involved extending the closing date. The project development objective, the project components, and the results framework were not revised.

- The first restructuring on November 20, 2022, with US$47.49 million disbursed (96.5 percent of the final disbursed amount), extended the project closing date to December 15, 2022, to allow for the completion of construction activities following economy-wide disruptions to fuel supply.
- The second restructuring on December 14, 2022, with US$47.6 million disbursed (96.7 percent of the final disbursed amount), extended the project closing date to June 30, 2023, to allow for the delivery of Catalytic Financing Facility equipment, the construction of a temperature-controlled infrastructure at the airport, and the digitization of land title archives, which were delayed by problems in the accessing foreign currency market and persistent fuel supply shortages.
- The third restructuring on June 30, 2023, with US$47.6 million disbursed (97.5 percent of the final disbursed amount), extended the project closing date to November 30, 2023, to address further delays with equipment delivery for the Catalytic Financing Facility and to implement measures against recent cyberattacks on government platforms, which would have imperiled the security of digital one-stop shops supported by the project.
- The fourth restructuring on December 11, 2023, with US$48.6 million disbursed (98.8 percent of the final disbursed amount), extended the project closing date to June 30, 2024, to allow for payments to equipment suppliers for supported MSMEs, following amendments to supply contracts.

3. Relevance of Objectives

Rationale

As Burundi strove to recover from the political and security crisis of 2015 (which contracted GDP by 3.9 percent, cut off bilateral and multilateral aid worth 42 percent of national income, and displaced tens of thousands internally and to neighboring states), this Local Development for Jobs Project offered an opportunity to rehabilitate and construct local public works in selected regions, generate employment for vulnerable populations, and support MSMEs in agribusiness and construction value chains.

Binding Constraints to Development. The project would help address some of the challenges to the country's path toward a more durable and sustainable economic recovery. As cited in the Republic of Burundi Systematic Country Diagnostic of 2018, *Addressing Fragility and Demographic Challenges to Reduce Poverty and Boost Sustainable Growth,* these constraints included:

- Poor employment record. Subsistence agriculture supplied the majority of income and employment to the population (86 percent of the workforce) while the public sector provided the bulk of non-farm wage employment (one-third of the total). However, farm employment was stuck in low-productivity work, and public sector employment was mired in political patronage. Jobs in labor-intensive public works would provide some short-term relief during the economic downturn.
- Lack of basic infrastructure. The absence of infrastructure across many sectors, particularly energy and transportation, and the poor quality of existing facilities hampered economic activity. Upgrading the country's infrastructure would be a long-term program and require massive resources. But an early focus on the rehabilitation and maintenance of existing assets would immediately address pressing needs and pave the way for a more systematic infrastructure development plan.
- Limited access to technology and credit for MSMEs. MSMEs could be important drivers of vigorous private sector activity. But many MSMEs lacked access to economic infrastructure (e.g., post-harvest losses exceeded 50 percent for lack of storage facilities), business development services, and finance (the best credit term was for a 7-year loan at a 20 percent interest rate but required high collateral and a down payment).

Government Development Priorities. This project supported the priorities of the *Revised National Development Plan of Burundi 2018-2027* (PND), which aimed to "transform growth-driving sectors for a sustained economy and job creation" and to "Improve basic social services." The PND is aligned with the country's vision statement and long-term framework plan, *Burundi, an Emerging Country by 2040 and a Developed Country by 2060*, which commits the state to a set of 22 strategic objectives organized around five pillars, including economic efficiency and social equity.

World Bank Group Country Strategy. The project supported the World Bank Group strategy for Burundi. The *Country Partnership Framework for the Republic of Burundi for the Period FY19-FY23* (CPF) concentrated on two focus areas, Building Human Capital and Inclusion, and Strengthening Foundations for Economic and Social Resilience. The project objectives, with their focus on selected regions, vulnerable populations, and MSMEs in selected agribusiness and construction sector value chains, were aligned with the first focus area, which aimed to "meet basic human needs and ensure that services are targeted to the most vulnerable and disadvantaged subgroups."

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To create income-generating opportunities for individuals and improve access to basic infrastructure in selected regions, targeting vulnerable populations.

Rationale

Theory of Change. The rehabilitation and construction of basic economic, transportation, and social infrastructure across populous communes using labor-intensive construction methods and the socially inclusive hiring of workers would spur construction demand, address the local infrastructure deficit, and boost employment, which had all deteriorated from the recent political crisis and worsening fiscal deficit. Local governments, which lacked the institutional capacity to develop, oversee, and manage infrastructure investment, would be assisted with capacity-building initiatives. Capacity building was an important aspect of this operation and vital for future sustainability, even as a non-profit agency implemented the current infrastructure sub-projects under a delegated contract management agreement with the Government and sub-project agreements with communes.

The impact of these project activities would be measured at the output level by the number of markets, the kilometers of roads, the number of schools, medical centers, and youth centers constructed or rehabilitated, and the number of communes that produced or updated their local development plans. The achievement of the objective would be evidenced at the outcome level by the number of person-days of employment created by, and the number of individuals gaining increased access to, the basic infrastructure supported by the project.

The results chain is coherent, with labor-intensive public works having been tested and proven as an effective instrument for short-term employment creation and local infrastructure development in similar past projects in the country. The results indicators were relevant measures of the impact of the activities on the achievement of the project objective, although it should be noted that tallying the number of individuals gaining increased access to infrastructure depended on assumptions about the proportion of the service area population that used a particular infrastructure facility.

Outputs. The project achieved the targets for three of the five outputs defined for the objective. Only a third of the target for road construction and two-thirds of the target for local development planning were attained.

- Ten markets were rehabilitated, exceeding the target of eight. The rehabilitation increased the number of merchants at markets, expanded commercial activities, improved access to water and electricity, enhanced security with the provision of fire protection equipment, and increased municipal fiscal revenues.
- Only 32 kilometers of roads were constructed, short of the target of 100 kilometers. The 20 roads constructed substituted for impassable trails, improved delivery times and logistics among transport firms, enhanced the productivity of enterprises, and reduced the distance and travel time of residents to schools and health facilities.

- A total of 21 new social infrastructure projects were completed, consisting of nine schools, six medical centers, two communal offices, and two youth centers, meeting the target of 20. The new projects expanded access to educational and medical services, reduced the distance to these facilities from 20-30 to 2-3 kilometers for many beneficiaries, and offered higher-quality services from more modern facilities.
- Only four communes produced updated local development plans, part of the pilot phase, short of the target of 10 communes. Several communes did not take advantage of the opportunity to create a local development plan, and many capacity-building activities were not implemented, halting this activity at its pilot phase.
- Citizen satisfaction with project implementation in target communities reached 95 percent, exceeding the target of 75 percent. The results were obtained from a beneficiary survey conducted in 2024, involving 175 questions covering 16 sub-projects across 16 communes in nine provinces.

Outcomes. The project achieved the targets for the two outcome indicators defined for the objective.

- A total of 5,186,806 person-days of employment were created from investments in local public infrastructure supported by the project, exceeding the target of 2,000,000. The ICR added that: (a) half the people recruited to work on these projects were from vulnerable groups, according to the Carital consortium which recruited local workers for the infrastructure projects; (b) unskilled workers worked 151.3 days per year on average (equivalent to over five months); (c) the income per person day was US$3.70 for direct employment and US$2.70 for an indirect job; (d) the average total income for a worker was Burundian francs (BIF) 489,469 (BIF 3,353 per day); (e) the total income for vulnerable groups as BIF 20 billion (US$11.6 million equivalent); and (f) the 5.2 million person days of employment created by labor-intensive local public infrastructure projects supported by this operation compare favorably with the 6 million person-days created by the Burundi Public Works and Employment Creation Project (against a target of 2.8 million person-days) and the 7 million person-days created by the Burundi Public Works and Urban Management Project (against a target of 3.3 million person-days).
- A total of 2,497,224 individuals received increased access to basic infrastructure supported by the project, representing 25 percent of the population in target communes, exceeding the target of 1,000,000. The beneficiaries consisted of: (a) 1,062,399 individuals receiving improved access to transportation infrastructure; (b) 703,720, to education infrastructure; (c) 365,631, to health infrastructure; (d) 287,962, to economic infrastructure; (e) 41,460, to administrative infrastructure; and (f) 36,044, to youth and sports infrastructure.

Because the project achieved the two outcomes, albeit only three of the five outputs, defined for the objective to create income-generating opportunities for individuals and improve access to basic infrastructure in selected regions, the project's efficacy in achieving Objective 1 is rated Substantial.

Rating
Substantial

OBJECTIVE 2
Objective

To create income-generating opportunities for businesses, targeting MSMEs in selected value chains.

Rationale

Theory of Change. A Catalytic Financing Facility that provided business development grants to MSMEs and MSME clusters to fund shared infrastructure, equipment, skills training, and technical assistance would enhance revenue productivity, job creation, and access to markets among MSMEs in Burundi. Additionally, institutional capacity building among value chain development institutions and investment promotion agencies and the reform of the business enabling environment would provide the institutional and policy underpinnings for MSME and value chain development.

The impact of these project activities would be measured at the output level by the percentage increase in employment recorded by beneficiary firms, the level of satisfaction among client MSMEs with the API and the CFIB, the number of private sector development reforms that were implemented, and the number of Public-Private Dialogue proposals that were implemented. The achievement of the objective would be evidenced at the outcome level by the number of firms that benefited from private sector initiatives supported by the project.

The results chain is coherent and based on the concept that catalytic capital, which strives to unlock investment in projects with strong social impact by accepting concessional returns or higher risk, could be deployed to spur value chain development among MSMEs in priority agribusiness and construction sectors in Burundi. The results indicators were relevant measures of the impact of the activities toward the achievement of the project objective, although the number of firms benefiting from private sector initiatives would be better treated as an output indicator, and the increase in employment among MSME beneficiaries would be better considered as an outcome indicator.

Outputs. The project achieved the targets for four output indicators defined for the objective.

- Beneficiary firms supported by the Catalytic Financing Facility increased employment by 36.9 percent, exceeding the target of 10 percent. The new jobs were "formal jobs in key productive sectors of the economy", were of "high quality", and were "inclusive," according to the ICR.
- Client MSME satisfaction with the API and the CFCIB reached 50 percent, according to a survey, meeting the target. The digitalization of one-stop shops, especially for business creation, enhanced the accessibility of the business registration process, enabling business owners (including those in remote areas and members of the diaspora) to complete the registration process from their locations.
- Seven reforms supporting the private sector were implemented, exceeding the target of five. Five of the reforms involved digitalization to improve business registration, the issuance of building permits, property transfers, and contract enforcement at key institutions, including the ADB, the Commercial Court of Bujumbura, the One Stop Shop for Construction Permits, and the Directorate for Land Titles and Cadastre. The one-stop shops and the digitalization of services reduced business registration, construction permitting, and real estate title transfers by 1.5 person-days, according to the ICR.
- Eight proposals by the Public-Private Dialogue were implemented, exceeding the target of five.

Outcomes. The project achieved the target for the outcome indicator defined for the objective.

- A total of 6,958 firms benefited from private sector initiatives supported by the project, exceeding the target of 350. These included: (a) 6,342 MSMEs that received improved services from business development services (BDS) and SME development agencies; (b) 347 MSMEs that received technical

assistance to restructure their business plans, 78 of which received matching grants, beneficiaries of the Catalytic Financing Facility; and (c) 269 MSMEs that received business training and technical assistance, also beneficiaries of the Catalytic Financing Facility. Of the firms that received matching grants, 52 received deliveries of new equipment by project closing in June 2024.

Because the project achieved all outputs and outcomes defined for the objective to create income-generating opportunities for businesses, including the increase in employment by beneficiary firms (whether viewed as an output or outcome) and the number of firms benefiting from private sector initiatives (whether viewed as an outcome or output), the project's efficacy in achieving Objective 2 is rated High

Rating
High

OVERALL EFFICACY
Rationale
The degree of achievement of the objective to create income-generating opportunities for individuals and improve access to basic infrastructure in selected regions, targeting vulnerable populations, is rated Substantial. The degree of achievement of the objective to create income-generating opportunities for businesses, targeting MSMEs in selected value chains, is rated High. The overall efficacy of the project is rated Substantial.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Efficiency. The ICR calculated a net present value (NPV) of US$6 million (discount rate of 15 percent over 20 years) and an economic rate of return (ERR) of 25 percent for the Investment in Local Public Infrastructure and the Catalytic Financing Facility components of the project (combined 76 percent of the final project value), using a slightly different methodology than that at appraisal. Using the same methodology at appraisal, the NPV would be US$16.3 million, and the ERR, 21 percent. The estimates by the PAD at appraisal were an NPV of 13.1 million (discount rate of 15 percent over 12 years) and an ERR of 30 percent.

Operational Efficiency. The project completion was delayed by two years, owing to various implementation issues and external impediments (see Section 2.E). The project financing was fully disbursed.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	30.00	75.00 ☐ Not Applicable
ICR Estimate	✓	25.00	76.00 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the project objectives is rated High. The efficacy of the project is rated Substantial, and the efficiency, Substantial. The outcome is rated Satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

There are substantial risks to the development outcomes achieved by the project. Ongoing operations may help mitigate some of these risks.

For infrastructure constructed under the project, the sustainability risks include the following: (a) local infrastructure may not be maintained properly – the Government lacked explicit Operation and Maintenance (O&M) systems, and municipal governments lacked O&M capacity; (b) the Government may be unable to properly manage the temperature-controlled storage facility at the Melchior Ndadaye International Airport; (c) electricity shortages may disrupt the operation of digital one-stop shops. To help address O&M issues, the Burundi Urban Resilience Emergency Project (US$120 million, 2024 - 2029) will provide technical assistance to central and local authorities to plan and implement O&M tools for infrastructure, albeit confined to the largest city, Bujumbura.

For MSMEs supported by the project with technical assistance, matching grants, and business regulatory reform, the sustainability risks include the following: (a) widespread electricity shortages have impaired many business activities; (b) MSMEs will likely face skills, services, and credit constraints over protracted periods; and (c) many public and private entities lack the institutional capacity to follow through with business environment reform initiatives. To help address these risks, the Buruindi Jiji and Mulembwe Hydropower Project (US$270 million, 2014-2026) strives to increase the supply of clean and low-cost hydropower electricity to the national grid; the Burundi Skills for Jobs Project (US$80 million, 2021-2026) supports skills

development training and entrepreneurship opportunities for the young, women, and refugees; and, the Burundi Jobs and Economic Transformation Project (US$100 million, 2022-2028) aims to continue supporting job creation, improving access to finance, and expanding economic opportunities for MSMEs.

8. Assessment of Bank Performance

a. Quality-at-Entry

Related Bank Operations. The Bank planned for this operation to continue with the strategies adopted by two preceding projects, launched during and in the aftermath of the Burundian civil war (1993-2005), to create income opportunities among individuals and businesses. The strategies include the use of labor-intensive public works to generate productive employment, the inclusion of MSMEs, and the incorporation of medium- to long-term institution-building efforts among local governments and national BDS and SME development agencies to secure sustainability of the development outcomes.

- The Burundi Public Works and Employment Creation Project (US$74 million, 2001-2007) aimed to generate productive employment to help reconstruction through labor-intensive public works, promote the execution of cost-effective and economically and socially useful public works projects, including through SMEs, and build institutional capacity at the municipal level to identify, prioritize, operate, and maintain sub-projects.
- The Burundi Public Works and Urban Management Project (US$46.4 million, 2008-2015) aimed to increase access to basic socioeconomic services and short-term employment opportunities in target areas by supporting: the rehabilitation and expansion of demand-driven infrastructure in all urban communes and trunk infrastructure in Bujumbura, Gitega, and Ngozi; municipal and urban management in these main cities; and institutional strengthening, including training.

Implementation Arrangements. The Bank set adequate institutional and operational arrangements to govern the implementation of the project.

The independent non-profit Agence Burundaise pour la Réalisation des Travaux d'Intérêt Public (ABUTIP) would implement the first project component under a delegated contract management agreement with the Government and sub-project agreements with beneficiary communes (which initiated sub-projects). ABUTIP had operated as a delegated project management agency in Burundi since 2003, working on behalf of the Government, local communities, and international donors, to execute and manage public works projects (infrastructure, utilities, and services) and to support economic and social development initiatives. According to the PAD (page 29), the ABUTIP was selected for this task because of its "good track record implementing WBG projects," including the recent Burundi Public Works and Urban Management Project. Additionally, non-governmental organizations would help ABUTIP support and oversee beneficiary communes.

Another independent agency would conduct the technical and financial evaluation of business development grant applications submitted by MSMEs and MSME clusters to the Catalytic Financing Facility. A Government selection committee would approve the grant allocations on the recommendation

of the independent business grants development agency, and the Government would subsequently enter into business development grant agreements with beneficiary MSMEs.

A Project Implementation Manual, approved by the Bank, would set the detailed arrangements and procedures for the execution of the project.

Operational Risks and Mitigation Measures. The Bank assessed the overall project risk as High and recognized that many key risks were difficult to mitigate with measures at the purely project level.

- Political and governance risk remained high following the Burundian unrest of 2015 (the controversial presidential elections, a failed military coup, a violent government crackdown, and the flight of thousands to neighboring states). To address the political and governance risk, which had already delayed project preparation in 2017, the Bank maintained a collaborative stance with the Government and the private sector, focusing on local economic development and vulnerable groups to help reduce tensions and violence. Additionally, the Bank planned to partner with a non-governmental organization to identify beneficiaries for local infrastructure sub-projects, engage a private consulting firm to identify MSME beneficiaries for value chain development, and coordinate closely with the county management unit to make timely project decisions.
- Macroeconomic risk remained high through appraisal in 2017, stemming from the political crisis that began in 2015 – GDP growth remained anemic at 0.5 percent in 2017 (the economy contracted 3.9 percent in 2015); inflation ballooned to 15.5 percent in 2017 (from 5.5 percent in 2015); the fiscal deficit remained elevated at 5 percent of GDP in 2017 (bilateral and multilateral donors had suspended aid in 2015, estimated at 42 percent of national income); and the current account balance remained large at 11.8 percent of GDP in 2017 (it was 11.5 percent of GDP in 2015). The PAD stated that measures to mitigate macroeconomic risk were not available or feasible at the project level, but that the Bank would discuss policy responses with the Government if the macroeconomic environment deteriorated.
- Institutional capacity risk was high, reflecting Burundi's FCV (fragility, conflict, and violence) state. An inter-ministerial Project Steering Committee, chaired by the Ministry of Finance, Budget and Privatization and the Ministry of Public Works, and including the Ministry of the Interior, Community Development and Public Security, the Ministry of Water, Environment, Land Management and Urban Planning, the Investment Promotion Agency, and the federal and sectoral chambers of commerce would be responsible for project oversight. A Technical Committee would monitor the technical aspects of project execution, while the PIU at the Ministry of Finance would manage project execution. Local governments would operate and maintain local infrastructure supported by the project. To address institutional capacity risk, staff at the central ministries and local governments would be trained "to reduce implementation risks and sustain the results beyond the life of the project."

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

Implementation Support. The Bank fielded regular supervision missions to support the implementation of the project and filed 13 Implementation Status and Results Reports (ISRs) over the seven-year duration of the project, or twice a year (the average for Bank investment project financing operations).

Adaptation. The Bank took proactive steps at the Mid-Term Review to modify the focus of some project components in response to changed conditions and the pace of project implementation. Notably, institutional development of value chain institutions focused on technical support for the transition of the API into the ABP, the Bureau Burundais de Normalisation (BBN), and the Agence d'Appui à la Réalisation des Contrats des Partenariats Public-Privés (ARCP).

The Bank restructured the project four times to address project implementation difficulties posed by adverse macroeconomic developments. Although the unrest triggered by the political and security crisis in 2015 had started to dissipate by 2020 (with the peaceful transition of presidential power that year and the lifting of U.S. and E.U. sanctions in 2021-22), Burundi faced a string of crises that posed challenges to the ready implementation of this project in the ensuing years. The COVID-19 pandemic slowed GDP growth to 0.3 percent in 2020 (from 1.8 percent in 2019), leveling private consumption to 0.3 percent (from 3.1 percent in 2019) and contracting investment by 2.8 percent (from 32.9 percent in 2019). The Russian invasion of Ukraine in 2022 spiked global food, fertilizer, and oil prices, resulting in food insecurity, markedly higher inflation (18.8 percent in 2022 and 27.1 percent in 2023, from 8.3 percent in 2021), and fuel shortages (and related electricity shortfalls and transportation disruptions) across the country. Exacerbated by large external imbalances (the current account deficit was 15.9 percent of GDP in 2022) and dwindling foreign reserves, a large premium in the parallel exchange rate market stalled industrial material imports for construction and equipment imports for the Catalytic Financing Facility. The restructurings accommodated time extensions in response to the foregoing difficulties (see Section 2.E).

The Bank also helped the Government address institutional capacity constraints that jeopardized project implementation, according to the ICR (pages 16-17): (a) it took seven months for the project to become effective due to personnel problems at the Project Implementation Unit – some roles were filled by temporary staff; (b) the Government dismantled the ABUTIP, the technical implementing agency for the first project component, after the Mid-Term Review – the completion of the Mutaga road paving and the College de Muriya technical and safeguards studies was delayed; and (c) complex selection procedures, insufficient technical support for applicants, undefined roles among partners, and slow staff recruitment slowed the implementation of the Catalytic Financing Facility.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The results framework defined three outcome (PDO-level) indicators and nine output (intermediate results) indicators. The results indicators are generally adequate to measure the impact of the project activities on the achievement of the project objectives through a coherent results chain (see Section 4). However, for the objective “to create income-generating opportunities for businesses, targeting MSMEs in selected value chains,” the outcome indicator “number of firms benefitting from private sector initiatives supported by the project” appears to be more of a project output, while the output indicator “increase in employment in beneficiary firms” appears to be more of a project outcome. Moreover, while the PAD (page 45) declared that the near-term focus of private sector development activities was productivity and competitiveness, the sole outcome indicator “number of firms benefitting from private sector initiatives supported by the project” does not measure those relevant final outcomes.

The M&E plan assigned the M&E function to the PIU and required the Government to prepare and submit bi-annual Project Reports to the Bank within 45 days from the end of each semester.

b. M&E Implementation

The PIU performed the project M&E function adequately. However, data collection and reporting were slower than expected due to problems with staffing, according to the ICR. Otherwise, the M&E reports were of good quality.

c. M&E Utilization

The M&E data fed into ISR and other reports for the project and were useful for decision making, according to the ICR: (a) disbursement data were used to identify bottlenecks with procurement; (b) results data prompted the restructuring decisions; and (c) performance data informed the work of Bank implementation support missions and set the agenda of Bank and Government consultations.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

Environmental Safeguards. The project was classified as an environmental assessment category "B" project at appraisal ("some type of environmental assessment/review/plan is required, but limited in scope and flexible in structure, reflecting corresponding the limited environmental impacts of the project and the anticipated relatively straightforward mitigation") and triggered Bank safeguards policies OP/BP 4.01 - Environmental Assessment, OP/BP 4.9 - Pest Management, OP/BP 4.10 - Indigenous Peoples, OP/BP 4.11 - Physical Cultural Resources, and OP/BP 4.12 - Involuntary Resettlement.

The project complied with all applicable safeguards policies, according to the ICR. An Environmental and Social Management Framework (ESMF), Integrated Pest Management Plan (IPMP), Indigenous Peoples

Planning Framework (IPPF), and Resettlement Policy Framework (RPF) were prepared and disclosed in-country and on the World Bank website. Supplemental safeguards instruments included Environmental and Social Management Plans (ESMPs), Environmental and Social Impact Assessments (ESIAs), Indigenous Peoples Action Plans (IPAPs), and Resettlement Action Plans (RAPs) for screened sub-projects.

The ICR added the following information: (a) the project compensated 900 Project Affected Persons (PAPs) with an aggregate amount of BIF 160.3 million; (b) two fatal incidents occurred at the Bumba market construction in Kayanza province and the Kumatafari Avenue paving in Bujumbura City – in response, the Hygiene, Safety, and Health Plan (PHSS) was revised to include corrective measures; (c) the resettlement issue at the College de Muyira, which was at risk from an unstable slope, remained unresolved at closing – the corrective civil works was completed, but the RAP for relocating seven endangered households will only be likely implemented under another project.

Environmental and social safeguards progress reports were submitted quarterly. Overall Safeguards and OP/BP 4.01 were rated Moderately Satisfactory, while OP/BP 4.9, OP/BP 4.10, OP/BP 4.11, and OP/BP 4.12 were all rated Satisfactory in the last ISR of May 27, 2024.

b. Fiduciary Compliance

Procurement. Significant delays with procurement after June 2019 dragged down the procurement performance from Satisfactory previously to Moderately Satisfactory thereafter. The Project Implementation Unit employed four Procurement Specialists over three years, with only one serving for more than a year.

The Bank helped the Government facilitate procurement, which proved daunting throughout project implementation, according to the ICR. For example, the Bank advised on the use of innovative methods for equipment procurement, especially for the Catalytic Financing Facility, including the phased delivery of procurement packages and receipt of equipment at the port of shipment.

Document archiving for the Bank's Systematic Tracking of Exchanges in Procurement (STEP) System remained incomplete at project closing, particularly for infrastructure sub-projects for which the ABUTIP served as the implementing agency. The last ISR recommended that the project upload all procurement documents in STEP before the end of a grace period on December 30, 2024.

Procurement was rated Moderately Satisfactory in the last ISR of May 27, 2024.

Financial Management. Quarterly financial monitoring reports were generally timely and of acceptable quality. There was no outstanding audit report at project closing. The Government paid an ineligible expenditure of US$814,205 in October 2021, according to the ICR.

Financial Management was rated Moderately Satisfactory in the last ISR of May 27, 2024.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

Three lessons are drawn from the ICR, with some adaptation.

If the technical details of a Catalytic Financing Facility were well specified and in advance of project start, implementation would be more effective. In this operation, the implementation of the Catalytic Financing Facility was delayed for a year. Implementation started only after the Government (a) clarified the grant scheme in sufficient detail – and, thereafter, completed the pre-selection process for 89 MSMEs for matching grants; (b) refocused the facility toward the technical window and emphasized delivering technical assistance to 300 MSMEs, and (c) hired a firm with proven expertise in business development services as part of the project institutional requirements.

Local infrastructure investment could be better targeted and implemented if the institutional capacity to identify, prepare, and execute projects were stronger. In this operation, the non-profit ABUTIP acted as the implementing agency for local public works under a management contract agreement with the Government. But ABUTIP was dismantled, delaying the completion of several sub-projects. Meanwhile, efforts to develop institutional capacity at local governments stalled, as the initiative to prepare or upgrade local development plans stopped at its pilot phase – highlighting the challenges to advancing local capacity for project planning, let alone for project execution.

A government would make more progress at enhancing the business environment for private sector development if the political commitment to policy and structural reform were stronger. This project introduced some measures toward private sector development by digitizing one-stop shops for business entry, building permits, and property transfers, and by establishing a temperature-controlled facility at the Melchor Ndadaye International Airport. But the country's path toward a better business enabling environment is lengthy and likely difficult. High-level political commitment, apart from technical ownership of future reforms, would be critical.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR generally followed Bank OPCS guidelines. The document provides a comprehensive account of the project that underwent multiple restructurings. The discussions of efficacy and efficiency are comprehensive and analytic. The document is candid about its assessment of the key factors during preparation and implementation. The lessons learned are relevant and are best appreciated in the context of poor institutional capacity in government, especially among local units. Overall, the quality of the ICR is rated as Substantial.

a. Quality of ICR Rating
Substantial