FOR OFFICIAL USE ONLY

Report No: PAD4945

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED GRANT

IN THE AMOUNT OF SDR 76.1 MILLION
(US$100 MILLION EQUIVALENT)
OF WHICH US$20 MILLION EQUIVALENT FROM THE
WINDOW FOR HOST COMMUNITIES AND REFUGEES

TO THE

REPUBLIC OF BURUNDI

FOR A

JOBS AND ECONOMIC TRANSFORMATION PROJECT

November 8, 2023

Finance, Competitiveness and Innovation Global Practice
Eastern and Southern Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective September 30, 2023)

Currency Unit =	Burundi Frank (FBu)
US$1 =	FBu 2,846
US$1 =	SDR 0.76

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Victoria Kwakwa
Regional Director:	Hassan Zaman
Country Director:	Albert G. Zeufack
Practice Manager:	Consolate K. Rusagara
Task Team Leaders:	Natalia Agapitova, Magueye Dia, Alphonsus Nji T Achomuma

ABBREVIATIONS AND ACRONYMS

ABEF	*Association des Banques et des Etablissements Financiers* (Burundi Bankers' Association)
ADB	*Agence de Développement du Burundi* (Burundi Development Agency)
BBN	*Bureau Burundais de Normalisation et Contrôle de la Qualité* (Burundi Bureau of Standards and Quality Control)
BRB	*Banque de Republique du Burundi* (Bank of the Republic of Burundi)
CERC	Contingency Emergency Response Component
CPF	Country Partnership Framework
CPSD	Country Private Sector Diagnostic
E&S	Environmental and Social
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
ESS	Environmental and Social Standards
FIGA	*Fonds d'Impulsion, de Garantie et d'Accompagnement* (Public Loan Guarantee Fund)
FOREX	Foreign Exchange
GBV	Gender-based Violence
GDP	Gross Domestic Product
GHG	Greenhouse gas
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology
IDA	International Development Association
IFC	International Finance Corporation
IFR	Interim Financial Report
IMF	International Monetary Fund
INSBU	*Institut National de la Statistique du Burundi* (Institute of Statistics and Economic Studies)
IPF	Investment Project Financing
IPPF	Indigenous Peoples Planning Framework
JET	Jobs and Economic Transformation
LMP	Labor Management Procedure
M&E	Monitoring and Evaluation
MFI	Microfinance institution
MSME	Micro, Small and Medium Enterprise
NBFI	Nonbank Financial Institution
NGO	Non-governmental Organization
NPV	Net Present Value
PBC	Performance-based condition
PCM	Private Capital Mobilization
PDLE	*Projet de Développement Local pour l'Emploi* (Local Development for Jobs Project for Burundi)
PDO	Project Development Objective
PEFA	Public Expenditure and Financial Accountability Assessment
PFI	Participating Financial Institution

PFM	Public Financial Management
PIM	Project Implementation Manual
PIU	Project Implementation Unit
PND	*Plan National de Développement du Burundi* (National Development Plan of Burundi)
PPA	Project Preparation Advance
PPCG	Partial Portfolio Credit Guarantee
PPSD	Project Procurement Strategy for Development
RPF	Resettlement and Policy Framework
SEA/SH	Sexual Exploitation and Abuse/Sexual Harassment
SEP	Stakeholder Engagement Plan
SME	Small and Medium Enterprise
ToR	Terms of Reference

TABLE OF CONTENTS

DATASHEET

BASIC INFORMATION

Project Beneficiary(ies)	Operation Name
Burundi	Burundi Jobs and Economic Transformation Project

Operation ID	Financing Instrument	Environmental and Social Risk Classification
P177688	Investment Project Financing (IPF)	Substantial

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[✓] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[✓] Fragile State(s)
[✓] Performance-Based Conditions (PBCs)	[ ] Small State(s)
[✓] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternative Procurement Arrangements (APA)	[ ] Hands-on Expanded Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
30-Nov-2023	29-Dec-2028
Bank/IFC Collaboration	**Joint Level**
Yes	Complementary or Interdependent project requiring active coordination

Proposed Development Objective(s)

The project development objective (PDO) is to improve MSMEs' access to finance, especially for MSMEs owned by women and refugees, and increase job creation by MSMEs.

Components

Component Name	Cost (US$)
MSME access to markets and value chain development	48,000,000.00
Financial Inclusion and Sustainable Access to Finance for MSMEs	35,000,000.00
Sustainable Business Enabling Environment and Investment Climate Support	12,500,000.00
Project management	4,500,000.00
Contingent Emergency Response Component	0.00

Organizations

Borrower:	Republic of Burundi
Implementing Agency:	L'Agence de Développement du Burundi (ADB)

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)? Yes

Is this project Private Capital Enabling (PCE)? Yes

SUMMARY

Total Operation Cost	**164.00**
Total Financing	**164.00**
of which IBRD/IDA	**100.00**
Financing Gap	**0.00**

DETAILS

World Bank Group Financing

International Development Association (IDA)	100.00
IDA Grant	100.00

Non-World Bank Group Financing

Commercial Financing	64.00
Unguaranteed Commercial Financing	64.00

IDA Resources (US$, Millions)

	Credit Amount	Grant Amount	SML Amount	Guarantee Amount	Total Amount
Window for Host Communities and Refugees (WHR)	0.00	20.00	0.00	0.00	20.00
National Performance-Based Allocations (PBA)	0.00	80.00	0.00	0.00	80.00
Total	**0.00**	**100.00**	**0.00**	**0.00**	**100.00**

Expected Disbursements (US$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028	2029
Annual	1.00	9.00	22.00	33.00	30.00	5.00
Cumulative	1.00	10.00	32.00	65.00	95.00	100.00

PRACTICE AREA(S)

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

Agriculture and Food

CLIMATE

Climate Change and Disaster Screening

Yes, it has been screened and the results are discussed in the Operation Document

SYSTEMATIC OPERATIONS RISK- RATING TOOL (SORT)

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

POLICY COMPLIANCE

Policy

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

[ ] Yes [✓] No

Does the project require any waivers of Bank policies?

[ ] Yes [✓] No

ENVIRONMENTAL AND SOCIAL

Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
ESS 1: Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10: Stakeholder Engagement and Information Disclosure	Relevant
ESS 2: Labor and Working Conditions	Relevant
ESS 3: Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4: Community Health and Safety	Relevant
ESS 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8: Cultural Heritage	Not Currently Relevant
ESS 9: Financial Intermediaries	Relevant

NOTE: For further information regarding the World Bank's due diligence assessment of the Project's potential environmental and social risks and impacts, please refer to the Project's Appraisal Environmental and Social Review Summary (ESRS).

LEGAL

Legal Covenants

Sections and Description

Legal Covenant 1. As per Section I.A.1(a) of Schedule 2 of the Legal Agreement, the Recipient shall no later than one (1) months after the Effective Date, or such later date as agreed by the Association, establish, and thereafter maintain throughout Project implementation the Project Steering Committee, in form and substance satisfactory to the Association.

Legal Covenant 2. As per Section I.A.3 of Schedule 2 of the Legal Agreement, the Recipient shall no later than two (2) months from the Effective Date cause the Project Implementing Entity to establish and maintain, at all times during Project implementation, a technical committee ("Technical Committee") with composition, terms of reference and resources satisfactory to the Association as further detailed in the Project Implementation Manual.

Conditions

Type	Citation	Description	Financing Source
Effectiveness	Condition-1	As per Article IV, Section 4.01.(a) of the Legal Agreement, the amendment to the Subsidiary Agreement has been completed on behalf of the Recipient and the Project Implementing Entity in form and substance satisfactory to the Association.	IBRD/IDA
Disbursement	Condition-1	As per Schedule 3, Section III B.1.(b) of the Financing Agreement, no withdrawal shall be made for payments under Category (2) until and unless the Recipient, through the Project Implementing Entity has: (i) signed a Partnership Agreement with the Project Implementation Partner in charge of managing Matching Grants; (ii) prepared and adopted the Matching Grants Manual; (iii) signed at least two Grant Agreements for Matching Grants with eligible Private Providers; all in form and substance acceptable to the Association.	IBRD/IDA

Disbursement	Condition-2	As per Schedule 3, Section III B.1.(c) of the Financing Agreement, no withdrawal shall be made for payments under Category (3), until and unless the Recipient through the Project Implementing Entity has: (i) signed the Partnership Agreement with the Project Implementation Partner in charge of managing Competitive Grants; (ii) prepared and adopted the Competitive Grants Manual; (iii) signed at least two Grant Agreements for Competitive Grants with eligible MSMEs; all in a manner acceptable to the Association.	IBRD/IDA
Disbursement	Condition-3	As per Schedule 3, Section III B.1.(d) of the Financing Agreement, no withdrawal shall be made for payments under Category (4) until and unless the Recipient through the Project Implementing Entity has: (i) signed the Partnership Agreement with the Project Implementation Partner in charge of managing Performance Grants; (ii) prepared and adopted the Performance Grants Manual; (iii) signed at least two Grant Agreements for Performance Grants with eligible MSMEs; all in form and substance acceptable to the Association.	IBRD/IDA
Disbursement	Condition-4	As per Schedule 3, Section III B.1.(e) of the Financing	IBRD/IDA

		Agreement, no withdrawal shall be made for payments under Category (5) until and unless the Recipient through the Project Implementing Entity has: (i) signed the Partnership Agreement with the Project Implementation Partner in charge of managing Insurance Premium Subsidies; (ii) prepared and adopted the Insurance Premium Subsidies Manual; (iii) signed at least two Grant Agreements for Insurance Premium Subsidies with eligible farmers, pastoralists, and MSMEs; all in form and substance acceptable to the Association.	
Disbursement	Condition-5	As per Schedule 3, Section III B.1.(f) of the Financing Agreement, no withdrawal shall be made for payments under Category (6) with respect to each PBC, as set forth in Schedule 3, for which a withdrawal request has been submitted, until and unless the Recipient through the Project Implementing Entity has also submitted evidence satisfactory to the Association that the following conditions have been met: (i) FIGA's status has been changed into a mixed company and FIGA has been licensed by the Central Bank as a financial institution to issue	IBRD/IDA

		guarantees; (ii) FIGA has established, adopted and disclosed an ESMS under terms and conditions acceptable to the Association; (iii) evidence, in form and substance satisfactory to the Association, of the Eligible Expenditures paid, as presented [in the IFR] and verified pursuant to the Verification Protocol; and (iv) furnished supporting documentation confirming the Recipient's achievement of the respective PBC or PBCs, as further elaborated in Schedule 3 and as set forth in the Verification Protocol, including, but not limited to, a report issued by the Verification Agent, confirming the achievement of the respective PBC or PBCs; all in form and substance satisfactory to the Association.	

I. STRATEGIC CONTEXT

A. Country Context

1. **Burundi has shown capacity for economic growth.** This landlocked country with 12.9 million inhabitants and an annual population growth of 2.7 percent is the second most densely populated country in Africa.[1] The turmoil following the 2015 presidential election plunged Burundi into a political instability, leading to a sharp decline in external support from major donors and reduction in investments.[2] Gross domestic product (GDP) contracted by 3.9 percent in 2015, due to a sharp drop in the urban economy that largely depended on development aid. However, Burundi's economy, driven by industry and services, began showing positive signs of recovery that reached 1.8 percent of GDP growth in 2022 and projections of 3–4 percent per annum growth in 2023–2025.[3]

2. **Despite recent improvements, macro-financial instability is an ongoing challenge.** The 2015 crisis led to an increase in domestic debt, growing external imbalances, and development of the parallel market of foreign exchange (FOREX). Despite efforts on the revenue side, the fiscal deficit rose and was primarily financed by domestic borrowing, including from the Central Bank. The government sought to stabilize consumption through extensive FOREX restrictions, leading to a drop in international reserves and the development of a parallel market, with premiums reaching 75 percent over the official rate in February 2023. In 2022, the government announced a number of reforms, including gradual removal of distortions, allowing instant money transfers in foreign currency, reopening FOREX bureaus, abolishing multiple margins applied to FOREX transactions, and suspending most direct financing to so-called growth-promoting sectors.[4] On July 17, 2023, the International Monetary Fund (IMF) Board approved a 38-month arrangement for Burundi in the amount of SDR 200.2 million (about US$271 million, 130 percent of quota) under the Extended Credit Facility (ECF) to support Burundi's economic policies and reforms. This is the first IMF program since 2014, with an immediate disbursement of SDR 46.2 million (about US$62.6 million). The objectives of the ECF-supported program are to restore macroeconomic stability and debt sustainability by embarking on a growth-friendly fiscal consolidation, strengthening governance and fiscal transparency, and stepping up structural reforms for inclusive growth. The World Bank has engaged in frequent dialogue with the government for FOREX reforms and assisted in estimating the impacts of FOREX reform on inflation and households, with a view to use existing World Bank projects to mitigate eventual devaluation impacts.

3. **Burundi's economy is characterized by structural issues, notably the low performance of export-oriented sectors, low productivity agriculture, embryonic manufacturing sector, and a growing tertiary sector that are unable to provide quality jobs for the expanding population.** The share of employment in the primary sector has been declining since the 2000s, and the labor released from the primary sector has been mostly absorbed by services that accounted for 51 percent of GDP in 2019.[5] The small industrial sector consists of construction, agricultural processing, brewing, and energy. The informal non-agricultural sector is estimated to have about 300,000 workers and agriculture has 3 million workers (active rural population).[6] On the supply side, 15,000 graduates enter the labor market each year, but private firms raise the issue of the lack of low- and medium-level technical and professional skills across all industries.

---

[1] World Bank. 2020. "Fertility Rate, Total – Burundi." https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=BI
[2] In 2022, the investment-to-GDP ratio is structurally low at about 13 percent. Foreign investment is also subdued, with no net FDI inflows since 2016 and grants amounting to 4.3 percent of GDP in 2022.
[3] World Bank. 2023. *Burundi Macro Poverty Outlook*. April. Washington, DC: World Bank. https://thedocs.worldbank.org/en/doc/bae48ff2fefc5a869546775b3f010735-0500062021/related/mpo-bdi.pdf
[4] Press release, December 9, 2022 (Mesures de réforme de la Politique Monétaire et de change, Communiqué sur les mesures de politique monétaires et de change, BRB).
[5] World Bank. 2021. *Country Economic Memorandum*. Washington, DC: World Bank.
[6] AfDB (African Development Bank). 2020. *African Economic Outlook (AEO) 2020: Developing Africa's Workforce for the Future.* Abidjan, Côte d'Ivoire: AfDB.

4. **Burundi's trade balance is structurally negative because of limited exports volume and substantial imports of manufactured goods and oil**. Burundi consistently records a large trade balance deficit, which in 2022 amounted to 26 percent of GDP, and a high concentration of commodities in the export basket, which makes it vulnerable to climate risks and volatility in commodity prices. Burundi joined the East African Community in July 2007, which is a large market with an established demand and an already significant and growing cross-border trade with Burundi.

5. **Burundi is extremely vulnerable, yet unprepared, to address the impacts of climate change.** According to the Notre Dame Global Adaptation Initiative (ND-GAIN), Burundi has the lowest per capita greenhouse gas (GHG) emissions in the world and contributes only 0.01 percent to global emissions. However, Burundi faces the burden of the impacts of global emissions and ranks 169 out of 185 countries in the ND-GAIN Country Index (2021).[7] Key impacts of climate change are already manifesting through an increase in landslides, flooding, extreme rainfall, pest and disease incidences, and weather variability with alternating floods and droughts. Poor agricultural practices and pollution have affected soil integrity and fertility and caused the degradation of land and water resources, including Lake Tanganyika, which is increasingly exposed to pollution. Considering the predominance of the primary sector in its economy and high dependency on natural resources, Burundi's vulnerability to environmental hazards and climate change is extremely high.

6. **Regional instability, demographic growth, poverty, and high natural resource dependency also increase Burundi's vulnerability to forced displacement of populations.** Burundi's positive asylum policy is key to stability in the region.[8] Individuals seeking asylum can choose if they want to settle independently, generally in urban areas, or live in camps, depending on whether they are able to sustain themselves. Climate-related disasters, chiefly flooding,[9] accounted for 83 percent of forced displacements, with the remaining 17 percent caused by socioeconomic factors. As of May 2023, about 74,000 internally displaced persons and 85,000 refugees live in Burundi.[10] In addition, over 210,173 Burundian refugee returnees were repatriated by the United Nations High Commissioner for Refugees since September 2017 from Democratic Republic of Congo, Kenya, Rwanda, Tanzania, and Uganda. Nearly 37 percent of the refugee population resides in urban areas, and the remaining 63 percent live in one of the five refugee camps located in four northeastern provinces.

B. Sectoral and Institutional Context

7. **The new government elected in June 2020 has ambitious growth targets based on private sector development.** Formal and informal micro, small, and medium enterprises (MSMEs)[11] represent over 90 percent of firms and could become the engines of inclusive job creation and economic transformation. However, the formal private sector is still small and uncompetitive and operates in a weak business environment characterized by heavy involvement of state-owned enterprises, regulatory burden, and cumbersome bureaucracy. There are fewer than 3,000 enterprises in the formal private sector, which employs less than 2 percent of the active population (about 37,000 people, of which more

[7] The ND-GAIN Country Index summarizes a country's vulnerability to climate change and other global challenges in combination with its readiness to improve resilience. It aims to help governments, businesses, and communities better prioritize investments for a more efficient response to the immediate global challenges ahead. https://gain.nd.edu/our-work/country-index/methodology/indicators/

[8] The 2008 asylum law protects the right of refugees to move freely under the same rules as other foreign nationals (Article 74), as well as to engage in income-generating activities (Article 65). In practice, refugees continue to face obstacles undermining their ability to become self-reliant (for example, lack of documentation and language and skills barriers). In urban areas, most refugees who work are self-employed or have low-skilled jobs in services, with wholesale and retail trade being the main employment sectors for refugees.

[9] World Bank. 2022. Tackling Climate Change, Land Degradation and Fragility: Diagnosing Drivers of Climate and Environmental Fragility in Burundi's Colline Landscapes - Towards a Multi-Sector Investment Plan to Scale up Climate Resilience. Washington, D.C.: World Bank Group.

[10] UNHCR (United Nations Refugee Agency). May 2023. Republique du Burundi: Vue d'ensemble de l'operation

[11] There are various definitions used by official sources. INSBU usually uses the number of employees as criteria, the Burundian Revenue Authority uses the turnover, and the BRB uses a combination of turnover and assets. Because there is no unified definition for an MSME in Burundi, and the World Bank Group's definitions are not consistent, this project will align with the World Bank Group enterprise survey that considers the following categories: 5–19 (small), 20–99 (medium), and more than 100 employees (large-sized firms). The firm revenue will not be used as a parameter because of data limitations (availability and reliability).

than 80 percent are in Bujumbura).[12] Burundian firms are not or barely profitable due to the lack of innovation, high input costs, lack of growth capital, poor infrastructure, and constrained access to markets.

8. **MSMEs report a positive trend in revenue growth, but further progress is hindered by constraints that affect access to markets and competitiveness.** MSMEs operate at every stage of the value chains across different sectors of the economy: input supplies; agricultural tools and machinery; irrigation equipment; services, such as handling, storage, processing, packaging, and distribution; and other elements, such as power generation and logistics. Strong domestic and regional demand for local products drive sales growth, especially for new MSMEs with young owners (aged 18–35) who report growth plans and ambition. However, these MSMEs face competition, especially from more developed, better connected, and more productive neighbors, such as Kenya and Rwanda.

9. **The earnings before interest, tax, depreciation, and amortization / cash value added indicator used to assess firm profitability remains negative or low in most cases[13] because of internal (firm capabilities) and external (production factors) constraints.** Low capabilities are characterized by the lack of clear vision and goals for business ventures; poor knowledge of demand and market conditions; traditional management methods; and low utilization of modern technologies. Burundian firms report the problems with energy access, lack of equipment, the poor quality and high cost of inputs, limited penetration of information and communication technology (ICT), and lack of digital skills as constraints to productivity.[14] For instance, most agro-processing firms do not have storage capacity and struggle with an inefficient and costly transport system that represent on average 35 percent of import prices and 40 percent of export prices.[15]

10. **Climate change presents an imperative for the MSMEs to adopt resilient and clean technologies.** A transition to green and resilient value chains has the potential to raise the productivity and improve the cost-efficiency of Burundi's MSMEs, thereby increasing employment,[16] especially in agribusiness. However, Burundian MSMEs lack information about the impact and risks of climate on productivity and sustainability and the capacity and resources for adopting clean and resilient management strategies and technologies, including access to affordable financing.

11. **Persistent gender gaps limit opportunities for women entrepreneurs**. Women are less likely to be business owners, and women-owned MSMEs[17] often have slower growth, operate in less profitable and capital-intensive sectors, such as retail, and are particularly affected by limited access to markets and production costs. While women, who account for 53 percent of the workforce, increasingly engage in entrepreneurship, they mostly see it as a necessity—a source of livelihood due to lack of alternative sources of income and employment. Women have fewer assets than men: of the 80 percent of the population that owns land, 63 percent are men and 18 percent are women. Although Burundian women have access to community-based savings and lending groups, they rarely control the use of the credit at the household level.[18] Gender gaps also include a wage gap (71 percent are employed in unpaid agricultural activities compared to 29 percent of men) and gap in access to technology (for example, only 18 percent of women own a mobile phone in rural areas compared to 40 percent for men).[19] Among refugees and internally displaced persons, women are among the most vulnerable, facing extreme poverty, lack of access to services and livelihoods, and gender-based violence (GBV).[20]

[12] République du Burundi. 2013. Stratégie Nationale de Développement du Secteur Privé (SNDSP) au Burundi 2014–2020, p.73.
[13] République du Burundi. 2013. Stratégie Nationale de Développement du Secteur Privé (SNDSP) au Burundi 2014–2020, p.8.
[14] World Bank Group. 2015. *Burundi Country Profile 2014.* Enterprise Surveys Country Profile. Washington, DC.
[15] République du Burundi. 2017. Stratégie Nationale de Développement Industriel et Commercial du Burundi, 2017.
[16] World Bank. 2022. "Labor Productivity Growth and Industrialization in Africa." *Journal of Economic Perspectives*. Washington, DC.
[17] In the absence of a universally accepted definition, this project will use the IFC's methodology, which defines a women-owned firm as one with majority women ownership (greater than or equal to 51 percent of assets owned by a woman or women).
[18] 2008 General Population and Housing Census.
[19] World Bank. 2022. Burundi: Supporting Women Economic Empowerment and Access to Jobs Advisory Services and Analytics.
[20] IASC (Inter-Agency Standing Committee). 2015. Guidelines for integrating GBV interventions in humanitarian action.

12. **Lending to the MSME sector, especially women and refugees-owned firms, is challenging.** The financing gap for MSMEs was estimated at US$491 million in 2017.[21] Commercial banks have excess liquidity that could be invested in private sector lending, if a mechanism can be developed to address the perception of high risks involved in lending to MSMEs. Banks generally do not have a specialized unit or department devoted to MSMEs. The credit reporting system is underdeveloped and the public credit registry (*Centrale des Risques*) at the Central Bank needs to be modernized. The lack of a centralized collateral registry prevents banks and other lenders from properly checking whether movable assets are eligible as collateral, thus excluding a large portion of potential borrowers. This weak legal framework creates uncertainty for lenders. Paper-based registries for secured transactions are hosted by multiple institutions and governed by various laws (for example, motor vehicles registry, commercial companies' registry, intellectual property registry), which adds costs of checking if movable securities are "clean" to be used as guarantees for loans. In this context, MSMEs often lack tangible collateral, such as land, and face excessive costs to register guarantees. Since women and refugees rarely have the formal titles to land and other traditional assets, they are even more excluded from access to finance.

13. **A publicly managed government guarantee fund (*Fonds d'Impulsion, de Garantie et d'Accompagnement*, or FIGA) was established to enhance financial inclusion and access to finance for small and medium enterprises (SMEs) operating in priority sectors of the economy, including SMEs run by vulnerable entrepreneurs, such as youth and women.** A review of FIGA, which currently works with only three new policy-oriented banks (state-owned National Development Bank, Youth Bank, and Women's Bank) concluded that it is inadequately endowed, with a limited annual allocation from the State budget. There is also a regulatory void relative to approval of guarantee funds. However, the Bank of the Republic of Burundi (*Banque de Republique du Burundi* or BRB) still has oversight over any institution it authorizes, even if it is by no-objection. The current practice is therefore for the BRB to issue no-objections for activities that are not envisaged under current laws and regulations.

14. **Digital financial services are expanding but face connectivity challenges amplified by the lack of ownership of mobile devices and limited digital literacy, especially among women.** Recent improvements in the regulatory environment allowed for the growth of mobile money, and ongoing projects will increase broadband internet access, including to underserved communities.[22] However, the expansion of digital financial services will require: (i) improvements in financial consumer protection; (ii) adoption of a unique financial identifier; (iii) capacity building of the BRB to supervise digital financial services; (iv) capacity building of the financial sector to expand their agency banking network and to bring financial services closer to the underserved MSMEs on the *collines* of Burundi; and (v) mitigation of financial integrity risks related to the rapid expansion of financial services, such as anti-money laundering and financing of terrorism.

15. **Despite government efforts to improve the business climate, it still faces many challenges that stem from ineffective implementation and limited institutional capacity, notably in protection of property rights (including intellectual property rights and consumer rights) and contract enforcement**. The concentration of ownership of economic assets, weak competition, and a high degree of informality erode the confidence of private investors, which is further affected by years of political instability and institutional weaknesses.

C. Relevance to Higher Level Objectives

16. **The project aligns with the national priority of establishing the private sector as the main engine of development and growth, as outlined in the Burundi *pays émergent en* 2040 and *pays développé en* 2060 Vision, the National Development Plan of Burundi (*Plan National de Développement du Burundi* or PND) 2018–27.** The project will

[21] SME Finance Forum. "MSME Finance Gap." https://www.smefinanceforum.org/data-sites/msme-finance-gap

[22] The US$50 million Burundi Digital Foundations Project (P176396) aims to increase broadband internet access, especially to underserved communities, and improve the government's capacity to deliver public services digitally. Wider access and adoption of broadband, as well as data-enabled services, will facilitate adoption of digital technologies by entrepreneurs and MSMEs and enable digital entrepreneurship).

support "the development of a responsible, dynamic, and income-generating private sector to create added value and economic growth as well as jobs in MSMEs," which is one of the five pillars of the operational strategy for the PND.[23] The project's focus on empowerment of women entrepreneurs will also contribute to Burundi's National Gender Policy.

17. **In June 2023, the Government of Burundi updated its 2019 strategy in support of host communities and refugees.** The Government is committed to deepening the integration of refugees and returnees into national systems and to continuing the actions undertaken in favor of their economic and social integration. This strategy has been deemed satisfactory and allows Burundi to meet one of the requirements for accessing the Window for Host Communities and Refugees (WHR) financing under IDA19 (to be confirmed by DFI/OPCS).[24] The Government endorsed the Global Compact on Refugees (GCR) and Burundi is party to several international conventions and has enacted national laws related to addressing refugee issues. [25]

18. **The project supports the achievement of the World Bank's goal of ending extreme poverty on a livable planet and is in line with the Evolution Roadmap. The project is aligned with the World Bank's sectoral, regional, country, and gender strategies.** These include: (i) the World Bank's Africa Regional Strategy[26] that identifies economic transformation as a mechanism for creating sustainable and inclusive growth in the region; (ii) the Country Partnership Framework[27] and its focus on "sustainable food for nutrition and jobs through the investment in productive infrastructure of selected agribusiness value chains"; (iii) the Jobs and Economic Transformation (JET) agenda; and (iv) the World Bank Group FY16–23 Gender Strategy. In addition, the design of this operation is informed by Burundi's Country Economic Memorandum and Country Private Sector Diagnostic (CPSD), which identify growth-oriented entrepreneurs and MSMEs as sources of economic transformation. The project's design builds on recommendations of the Advisory Services and Analytics on sustainable FOREX management (P172123) and connects with the action plan for International Finance Corporation (IFC) re-engagement in Burundi.

19. **The project will help Burundi achieve its Nationally Determined Contribution (NDC) and contribute to its climate change mitigation and adaptation efforts, and therefore is consistent with the country's strategies on climate change.** A fundamental principle of the Paris Alignment is that countries have different needs and circumstances. The stakes are high for Burundi because its economy relies on subsistence farming and natural resources. Thus, the project aligns with the country's NDC and plan to cut GHG emissions by 3 percent by 2030. The project is consistent with mitigation and adaptation and resilience dimensions based on national policies, the selection of eligible sub-projects, and monitoring to ensure that no activities promote GHG emissions. Burundi suffers from low-level climate-related problems due to its high concentration of commodities in the export basket. Eligible sub-projects will consider climate-friendly investment solutions to be consistent with the climate-resilient development approach of the project and the country. There are three steps to determining alignment: (i) the mitigation step is met since project activities do not hinder and are consistent with national strategies for low-GHG emissions; (ii) both aspects of the risks step are met; (iii) the step on adaptation and resilience goals will be met by considering the nature, costs, and risks of climate hazards at project sites, sub-projects, investments and technical assistance. The design includes measures and activities to mitigate the risks identified in specific activities, such as the development of index-based insurance for farmers. The selection of investments will address climate

[23] 2021 National Program for Peace Capitalization, Social Stability and Promotion of Economic Growth (PNCP-SS-PCE).
[24] The 2018 strategy in support of host communities and refugees and the 2021 strategy note updating it, prepared as part of prior eligibility processes, sought to (a) support area-based development approaches that will benefit refugees and host communities and foster peaceful interaction between the two groups; (b) support agricultural livelihood for all; and (c) promote refugee self-reliance.
[25] Burundi is a signatory to the 1951 Refugee Convention and 1967 Protocol. Law 1/32 of 2008 on Asylum and Protection of Refugees is consistent with international law.
[26] World Bank Group. 2019. *Supporting Africa's Transformation: World Bank Africa Strategy for 2019–2023.* Washington, DC: World Bank Group. https://thedocs.worldbank.org/en/doc/485321579731572916-0010022020/original/AFRECStrategyTrifoldBrochure.pdf
[27] World Bank. 2019. Country Partnership Framework for Burundi for the Period FY19-FY23. Washington, DC. http://hdl.handle.net/10986/32114

hazards, and no activities will be undertaken that prevent the transition to lower carbon alternatives. The technical assistance will strengthen the capacity if institutions and MSMEs to identify and manage climate and carbon lock-in risks**.**

II. PROJECT DESCRIPTION

20. **To change its development trajectory, Burundi needs a new growth model driven by the private sector.** Private sector growth would: (i) decrease macroeconomic volatility and its impact on equity; (ii) create employment opportunities and raise incomes; and (iii) increase government revenue through tax receipts from more performant, formal firms. Integration of MSMEs into international value chains could have large payoffs, especially if Burundi continues fundamental reforms of the exchange rate regime.[28] By improving conditions for private sector competitiveness and value chain development, Burundi could deepen its trade with the rest of Eastern Africa and beyond. Although the number of jobs in agriculture may decline during this transformation, more and better jobs would be created in agribusiness, where productivity is expected to increase because of technology adoption, resilience to climate change, improved access to capital, and labor upskilling. The success of Burundi's private sector will depend on the rate of creation of new formal firms, improvements in MSME productivity, expansion of access to finance and markets, and a "just" transition that extends new economic opportunities to disadvantaged populations, including women and refugees.

A. Project Development Objective

PDO Statement

21. **The project development objective (PDO) is to improve MSMEs' access to finance, especially for MSMEs owned by women and refugees, and increase job creation by MSMEs**. The project will address critical constraints on private sector-led job creation and the economic transformation:

(a) ***Lack of value chain integration***. improve access to productive infrastructure,[29] incentivize technology upgrading by new and existing MSMEs and support supplier development to increase MSME competitiveness.

(b) ***Limited access to finance.*** strengthen the financial sector and improve inclusive access to finance for MSMEs, including through digital financial services and index-based insurance to mitigate the effects of climate change.

(c) ***Difficult business environment***. support implementation of reforms that encourage private investments, especially in climate-resilient activities; and promote gender-sensitive business legislation.

PDO-Level Indicators

22. **Success in achieving the PDO will be measured by outcome indicators for the core impact areas (access to finance and jobs) and resilience to climate change.** The PDO indicators will capture the impact on beneficiaries (disaggregated by women and refugees) in terms of:

(a) Job creation (Corporate Results Indicator): number of beneficiaries reached by interventions that contribute to the jobs agenda in operations supported by the World Bank;

(b) Access to finance (CRI): number of persons who benefited from financial services in operations supported by the World Bank and number of businesses that benefited from financial services;

(c) Resilience to climate change: value of investments disbursed by the project to MSMEs for implementing climate resilience standards and/or best practices.

[28] World Bank. 2022. "Labor Productivity Growth and Industrialization in Africa." *Journal of Economic Perspectives* 36 (1).

[29] Productive infrastructure, or productivity-enhancing infrastructure, includes "hard" infrastructure (such as production premises, trade infrastructure and equipment, laboratories, and testing facilities) and "soft" infrastructure (such as ICT, logistics, certification and quality control systems, market information, training, mentoring, and consulting) that reduce MSMEs' production costs and improve efficiency.

B. Project Components

23. **To achieve the PDO, the project will deploy a mutually reinforcing mix of interventions to strengthen target value chains (Component 1), financial infrastructure and inclusive access to finance (Component 2), and business enabling environment (Component 3).** The design also includes a project management component (Component 4) and a Contingency Emergency Response Component (CERC) (Component 5). The choice of interventions aligns with the World Bank's guidance on Jobs and Economic Integration, the report on industrialization in Sub-Saharan Africa,[30] and guidance on MSME development approaches.[31] The combined outcomes of these components (Table 1) will stimulate diversification, technology upgrading, private capital mobilization (PCM) and productivity gains that drive job creation and economic transformation.

Table 1. Project components financing and contributions to corporate targets, US$ million.

Components		**Proposed funding**	**Expected PCM**
1.	**MSME access to markets and value chain development**	**48**	**30**
1.1	Expand MSME access to sustainable productive infrastructure	26	10
1.2	Upgrade MSME capabilities	12	0
1.3	Supplier development and linkages programs	10	20
2.	**Financial inclusion and sustainable access to finance for MSMEs**	**35**	**34**
2.1	Strengthen credit infrastructure	3	0
2.2	Enhance MSME access to credit	25	30
2.3	Adoption of digital financial services	7	4
3.	**Sustainable business enabling environment and investment climate**	**12.5**	**0**
3.1	Business enabling environment reforms	4	0
3.2	Institutional strengthening to support MSME development and private investment	8.5	0
4.	**Project management**	**4.5**	**0**
5.	**CERC**	**0**	**0**
TOTAL		**100**	**64**

24. **The project targets value chains with high-impact potential that could generate value-adding activities and jobs, including for women and refugees, particularly in the agribusiness and services (including tourism and digital) sectors.** The project will not focus support on sectors addressed by other operations (agriculture production, forestry exploitation, livestock production, extractive activities, and retail trade).

25. **The project will systematically address gender gaps, reduce constraints specific to refugee entrepreneurs, and support climate-smart solutions.** Project activities will encourage women's participation and target at least 50 percent of women beneficiaries.[32] The project will: (i) reduce the gender gap in access to finance, productive assets, and technology, and availability of gender-disaggregated data; and (ii) contribute to the economic empowerment of women by increasing their ability to make strategic decisions, access funding, and achieve better economic outcomes. The empowerment of refugees and their systematic integration into project activities will help prevent social tensions, promote cohesion, and

---

[30] *Industrialization in Sub-Saharan Africa: Seizing Opportunities in Global Value Chains.* Washington, DC: World Bank. 2021.
[31] World Bank. 2021. *Strengthening World Bank SME-Support Interventions*. Operational Guidance Note, March. Washington, DC.
[32] There are under 20 percent of women-owned MSMEs in Burundi and under 5 percent in higher profit sectors dominated by men.

strengthen the resilience of host communities. The project will contribute to climate change mitigation and adaptation by incentivizing MSMEs' adoption of clean technologies and climate-resilient practices, especially in the agribusiness sector.

Component 1. MSME access to markets and value chain development (US$48 million equivalent)

26. **This component will operationalize the targeted value chains with a focus on MSME development and upgrading; MSME linkages to domestic, regional, and international markets; and MSME value chain integration and technology transfer.** The activities will be structured as follows:

(a) Subcomponent 1.1 will support sustainable productive infrastructure, including digital.
(b) Subcomponent 1.2 will support MSME upgrading and adoption of digital and climate-resilient technology.
(c) Subcomponent 1.3 will finance supplier development and linkages programs.

Subcomponent 1.1. Expand MSME access to sustainable productive infrastructure (US$26 million equivalent)

27. **This subcomponent will address gaps in targeted value chains through improved access to productive and climate-resilient infrastructure for MSMEs to increase value addition and promote economies of scale and resilience.** It will reduce risks for private operators through a cost-sharing arrangement, in which the project will finance: (i) matching grants for up to 80 private providers of productive infrastructure and digital platforms that serve MSMEs in the targeted value chains (total pool of US$20 million, with an average grant of US$250,000); and (ii) technical assistance, including on Environmental and Social Standards (ESS), and adoption of sustainable, responsible, and climate-resilient business practices (for example, use of renewable energy, compliance with climate standards, climate vulnerability assessments, and recovery plans from natural disasters). Eligible beneficiaries will include firms, cooperatives, associations, nongovernmental organizations (NGOs), and providers of digital services to MSMEs (such as digital platforms) who will co-finance and privately manage shared productive infrastructure facilities.[33] A transparent selection process will be based on: (i) potential to create economies of scale for MSMEs and address the gaps in the value chains; (ii) private ownership and management, and capital mobilization; (iii) sustainability (financial and environmental); and (iv) public good (such as inclusion and climate resilience). Eligible expenditures will include: (i) equipment and technology purchases and installation; (ii) minor rehabilitation works, including maintenance and light rehabilitation of the existing feeder roads; (iii) technical assistance and consulting services; (iv) operating costs, including salaries for new employees; and (v) technical assistance in developing climate-resilient activities. Land acquisition and new construction will not be funded through the project, and eligible beneficiaries will need to demonstrate their capacity to mobilize necessary capital expenditures.

Subcomponent 1.2. Upgrade MSME capabilities (US$12 million equivalent)

28. **This subcomponent will stimulate the economic transformation of Burundian MSMEs through technical assistance and grants to incentivize technology adoption and crossover into higher value-added activities.** The subcomponent will finance (i) technical assistance and (ii) competitive grants (technology kits and operational costs) of eligible formal or informal MSMEs selected based on a transparent, merit-based competition that will consist of:

(a) Gender-friendly campaigns to surface climate-change solutions in the targeted value chains.
(b) Training and coaching on business plan development for up to 1,200 beneficiaries to create a strong pipeline of proposals that include climate change mitigation and adaptation measures.
(c) Evaluation of business plans by an independent panel of experts based on: (i) potential for diversification, value added, and jobs creation; (ii) technology; (iii) adoption and use of climate-resilient technologies and/or implementation of climate-friendly solutions; and (iv) social benefits, including for women and refugees.
(d) Grants of US$10,000–US$20,000 (US$9 million total grant portfolio with an average of US$15,000 per beneficiary MSME) for up to 600 MSMEs with at least 50 percent of funding allocated to climate adaptation.

[33] As part of this activity, the project will support providers of improved logistics services for market access in Great Lakes border regions in conjunction with the Great Lakes Trade Facilitation and Integration Project (P174814).

(e) Implementation support (part-time mentoring and training).

Subcomponent 1.3. Supplier development and market linkage programs (US$10 million equivalent)

29. **The subcomponent will support access to markets through certification and supplier development programs to stimulate business-to-business links and sub-contracting and contribute toward the creation of local content.** It will finance: (i) capacity diagnostics; (ii) performance grants based on individual action plans; and (iii) technical assistance (coaching) for existing MSMEs that have the potential but lack the capacity to become qualified suppliers to larger firms or public sector buyers (lead buyer). Each MSME will be eligible for up to US$75,000 toward the performance contract (US$7.5 million total financing pool) awarded through the following process:

(a) Participating lead buyers will provide information on what they procure locally and internationally and define their purchasing requirements, standards, and specifications.
(b) Associations and lead firms will identify SMEs that demonstrate potential to access export markets and/or participate in local supply chains that fit the selection criteria.
(c) The nominated MSMEs will then be invited to participate in the training on supplier relations, tender preparations, and international quality and standards.
(d) 30-50 MSMEs will be selected to participate in 2-3 funding cohorts (100 MSMEs in total), with priority given to eligible MSMEs owned by women and refugees.
(e) A joint assessment with the lead buyers will identify the managerial, technical, production, and linkages gaps of participating MSMEs, and a performance contract will formalize the results tied to disbursements.
(f) Eligible expenses will include equipment and technology purchases, salaries for new employees, consulting services, and associated costs. Light rehabilitation and upgrading of productive facilities, including for storage, packaging, processing, and access to infrastructure (internet, energy, water, and sanitation) might be eligible in compliance with the ESS, and the exclusion list will be applied to define eligible and ineligible expenditures. New construction will not be funded through the project.

Component 2. Financial inclusion and sustainable access to finance for MSMEs (US$35 million equivalent)

30. **This component's activities will be structured around three subcomponents as follows:**

(a) Subcomponent 2.1. Strengthen credit infrastructure (movables collateral registry and credit reporting);
(b) Subcomponent 2.2. Develop mechanisms and instruments to enhance MSME access to credit;
(c) Subcomponent 2.3. Adopt digital financial services to enhance MSME financial inclusion.

Subcomponent 2.1. Strengthen credit infrastructure (US$3 million equivalent)

31. **This subcomponent will support a modern credit reporting system to reduce borrower information asymmetry and enhance access to credit for MSMEs.** It will finance technical assistance and the acquisition of equipment and software to support the BRB, banks, MFIs and other stakeholders for: (i) the modernization of the public credit registry (*Centrale des risques*) under the BRB's lead; (ii) the creation of a private credit bureau under the BRB's lead; and (iii) the development of a Centralized Electronic Collateral Registry for movable securities and regulatory framework for secured transactions led by the BRB.

Subcomponent 2.2. Enhance MSME access to credit (US$25 million equivalent)

32. **This subcomponent will support the development of mechanisms and instruments to enhance MSME access to credit**. The activities of this subcomponent include: (i) development of a partial portfolio credit guarantee (PPCG) scheme managed by a reformed FIGA that will help expand MSME finance and generate positive externalities by encouraging banks and nonbank financial institutions (NBFIs) in Burundi to enter or expand their outreach to the MSME segment

through risk mitigation; (ii) development of index-based insurance to develop insurance solutions for input producers in the agribusiness value chains; and (iii) capacity building of financial institutions to better serve MSMEs.

33. **FIGA shall be modified to include private sector participation (*Société mixte* under Burundian company law) to manage the PPCG fund, a risk sharing mechanism designed to enhance access to finance for MSMEs.** This activity will finance: (i) the endowment (US$17 million) phased out based on two performance-based conditions (PBCs); and (ii) technical assistance for the fund manager and PFIs using the guarantees (US$2 million) and US$1 million for FIGA's capitalization. Eligible beneficiaries will include financial institutions that meet criteria related to portfolio performance, internal systems, and experience in the sector. Under this project, the initial window will be an 'MSME window' and will prioritize loans to women-owned MSMEs (50 percent) and MSMEs that propose to strengthen their climate resilience (25 percent). The MSME window funds will be ringfenced to avoid any co-mingling with existing guarantees offered under FIGA's existing arrangements.[34] The PBCs are:

(a) PBC#1 includes the following conditions: (i) the PPCG Fund is set up with an approved PPCG Fund Manual; (ii) the Management Agreement has been signed between MoF and FIGA; and (iii) FIGA has signed at least one PPCG Agreement with one PFI; all under terms and conditions as further detailed in the PIM.

(b) PBC#2 comprises three tranches when the amount of outstanding loan/credit provided by PFIs to eligible MSMEs guaranteed by PPCGs is at least equal to 60 percent of the maximum amount of credit that can be guaranteed by the amount available in the PPCG Fund as further detailed in the PIM, as follows: (i) US$12 million; (ii) US$21.6 million; and (iii) US$31.2 million of loans/credits guaranteed.

34. **The development of index-based insurance for sustainable agricultural insurance program will reduce the risks of productive investments for agricultural producers (for example, use of improved seeds, fertilizers), while encouraging financial institutions to finance producers' activities and strengthen their climate resilience to agricultural shocks.** This activity will finance: (i) a feasibility study for the development of market-based index insurance (weather, satellite-based vegetation indices, area yield-index, and so on); and (ii) grants to provide incentives for agricultural producers to enroll in index-based insurance that will be made available to the governmental agency in charge of insurance control and regulations (US$2 million to subsidize premiums during the pilot phase). Priority will be given to the targeted value chains of Component 1. The capacity of the Geographic Institute of Burundi (*Institut Géographique du Burundi* or IGEBU) for improving meteorological data and services will be strengthened under subcomponent 3.1.

35. **This subcomponent will also finance capacity building for financial institutions to better serve MSMEs and to expand their services and provide access to finance for women and other underserved entrepreneurs (US$3 million).** This activity will strengthen the technical capacity of NBFIs to finance the productive investments of women-owned MSMEs by providing technical assistance to design and pilot innovative financial products for women entrepreneurs.

Subcomponent 2.3. Adoption of digital financial services (US$7 million equivalent)

36. **This subcomponent will support the digital transition of the financial sector to improve financial inclusion and access to finance for MSMEs in areas devoid of formal financial intermediation**. This activity will finance technical assistance and the acquisition of software and equipment for the beneficiaries of the following activities:

(a) ***Acquisition of core-banking systems and application programming interface for connection of NBFIs to Bi-Switch (US$3 million).*** This will be done through the financing of shared digital platforms, for those interested NBFIs out of the 74 existing microfinance institutions (MFIs), which individually cannot afford an

[34] The principles for PPCG schemes for MSMEs developed by the World Bank Group in 2015 served as a reference for the design of the proposed PPCG fund**.** Specific regulations may not be needed considering that guarantees are backed by the endowment of the fund and automatic payouts in case of default. Treatment of loan loss provisions would have to be discussed and agreed with the BRB.

adequate core banking system nor the interface to connect to Bi-Switch. The implementation will be carried out with the collaboration and coordination of the Microfinance Association (RIM).

(b) ***Support for developing and extending banking and NBFI agency banking networks to underserved communities.*** This activity will equip banking agents with point-of-sale terminals that will be made available to financial institutions who in turn will equip merchants and others as their banking agents. This will enable the banks, MFIs, and savings and credit cooperatives to offer payments, savings, and loan products to MSMEs in underserved *collines* of Burundi.

(c) ***Build the capacity of the BRB to better supervise digital financial services, including the acquisition of related software and hardware, and the National Financial Intelligence Unit (CNRF) to limit and mitigate financial integrity risks related to the rapid expansion of financial services, including the acquisition of related software and hardware and the implementation of an electronic financial identification platform.*** This will include the acquisition of a platform (specific hardware and software) to support the supervision of financial consumer protection, enabling the BRB to address consumer complaints in a timely manner while making available to the public "banking conditions" (rules that banks establish for contracts with their clients, account opening, effective interest rates, and so on).

Component 3. Sustainable business enabling environment and investment climate support (US$12.5 million equivalent)

37. **This component will support the operationalization of reforms to improve the business enabling environment, focusing on: (i) implementation of reforms that support creation and growth of MSMEs, especially women-owned in sectors with high potential for value added, climate-resilient growth, and job creation; and (ii) institutional development for key agencies responsible for MSMEs and private sector development.** This component is informed by the 2022 CPSD and the government's memorandum on priority reforms prepared with the World Bank support. This component will systematically include the cross-cutting issues targeted by the project (climate change, digital inclusion, gender, and refugees). The activities will be structured around two subcomponents:

(a) Subcomponent 3.1: Support business environment reforms and investment promotion

(b) Subcomponent 3.2: Institutional capacity building for MSME support and private sector development.

Subcomponent 3.1: Business enabling environment reforms (US$4 million equivalent)

38. **This subcomponent will support the implementation of cross-cutting and sector-specific reforms to enhance the competitiveness of value chains supported by the project.** Eligible expenses for all activities in this component include consulting services, non-consulting services, equipment (office equipment and information technology equipment), technology acquisition, and training. The reform areas and activities were prioritized based on the CPSD report, synergies across components, opportunities to address critical bottlenecks, and readiness for implementation:

(a) ***Cross-cutting business environment reforms to support private sector development and create opportunities for participation of local MSMEs,*** including: (i) rationalization and digitalization of business permits and licenses; (ii) strengthening the one-stop shop for construction permits and property transfers; and (iii) modernization of commercial justice.

(b) ***Modernization of the legal and institutional framework that defines quality controls and standards*** in collaboration with the Burundi Bureau of Standards and Quality Control (*Bureau Burundais de Normalisation et Contrôle de la Qualité,* or BBN). Supporting the certification and standards necessary to help sectors and industries adapt to climate change will be emphasized.

(c) ***Value chain reforms*** based on the focus of Component 1 and other government priorities (such as mining).

Subcomponent 3.2: Institutional strengthening to support MSME development and investors (US$8.5 million equivalent)

39. **This subcomponent will strengthen public and private institutions that provide services to MSMEs and private investors and support evidence-based policymaking by reducing the data gap, including related to gender.** The implementation will follow a staged approach supported by an institutional capacity development plan that will set out performance targets for each institution. The continuation of the support will be conditional on performance:

(a) ***Support strategy implementation of the Burundi Development Agency*** (*Agence de Développement du Burundi,* or ADB) for export, investment promotion, MSME development, and public-private dialogue.

(b) ***Capacity building of entities contributing to the competitiveness of targeted value chains*** (for example, the piloting of index-based insurance under Component 2). Beneficiaries would include, among others: BBN, the National Competition Commission (*Commission Nationale de la Concurrence*), the Burundi Mining Bureau (*Office Burundais des Mines et Carrières*), and sectoral and national chambers of commerce.

(c) ***Improve the quality of national accounts and private sector data*** by building the capacity of the Institute of Statistics and Economic Studies (*Institut National de la Statistique du Burundi,* or INSBU), in collaboration with local universities, for producing enterprise and labor force statistics.

Component 4: Project Management (US$4.5 million equivalent)

40. **This component will finance activities related to project management, coordination, communication, and monitoring and evaluation (M&E), and possible scaling up of activities to additional sectors.** The project will be managed through a project implementation unit (PIU) hosted by the ADB. This arrangement is aligned with the ADB's mandate and will rely on the ADB's infrastructure to improve the sustainability and cost-effectiveness of the project management. This component will finance: (i) operating costs of the PIU; (ii) M&E of project activities; (iii) communication of project activities to different stakeholders; (iv) hiring of staff, goods, consultant services, workshops, and training; (v) baseline studies and preparation activities for expanding or scaling up the proposed project in existing or new sectors in the context of current and future operations; and (vi) citizen engagement, project communications, and stakeholder coordination.

Component 5. Contingency Emergency Response Component (US$0)

41. **Contingency Emergency Response Component.** A CERC is included in the project in accordance with Investment Project Financing (IPF) Policy, paragraph 12, for Situations of Urgent Need of Assistance and Capacity Constraints. This will allow for rapid reallocation of uncommitted funds in the event of an eligible emergency as defined in OP 8.00.[35] An annex to the project implementation manual (CERC Annex) has been prepared to guide the activation and implementation of the CERC, and a CERC Environmental and Social Management Framework (ESMF) or CERC-ESMF Addendum to the project's ESMF.

C. Project Beneficiaries

42. **This nationwide project will target five direct beneficiary groups and benefit a broader population of firms and job seekers through systemic reforms targeting the business environment and the creation of a more dynamic and competitive core of formal entrepreneurs and MSMEs.** The direct beneficiary groups are: (i) 1,600 MSMEs, including 650 women-owned MSMEs and 260 MSMEs contributing to the social and economic integration of refugees and their host communities, which would represent about 15 percent of formal MSMEs operating in the country;[36] (ii) 80 providers of

[35] An eligible emergency is defined as an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact associated with natural or manmade crises or disasters. Such events include a disease outbreak.

[36] According to the Burundian Office of Revenue (OBR) there are 10,972 MSMEs registered in 2022 (693 with turnover over US$250,000, 1,564 with turnover between US$35,000 and US$250,000, and 8,715 with turnover over US$35,000).

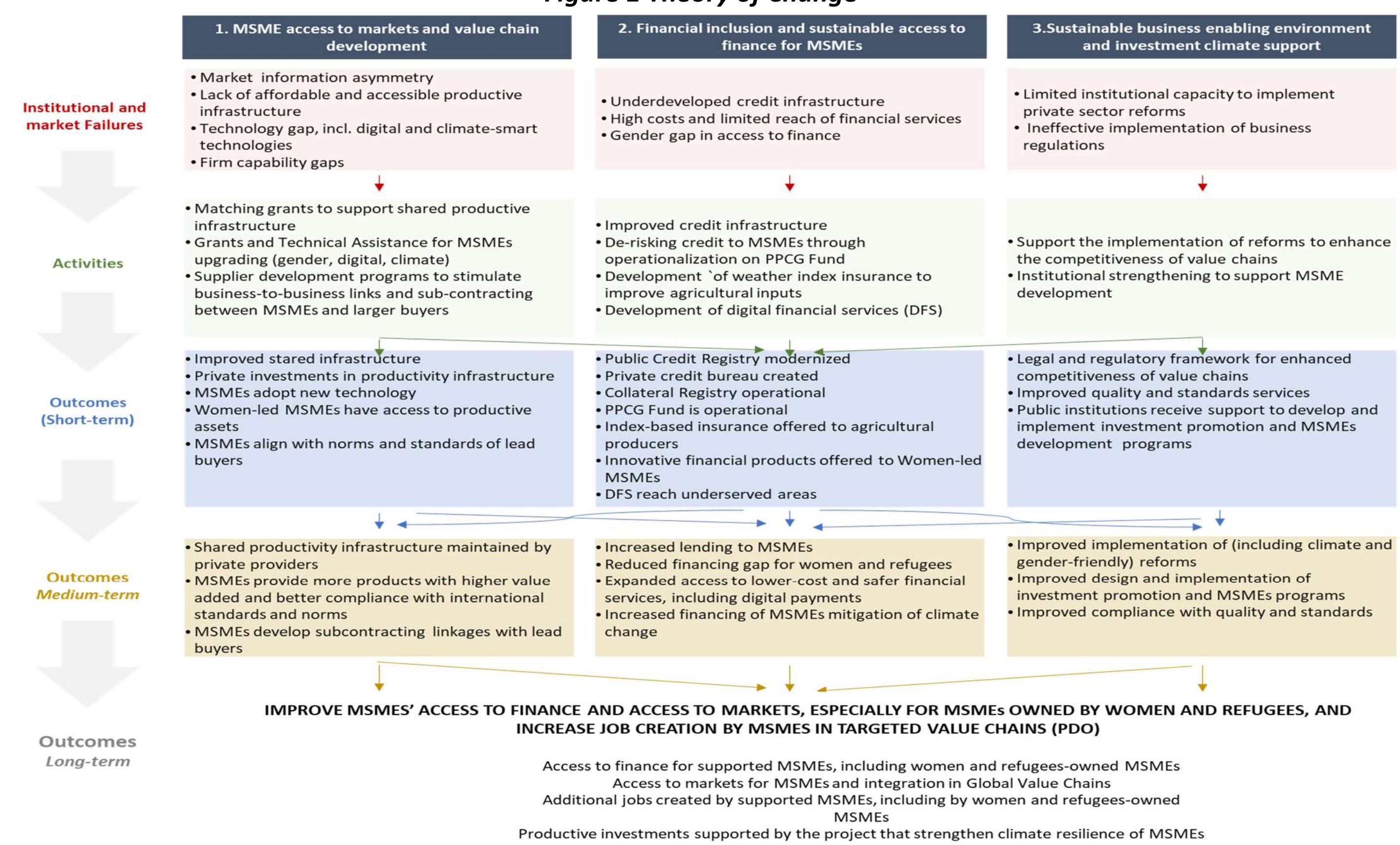
productive infrastructure; (iii) 20 lead firms and buyers; (iv) financial institutions, including MFIs, that will cover 1,000 new locations with financial services; and (v) government institutions and private sector organizations, including but not limited to the ADB; BBN; Bank of the Republic of Burundi (*Banque de Republique du Burundi*, or BRB; Burundi Mining Bureau; INSBU; Ministry of National Solidarity, Social Affairs, Human Rights and Gender; and National Competition Commission.

43. **In total the project is expected to contribute to the creation of 4,228 direct jobs, which would increase jobs in the formal private sector by 15 percent.** In addition, based on the economic and financial analysis, the project could be expected to contribute indirectly to the creation of 113,000 jobs. Of this number, the project would contribute to the creation of 54,000 jobs by increasing demand for labor by MSMEs that benefited from improved production factors or conditions.[37] Supply chain jobs and consumption spillover jobs could not be calculated at this stage due to the lack of baseline data, but it will be collected during project implementation, especially as parts of Subcomponent 1.3 and Subcomponent 3.2 (under the activity that supports INSBU).

D. Results Chain

To achieve the PDO, the project addresses significant market and institutional failures identified by the CPSD. Through a multifaceted approach, the project will enhance the Burundian economy by generating more inclusive and high-quality jobs, fostering economic diversification, and promoting resilience in the context of increased climate change exposure. The theory of change is illustrated in ***Figure 1***.

Figure 1 Theory of Change



[37] For example, the midterm evaluation of the DRC SME Development and Growth Project, which has a similar design, the World Bank review of potential jobs impacts, and the channels of indirect jobs impact.

E. Rationale for Bank Involvement and role of partners

44. **This project complements the portfolio of World Bank activities and operations in support of government objectives for Burundi's economic transformation**. It will scale up the results of the Local Development for Jobs Project (P155060), which created income-generating opportunities and improved access to basic services through support to MSMEs. The project complements the (i) Great Lakes Trade Facilitation and Integration Project (P174814) that aims to improve the environment for cross-border trade in the Great Lake Region; (ii) Burundi Skills for Jobs Project (P164416) that improves access to and quality of skills development to expand the employability of youth, including women and refugees; (iii) Burundi Digital Foundations Project (P176396) that strengthens the digital infrastructure and supports e-government reforms; (iv) Integrated Community Development Project (P169315) and Cash for Jobs Project (P175327) that provide support to subsistence entrepreneurs, including women and refugees; and (v) Solar Energy in Local Communities Project (P164435) that expands access to energy. In collaboration with UNHCR through the Window for host communities and refugees, the project complements World Bank efforts to support host communities and refugees by expanding economic opportunity support to refugees in urban areas while other important projects focus on refugees in camp situations.

F. Lessons learned and reflected in the Project Design

45. **The design of interventions is informed by the Burundi CPSD and international experiences that demonstrated how building MSME capabilities and improving their access to finance and enabling environment have a positive association with firm performance in Sub-Saharan Africa, including in fragile settings.** Lessons learned include the benefits of a private sector focus to ensure competitiveness interventions target specific binding constraints, and the importance of a private sector-led approach to MSME support for commercial viability and resilience. MSME support under this project incorporates criteria validated by the Independent Evaluation Group and other World Bank reviews, analytical work, and operational projects. The design draws on the lessons from the Local Development for Jobs Project for Burundi (PDLE, P155060) and recent analytical work on firm capabilities and the JET agenda:

(a) Component 1 follows data that demonstrates how government support helps to address information asymmetry and market failures (lack of supply and low quality of business development services) in fragility, conflict, and violence countries.
(b) Component 2 targets support to the financial sector to meet MSME demand for credit. It builds on ongoing analytical work and technical assistance for financial sector reforms and lessons from World Bank operations in Burkina Faso and Madagascar, where successful PPCG funds have been implemented, and the Ethiopia Women and Entrepreneurship Development Project (P122764, WEDP).
(c) Component 3 builds on lessons of experience from the World Bank support to similar agencies, for example the Rwanda Development Board.[38]

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

46. **The PIU hosted at the ADB will be responsible for overseeing the flow of project funds for each component and subcomponent, M&E, and ensuring project reporting between agencies, the PIU, and the Ministry of Finance, Budget,**

[38] In 2008, the Rwanda Development Board (RDB) was founded as a government-owned and funded agency to fast-track economic development by enabling private sector growth. RDB is responsible for One Stop Center services, investment promotion, investment deals negotiation, export and special economic zone development, tourism and conservation, and private sector skills development.

and Economic Planning (MoF) in charge of project implementation. The PIU has been created and is implementing the Project Preparation Advance (PPA) of US$5 million approved in July 2022 to conduct activities that support project preparation and ensure implementation readiness, including technical studies and capacity strengthening of the ADB. The ADB will host the Secretariat of the Steering Committee and will ensure regular communication and coordination with the Ministry of Finance, Steering Committee, and the PIU. The recruitment of key staff was finalized under the PPA, and the financial management and procurement reviews concluded that the PIU has knowledge of World Bank procurement procedures and the capacity to manage the project. A reformed FIGA to meet the sixteen principles of good governance of public guarantee schemes will be responsible for the management of the PPCG Fund. Its intervention will be defined in an agreement signed with the MoF and in the procedure manual of the PPCG Fund.

B. Results Monitoring and Evaluation Arrangements

47. **The project will design, implement, and institutionalize a robust M&E system to collect timely data, analyze progress and results, and use the findings to make programmatic decisions and course corrections.** The M&E framework is based on: (i) the program results chain and underlying assumptions of theory of change; and (ii) compliance with World Bank requirements, including the selection of key core indicators as well as specific indicators for gender, climate change adaptation and mitigation, and civic engagement. In addition to monitoring results, evaluative studies will be conducted to assess the project's short-, medium-, and long-term outcomes. The project will explore and use various evaluative approaches to assess the project's relevance, effectiveness, impact, efficiency, and sustainability. The project will conduct baseline, midline, and endline evaluations to track progress by triangulating quantitative data and qualitative information. This will be further complemented by the monitoring data collected regularly by the PIU.

C. Sustainability

48. **Sustainability measures related to every key project beneficiary are built into the project design**. Measures to address the project's sustainability relate to: (i) an improved capacity of relevant institutions for private sector reforms; (ii) strengthening the capacity of financial institutions to lend to MSMEs; (iii) building the capacity of the private sector (MSMEs) to become agents of change and expand the population of formal firms that become competitive in local and international markets; and (iv) collaborating with relevant World Bank projects and IFC advisory and investment to formulate a coordinated response to systemic constraints to private sector development and growth of MSMEs. The project aims to support inclusive growth by providing MSMEs with new sources of financing and supporting the resilience of the banking sector. The project also seeks to create sustainable growth by incentivizing climate-smart activities and creating new tools to mitigate the effect of climate change, especially on agribusiness MSMEs. Such activities and tools include the creation of new financial products (such as index-based insurance) or the provision of new equipment or infrastructure that will use climate-smart techniques such as energy efficiency, waste management, and recycling.

49. **The project contributes to PCM, which will ensure private sector uptake of the project activities after completion**. The project can be listed as a PCM project with a US$64 million target based on the following estimates:

(a) Subcomponent 1.1 will attract new private investment through matching grants to private sector operators that require a minimum of 50 percent co-financing, mobilizing at least US$10 million in private investment.
(b) Subcomponent 1.3 will attract private investments through supplier development programs. The project expects to generate US$20 million in private investment through partnerships with lead buyers.
(c) Subcomponent 2.2 will capitalize the PPCG; the expected amount of private capital that can be mobilized through PPCG is US$30 million,[39] and index-based insurance is expected to incentivize lending to farmers.

[39] Based on the PPCG capitalization of US$17 million, we assume a risk sharing of 50/50 and a multiplier of 2. The maximum amount of outstanding

(d) Subcomponent 2.3 will generate an additional US$4 million through digital financial services.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

50. **As part of preparation for this project, the World Bank conducted an economic and financial analysis to determine the value of the anticipated benefits relative to the project's costs.** The total project Net Present Value (NPV) is estimated at US$69.2 million at a 15 percent discount rate, and the Economic Rate of Return (ERR) at 29 percent based on the total project investments. The economic analysis is based on increased MSMEs' revenues and credit available to MSMEs through project activities:

(a) Component 1: Based on increased revenues for MSME beneficiaries due to the impact of the project investments, the NPV for Component 1 is estimated at US$30.6 million with an ERR of 36 percent;

(b) Component 2: The NPV for Component 2 is estimated at US$38.6 million with an ERR of 26 percent. Since a larger number of MSMEs will be able to access credit and digital financial services, it will result in job creation with the additional working capital available (subcomponent 2.2) and additional revenue growth (subcomponent 2.3).

51. **The economic and financial analysis includes an assessment of the implications of a parallel exchange rate market under different scenarios.** All estimates used in the base case economic analysis described above assume that the project currency conversion will occur at the current official exchange rate of FBu 2,846 per US$ (as of September 30, 2023). This means that in the current parallel exchange rate environment, the project will be required to pay a premium since it will not be able to convert funds at the higher shadow exchange rate.[40] If the government were to release exchange rate controls as a result of the ongoing reform program,[41] the project ERR would increase to 41 percent. If the premium required for the official rate were to increase by 50 percent, the project would remain economically viable with an ERR of 23 percent. However, the project also incorporates mitigation measures to adapt to the ongoing FOREX shortage should the situation remain or worsen. The majority of procurements under Component 1 is expected to be procured internationally through direct payments. Under Component 2, the PPCG activities would be the most impacted by the parallel exchange rate environment as funds will flow through local banks at the official exchange rate. Other activities under component 2 are also expected to be procured internationally to mitigate the impact of the parallel exchange rate environment, as are the majority of the TA activities under Component 3.

52. **The operation aligns with the goals of the Paris Agreement on both climate mitigation and adaptation.**

(a) ***Assessment and reduction of adaptation risks.*** The main climate and disaster risks likely to affect the project beneficiaries—namely MSMEs operating in target value chains, which include agribusiness—are landslides, flooding, extreme rainfall, pest, and disease. The project considers those risks and will aim to equip MSMEs with infrastructure, skills, and tools to build resilient value chains. MSMEs will be trained to perform climate vulnerability assessment and recovery plans and to adopt clean and resilient management strategies and technologies. The project will also develop inclusive affordable financing for climate-resilient projects through the PPCG fund and provide farmers with new financial instruments to edge their activities against climate risks, such as index-based insurance.

---

loan that can be guaranteed is four times the endowment or US$68 million. We can assume that this could be reached within four years of operation of the program (after the PBCs have been reached and the PPCGs fully endowed). Even if the multiplier is set at 1.5 times and risk sharing remains at 50/50, the maximum portfolio would be US$42 million. If the risk sharing is adjusted to 25 percent (PFI) and 75 percent (by the PPCG), and leverage is set at 1.5 times, the maximum portfolio would reach US$30 million.

[40] The shadow exchange rate fluctuates widely. The analysis assumes a 69 percent premium above the official rate based on latest available data.

[41] Release of exchange rate controls would allow for project funds that are disbursed in FBu to be converted from US$ at a higher rate.

(b) ***Assessment and reduction of mitigation risks.*** The project design will incentivize investment and adoption of green technologies by MSMEs, including the use of renewable energy, waste management, and recycling solutions. The project will also support institutional strengthening by emphasizing gender and climate-friendly business environment reforms, such as incentivizing investment in climate-smart and climate-resilient activities related to energy efficiency, production techniques, waste management, and recycling.

B. Fiduciary

(i) Financial Management

53. **The ADB will be responsible for the fiduciary management of the project.** The ADB already possesses: (i) a project implementation manual (PIM); (ii) multi-project and multi-site accounting software; and (iii) an internal audit function. The first Interim Financial Report (IFR) was submitted in May 2023 and deemed acceptable. The overall financial management risk before mitigation measures is considered High. The proposed financial management risk mitigation measures for this project are considered adequate to reduce the residual risk to Substantial and comply with the provisions of the Financial Management Manual for World Bank IPF Operations of September 2021. The proposed financial management arrangements, including mitigation measures for this project, are considered adequate to comply with the provisions of the World Bank Directive: “Financial Management Manual for World Bank IPF Operations,” and the World Bank Guidance: “Reference material—Financial Management in World Bank IPF Operations.” The overall financial management residual risk rating for project implementation is considered Substantial. Annex 1 provides additional details.

(ii) Procurement

54. **Project procurement activities will be carried out in accordance with the World Bank’s procedures specified in the World Bank Procurement Regulations for IPF Borrowers, namely Procurement in IPF: Goods, Works, Non-Consulting and Consulting Services dated July 2016 and revised November 2017, August 2018, and November 2020, and any other provisions stipulated in the Financing Agreement.** In addition, the implementation of procurement will be in accordance with the “Guidelines on preventing and combating Fraud and Corruption” in Projects Financed by International Bank IBRD/IDA Credits and Grants (revised as of July 1, 2016) stipulated in 2.2a of Annex IV of the Procurement Regulations. All Goods works and non-consulting services will be procured in accordance with the requirements set forth or referred to in “Section VI. Approved Selection Methods: Goods, Works, and Non-Consulting Services of the Procurement Regulations,” and consulting services will be procured in accordance with the requirements set forth or referred to in “Section VII. Approved Selection Methods: Consulting Services of the Procurement Regulations,” the Project Procurement Strategy for Development (PPSD), and Procurement Plan approved by the World Bank. The procurement risk before the mitigation measures is **High** and will be reduced to a residual rating of **Substantial** upon successful implementation of the mitigation measures that are described in the Annex 1.

C. Legal Operational Policies

Legal Operational Policies	**Triggered?**
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

D. Environmental and Social

55. **The environment and social (E&S) risks are rated Substantial.** The following negative risks and impacts might surface because of implementing the proposed activities: (i) discrimination and social exclusion of certain groups; (ii) risks to community health and safety; (iii) labor influx risks from new job opportunities in the selected sectors; (iv) occupational health and safety risks; (v) child labor; (vi) mismanagement of data; (vii) waste management; and (viii) potential involuntary resettlement. In addition, other risks could arise from the capacity of recipients, which include the PIU within the ADB, MSMEs, private providers, and financial intermediaries to manage the risks and impacts of project activities in line with ESS objectives. To mitigate potential E&S risks and impacts, the client has prepared the following documents: Environmantal and Social Management Framework, Ressettlement Policy Framework, Indigenous Peoples Planning Framework, Labor Management Procedures, Stakeholder Engagement Plan and Environment and Social Commitment Plan. These documents have been disclosed in the country and on the World Bank website between August and November 2023[42]. During project implementation, several trainings will be provided to project beneficiaries to build their capacity in E&S risk management, including for financial intermediaries to comply with ESS9.

V. GRIEVANCE REDRESS SERVICES

56. Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaint to the Bank's independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's Grievance Redress Service (GRS), visit http://www.worldbank.org/GRS. For information on how to submit complaints to the Bank's Accountability Mechanism, visit https://accountability.worldbank.org.

VI. KEY RISKS

57. **Overall, the project risk rating is Substantial.** The most important risk indicators are described below along with measures to help mitigate these risks.

58. **Political and governance risks are rated Substantial.** Despite its fragile institutions, Burundi witnessed peaceful elections and a peaceful transition of power in 2020. The project lies at the heart of the PND 2018–27, which calls for a structural transformation that creates decent jobs for all. A continued strong collaborative partnership with the Ministry of Finance, the lead implementing ministry, and the presidency will be essential to ensure project sustainability. Internal and periodic third-party monitoring will be crucial risk mitigation strategies to ensure effective project implementation. The project also proposes close engagement with private sector beneficiaries, communities, and civil society.

[42] Date of publication (respectively in country and on the World Bank website: ESMF (August 9, 2023 and August 14, 2023), RPF (August 2, 2023 and November 6, 2023), IPPF (August 2, 2023 and November 6, 2023), LMP (August 9, 2023 and November 6, 2023), SEP (August 9, 2023 and August 30, 2023), ESCP (October 26, 2023 and November 6, 2023)

59. **Macroeconomic risks are rated Substantial.** While real GDP growth decelerated to 1.8 in 2022, reflecting the modest performance of industry and services, the outlook remains positive as real GDP growth is projected to increase to 3–4 percent over 2023–2025. The FOREX exchange control has resulted in high administrative costs for exporters and encouraged capital flights. Selective FOREX allocation is also distorting competition and weighing heavily on firms relying on imported inputs whose level of activity has shrunk. The government initiated steps toward a gradual exchange rate adjustment and demonstrated readiness for reforms in the monetary and banking sector to get the monetary policy out of fiscal dominance, strengthen its credibility and consolidate financial stability.[43] In the meantime, proposed project-level risk mitigation measures include strengthening financial markets to address some of the capital shortages for local firms and selection of value chains that can serve both domestic and international markets.

60. **Institutional capacity for implementation and sustainability is rated Substantial**. Implementation arrangements represent a substantial risk to the achievement of the PDO, due to the time, specialized skills, and technical challenges involved in the mastery of the management of a new guarantee facility by FIGA, which hitherto has had a limited endowment and only supported three financial institutions. Delays may occur in the response of the commercial financial institutions due to macroeconomic and fiscal stresses and inflation. In similar settings, a new guarantee facility requires two to three years to gain market acceptance. This risk is mitigated by the government's actions to reform the FIGA and comply with the World Bank Sixteen Principles of Public Credit Guarantee Schemes to enable it to function as a sound guarantee facility. Further, this existing government guarantee facility has had some experience, albeit mainly with state-owned financial institutions. There is also a high level of liquidity in the system so, once established, the guarantee facility should be able to offer attractive products to financial institutions to reach the target segments.

61. **Fiduciary risks are rated Substantial**. Given the inherent fiduciary risk at the country level, the number of players involved in project activities and the limited capacity in financial and procurement management and accounting systems within the Ministry of Finance, the implementation will face transparency challenges that in turn cause risks in financial management and procurement. The proposed risk mitigation measures focus on the quality of the recruitment of personnel for the PIU; prioritization of funds flow mechanisms that go most directly to beneficiaries; and application of best procurement, internal control, audit, and third-party monitoring practices. The project procurement risk before the mitigation measures is high. The risk will be reduced to a residual rating of substantial upon considering successful implementation of the mitigation measures.

62. **The E&S risks are rated Substantial.** In addition to the risks identified under the project activities and addressed in the E&S documents, additional risks could arise from the capacity of recipients, which include the PIU within the ADB, MSMEs, private providers, and financial intermediaries to manage the risks and impacts of project activities in line with ESS objectives. To mitigate potential E&S risks and impacts, several trainings will be provided to project beneficiaries to build their capacity in E&S risk management, including for financial intermediaries to comply with ESS9.

[43] World Bank. 2021. *Country Economic Memorandum*. Washington, DC : World Bank.

VII. RESULTS FRAMEWORK AND MONITORING

PDO Indicators by PDO Outcomes

Baseline	Period 1	Closing Period
Inclusive access to finance		
Beneficiaries reached with financial services (Number) CRI		
Jun/2023	Jun/2025	Dec/2028
0.00	200000.00	515000.00
➢Beneficiaries reached with improved and new financial services - women (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	75,000.00	250,000.00
➢Persons that benefited from financial services - refugees (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	1,500.00	5,000.00
Jobs created through project interventions		
Beneficiaries of job-focused interventions (Number) CRI		
Jun/2023	Jun/2025	Dec/2028
0.00	7000.00	22000.00
➢Beneficiaries of job-focused interventions - Female (Number) CRI		
4000.00	1000.00	10000.00
➢Beneficiaries of job-focused interventions - refugees (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	700.00	3,000.00
Resilience to climate change		
Investments supported by the project that help implement climate resilience standards for MSMEs (Amount(USD))		
Jun/2023	Jun/2025	Dec/2028
0.00	20,000,000.00	57,240,000.00

Intermediate Indicators by Components

Baseline	Period 1	Closing Period
MSME access to markets and value chain development		
Annual exports increase of supported MSMEs (Percentage)		
Jun/2023	Jun/2025	Dec/2028
0.00	10.00	25.00
➢Annual exports increase of supported women-owned MSMEs (Percentage)		
Jun/2023	Jun/2025	Dec/2028
0.00	10.00	25.00
➢Annual exports of supported MSME owned by refugees (Percentage)		
Jun/2023	Jun/2025	Dec/2028
0.00	10.00	25.00
Firms benefiting from private sector initiatives (Number) CRI		
Jun/2023	Jun/2025	Dec/2028
0.00	1500.00	6000
➢Firms benefiting from private sector initiatives (women-owned) (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	600.00	3000
➢Firms benefiting from private sector initiatives (owned by refugees) (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	375.00	1200
MSMEs benefitting from business development and technology adoption services (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	900.00	1300
➢Women-owned MSMEs benefitting from business development and technology adoption services supported by the project (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	600.00	650.00
➢MSMEs owned by refugees benefitting from business development and technology adoption services supported by the project (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	240.00	260.00

Number of MSMEs supported with technology grants (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	400	600
➢Number of women-owned MSMEs supported with technology grants (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	180	300
➢Number of MSMEs owned by refugees supported with technology grants (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	30	40
Additional annual revenue generated by supported MSMEs (Percentage)		
Jun/2023	Jun/2025	Dec/2028
0.00	10.00	30.00
➢Additional annual revenue generated by supported women-owned MSMEs (Percentage)		
Jun/2023	Jun/2025	Dec/2028
0.00	10.00	30.00
➢Additional annual revenue generated by supported MSMEs owned by refugees (Percentage)		
Jun/2023	Jun/2025	Dec/2028
0.00	10.00	30.00
Additional full-time jobs created by the supported MSMEs (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	1,500.00	4,228.00
➢Additional full-time jobs for women created by the supported MSMEs (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	750.00	2,114.00
Financial Inclusion and Sustainable Access to Finance for MSMEs		
Number of MSMEs registered in the movables collateral registry (guaranteed with movables assets) (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	30,000.00	150,000.00
➢Number of loans by women or women-owned MSMEs registered in the movables collateral registry (guaranteed with movables assets) (Number) (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	15,000.00	75,000.00
Number of new NBFIs connected to Bi-Switch and are interoperable within the Burundi Financial System (Number)		
Jun/2023	Jun/2025	Dec/2028
23.00	30.00	43.00

Guaranteed loans disbursed to MSMEs with support of the Partial Portfolio Credit Guarantee fund (Amount(USD)) PBC		
Jun/2023	Jun/2025	Dec/2028
0.00	10,000,000.00	34,000,000.00
➤Guaranteed loans disbursed to women-owned MSMEs (Amount(USD)) PBC		
Jun/2023	Jun/2025	Dec/2028
0.00	3,000.00	12,000,000.00
➤Guaranteed loans disbursed to MSMEs owned by refugees (Amount(USD)) PBC		
Jun/2023		Dec/2028
0.00		3,500,000.00
Sustainable Business Enabling Environment and Investment Climate Support		
Implemented reforms supporting private sector development (Number) CRI		
Jun/2023	Jun/2025	Dec/2028
0.00	2.00	5.00
Public institutions received support to develop and implement investment promotion and MSMEs development programs (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	5.00	6.00
Implemented reforms supporting private sector development for sustainable energy and climate-resilient business solutions (Number)		
Jun/2023	Jun/2025	Dec/2028
0.00	1.00	3.00
Project management		
Contingent Emergency Response Component		

Performance-based Conditions (PBC)

Period	Period Definition	Timeline
Period 1	12 months	2024
Period 2	24 months	2025
Period 3	36 months	2026
Period 4	48 months	2027

Baseline	Period 1	Period 2	Period 3	Period 4

1 : FIGA is reformed in a manner satisfactory to the World Bank and is designated as the PPCG fund manager; and there is an approved PPCG Procedures Manual (Yes/No)				
No	Yes	Yes	Yes	Yes
0.00	5,000,000.00	0.00	0.00	0.00
PBC allocation		5,000,000.00	As a % of Total Financing Amount	29.0%
2 : Guaranteed loans disbursed to MSMEs with support of the Partial Portfolio Credit Guarantee fund (Amount(USD))				
0.00	No	Yes	Yes	Yes
0.00	0.00	4,000,000.00	4,000,000.00	4,000,000.00
PBC allocation		12,000,000.00	As a % of Total Financing Amount	70.0%

Monitoring & Evaluation Plan: PDO Indicators by PDO Outcomes

Inclusive access to finance	
Beneficiaries reached with financial services (Number) CRI	
Description	The indicator measures the number of persons who benefited from financial services in operations supported by the Bank and the number of businesses that benefited from financial services.
Frequency	Semi-annually
Data Source	FIGA and PFIs
Methodology for Data Collection	Beneficiaries include people, microenterprises, and SMEs. Financial services include mobile money accounts, loans, agri-insurance, and so on.
Responsibility for Data Collection	PPCG Fund Manager, PFIs. Data will be manually aggregated by the PIU.
Beneficiaries reached with improved and new financial services - women (Number)	
Description	The indicator measures the number of women who benefited from financial services in operations supported by the Bank and the number of businesses that benefited from financial services.
Frequency	Semi-annually
Data Source	FIGA and PFIs
Methodology for Data Collection	Beneficiaries include women, women-owned MSMEs. Financial services include mobile money accounts, loans, agri-insurance, and so on.
Responsibility for Data Collection	PPCG Fund Manager, PFIs. Data will be manually aggregated by the PIU.
Persons that benefited from financial services - refugees (Number)	
Description	The indicator measures the number of refugees who benefited from financial services in operations supported by the Bank and the number of businesses that benefited from financial services.
Frequency	Semi-annually
Data Source	FIGA and PFIs
Methodology for Data Collection	Beneficiaries include refugees, refugee-owned MSMEs. Financial services include mobile money accounts, loans, agri-insurance, and so on.
Responsibility for Data Collection	PPCG Fund Manager, PFIs. Data will be manually aggregated by the PIU.
Jobs created through project interventions	
Beneficiaries of job-focused interventions (Number) CRI	
Description	Number of beneficiaries reached by interventions that contribute to the jobs agenda in operations supported by the World Bank.
Frequency	Semi-annually
Data Source	Implementing partners and project records: Consolidation of project records from PPCG Fund Manager, implementing partners, productive infrastructure providers, and so on.
Methodology for Data Collection	Jobs-focused interventions contribute to the jobs agenda and have an explicitly stated and substantive link to creating more, better, and/or inclusive jobs. Beneficiaries include individuals, workers, microenterprises, SMEs, and so on. The indicator captures the number of beneficiaries supported through the following job-focused interventions of the project: productive infrastructure (1.1), matching grants (1.2), supplier development/linkage programs (1.3), and weather-index insurance program and PPCG fund (2.2).
Responsibility for Data Collection	PPCG Fund Manager, implementing partners, and productive infrastructure providers. Data will be aggregated by the PIU.
Beneficiaries of job-focused interventions - women (Number) CRI	
Description	Number of female beneficiaries reached by interventions that contribute to the jobs agenda in operations supported by the World Bank.
Frequency	Semi-annually
Data Source	Implementing partners and project records: Consolidation of project records from PPCG Fund Manager, implementing

	partners, productive infrastructure providers, and so on.
Methodology for Data Collection	Jobs-focused interventions contribute to the jobs agenda and have an explicitly stated and substantive link to creating more, better, and/or inclusive jobs. Beneficiaries include female individuals and workers, and women-owned microenterprises, SMEs, and so on. The indicator captures the number of beneficiaries supported through the following job-focused interventions of the project: productive infrastructure (1.1), matching grants (1.2), supplier development/linkage programs (1.3), and weather-index insurance program and PPCG fund (2.2).
Responsibility for Data Collection	PPCG Fund Manager, implementing partners, and productive infrastructure providers. Data will be aggregated by the PIU.
Beneficiaries of job-focused interventions - refugees (Number)	
Description	Number of female beneficiaries reached by interventions that contribute to the jobs agenda in operations supported by the World Bank.
Frequency	Semi-annually
Data Source	Implementing partners and project records: Consolidation of project records from PPCG Fund Manager, implementing partners, productive infrastructure providers, and so on.
Methodology for Data Collection	Jobs-focused interventions contribute to the jobs agenda and have an explicitly stated and substantive link to creating more, better, and/or inclusive jobs. Beneficiaries include refugee individuals and workers, and refugee-owned microenterprises, SMEs, and so on. The indicator captures the number of beneficiaries supported through the following job-focused interventions of the project: productive infrastructure (1.1), matching grants (1.2), supplier development/linkage programs (1.3), and weather-index insurance program and PPCG fund (2.2).
Responsibility for Data Collection	PPCG Fund Manager, implementing partners, and productive infrastructure providers. Data will be aggregated by the PIU.
Resilience to climate change	
Investments supported by the project that help implement climate resilience standards for MSMEs (Amount [US$])	
Description	Value of investments disbursed by the project to MSMEs for implementing climate resilience standards and/or best practices.
Frequency	Semi-annually
Data Source	Implementation partners
Methodology for Data Collection	Project disbursment records
Responsibility for Data Collection	Implementation partners, PIU

Monitoring & Evaluation Plan: Intermediate Results Indicators by Components

MSME access to markets and value chain development	
Annual exports increase of supported MSMEs (Percentage)	
Description	Percent change in the number of supported MSMEs that exported their products or services.
Frequency	Annually
Data Source	Project partners
Methodology for Data Collection	Baseline, annual, and endline data are collected from supported MSMEs
Responsibility for Data Collection	PIU
Annual exports increase of supported women-owned MSMEs (Percentage)	
Description	Percent change in the number of supported women-owned MSMEs that exported their products or services.
Frequency	Annually
Data Source	Project partners
Methodology for Data Collection	Baseline, annual, and endline data are collected from supported MSMEs

Responsibility for Data Collection	PIU
Annual exports of supported MSMEs owned by refugees (Percentage)	
Description	Percent change in the number of supported MSMEs owned by refugees that exported their products or services.
Frequency	Annually
Data source	Project partners
Methodology for Data Collection	Baseline, annual, and endline data are collected from supported MSMEs
Responsibility for Data Collection	PIU
Firms benefiting from private sector initiatives (Number) [CRI]	
Description	Number of MSMEs and entrepreneurs that benefited from increased access to productive infrastructure from private providers supported by the project.
Frequency	Semi-annually
Data source	Providers of productive infrastructure financed through the project
Methodology for Data Collection	MSMEs that received services from the providers of productive infrastructure financed under the project.
Responsibility for Data Collection	PIU
Firms benefiting from private sector initiatives (women-owned) (Number)	
Description	Number of women-owned MSMEs and women entrepreneurs that benefited from increased access to productive infrastructure from private providers supported by the project.
Frequency	Semi-annually
Data source	Providers of productive infrastructure financed through the project
Methodology for Data Collection	MSMEs that received services from the providers of productive infrastructure financed under the project.
Responsibility for Data Collection	PIU
Firms benefiting from private sector initiatives (refugee-owned) (Number)	
Description	Number of refugee-owned MSMEs and refugee entrepreneurs that benefited from increased access to productive infrastructure from private providers supported by the project.
Frequency	Semi-annually
Data source	Providers of productive infrastructure financed through the project
Methodology for Data Collection	MSMEs that received services from the providers of productive infrastructure financed under the project.
Responsibility for Data Collection	PIU
MSMEs benefiting from business development and technology adoption services (Number)	
Description	Number of MSMEs that benefited from business development services received through project interventions.
Frequency	Semi-annually
Data source	Implementation partners
Methodology for Data Collection	Training records
Responsibility for Data Collection	Data aggregated by PIU
Women-owned MSMEs benefiting from business development and technology adoption services supported by the project (Number)	
Description	Number of women-owned MSMEs that benefited from business development services received through project interventions.
Frequency	Semi-annually

Data source	Implementation partners
Methodology for Data Collection	Training records
Responsibility for Data Collection	Data aggregated by PIU
MSMEs owned by refugees benefitting from business development and technology adoption services supported by the project (Number)	
Description	Number of refugee-owned MSMEs that benefited from business development services received through project interventions.
Frequency	Semi-annually
Data Source	Implementation partners
Methodology for Data Collection	Training records
Responsibility for Data Collection	Data aggregated by PIU
Number of MSMEs supported with technology grants (Number)	
Description	Number of MSMEs who applied for and received full grant amount (total number of MSMEs that received in-kind grants and cash funding through the project).
Frequency	Semi-annually
Data Source	Implementation partners
Methodology for Data Collection	Grant disbursement records
Responsibility for Data Collection	Data aggregated by PIU
Number of women-owned MSMEs supported with technology grants (Number)	
Description	Number of women-owned MSMEs who applied for and received full grant amount (total number of MSMEs that received in-kind grants and cash funding through the project).
Frequency	Semi-annually
Data Source	Implementation partners
Methodology for Data Collection	Grant disbursement records
Responsibility for Data Collection	Data aggregated by PIU
Number of MSMEs owned by refugees supported with technology grants (Number)	
Description	Number of refugee-owned MSMEs who applied for and received full grant amount (total number of MSMEs that received in-kind grants and cash funding through the project).
Frequency	Semi-annually
Data Source	Implementation partners
Methodology for Data Collection	Grant disbursement records
Responsibility for Data Collection	Data aggregated by PIU
Additional annual revenue generated by supported MSMEs (Percentage)	
Description	Increase in the average annual revenue that is generated by supported MSMEs.
Frequency	Annually
Data Source	Firm-level reporting by beneficiary MSMEs, verified by implementation partners
Methodology for Data Collection	Periodic surveys
Responsibility for Data Collection	Implementation partners, PIU

Additional annual revenue generated by supported women-owned MSMEs (Percentage)	
Description	Increase in the average annual revenue that is generated by supported women-owned MSMEs.
Frequency	Annually
Data Source	Firm-level reporting by beneficiary MSMEs, verified by implementation partners
Methodology for Data Collection	Periodic surveys
Responsibility for Data Collection	Implementation partners, PIU
Additional annual revenue generated by supported MSMEs owned by refugees (Percentage)	
Description	Increase in the average annual revenue that is generated by supported refugee-owned MSMEs.
Frequency	Annually
Data Source	Firm-level reporting by beneficiary MSMEs, verified by implementation partners
Methodology for Data Collection	Periodic surveys
Responsibility for Data Collection	Implementation partners, PIU
Additional full-time jobs created by the supported MSMEs (Number)	
Description	Total number of full-time jobs the project contributed to creating.
Frequency	Annually
Data Source	Firm-level reporting by beneficiary MSMEs, verified by implementation partners
Methodology for Data Collection	Periodic survey
Responsibility for Data Collection	Implementing partners, PIU
Additional full-time jobs for women created by the supported MSMEs (Number)	
Description	Total number of full-time jobs for women the project contributed to creating.
Frequency	Annually
Data Source	Firm-level reporting by beneficiary MSMEs, verified by implementation partners
Methodology for Data Collection	Periodic survey
Responsibility for Data Collection	Implementing partners, PIU
Strengthen and expand the financial sector to enhance access to finance for MSMEs	
Number of MSMEs registered in the movables collateral registry (guaranteed with movables assets) (Number)	
Description	Number of unique MSMEs that are registered in registeries developed and implemented with the project support.
Frequency	Quarterly
Data Source	Project records
Methodology for Data Collection	Information from the registry is tabulated
Responsibility for Data Collection	PIU
Number of loans by women or women-owned MSMEs registered in the movables collateral registry (guaranteed with movables assets) (Number)	
Description	Number of unique women-owned MSMEs that are registered in registeries developed and implemented with the project support.
Frequency	Quarterly
Data Source	Project records
Methodology for Data Collection	Information from the registry is tabulated
Responsibility for Data	PIU

Collection	
Number of new NBFIs connected to Bi-Switch and are interoperable within the Burundi Financial System (Number)	
Description	The indicator captures the number of new NBFIs that become interoperable within the Burundi Financial System by connecting to Bi-Switch.
Frequency	Quarterly
Data Source	Project records
Methodology for Data Collection	The data will be collected from the agency overseeing the Bi-Switch connection to determine the new connections to Bi-Switch. A follow-up will also be conducted with NBFIs that received support from the project to connect to the Bi-Switch.
Responsibility for Data Collection	PIU
Guaranteed loans disbursed to MSMEs with support of the PPCG fund (Amount [US$]) PBC	
Description	Amount of loans disbursed to MSMEs that are backed by the PPCG fund.
Frequency	Semi-annually
Data Source	Financial intermediary
Methodology for Data Collection	Financial intermediary records
Responsibility for Data Collection	FIGA, PIU
Guaranteed loans disbursed to women-owned MSMEs (Amount [US$]) PBC	
Description	Amount of loans disbursed to women-owned MSMEs that are backed by the PPCG fund.
Frequency	Semi-annually
Data Source	Financial intermediary
Methodology for Data Collection	Financial intermediary records
Responsibility for Data Collection	FIGA, PIU
Guaranteed loans disbursed to refugee-owned MSMEs (Amount [US$]) PBC	
Description	Amount of loans disbursed to refugee-owned MSMEs that are backed by the PPCG fund.
Frequency	Semi-annually
Data Source	Financial intermediary
Methodology for Data Collection	Financial intermediary records
Responsibility for Data Collection	FIGA, PIU
Supporting a business enabling environment and investment climate	
Implemented reforms supporting private sector development (Number) CRI	
Description	Number of implemented reforms that support private sector development.
Frequency	Annually
Data Source	ADB
Methodology for Data Collection	This indicator intends to count the total number of legal and regulatory recommended changes that were approved or enacted resulting from the project's activities. The reforms captured by this indicator include business enabling environment reforms and institutional strengthening to support MSME development and investors.
Responsibility for Data Collection	PIU
Public institutions received support to develop and implement investment promotion and MSME development programs (Number)	
Description	Number of governmental institutions that receive technical or financial assistance.
Frequency	Semi-annually
Data Source	Project records
Methodology for Data	PIU will collect the status of various institutional support activities from project records

Collection	
Responsibility for Data Collection	PIU
Implemented reforms supporting private sector development for sustainable energy and climate-resilient business solutions (Number)	
Description	The indicator measures the reforms that reduce impact of climate change and lead to energy savings.
Frequency	Annually
Data Source	ADB
Methodology for Data Collection	This indicator intends to count the total number of legal and regulatory recommended changes that were approved or enacted resulting from the project's activities.
Responsibility for Data Collection	PIU

Verification Protocol: Performance Based Conditions

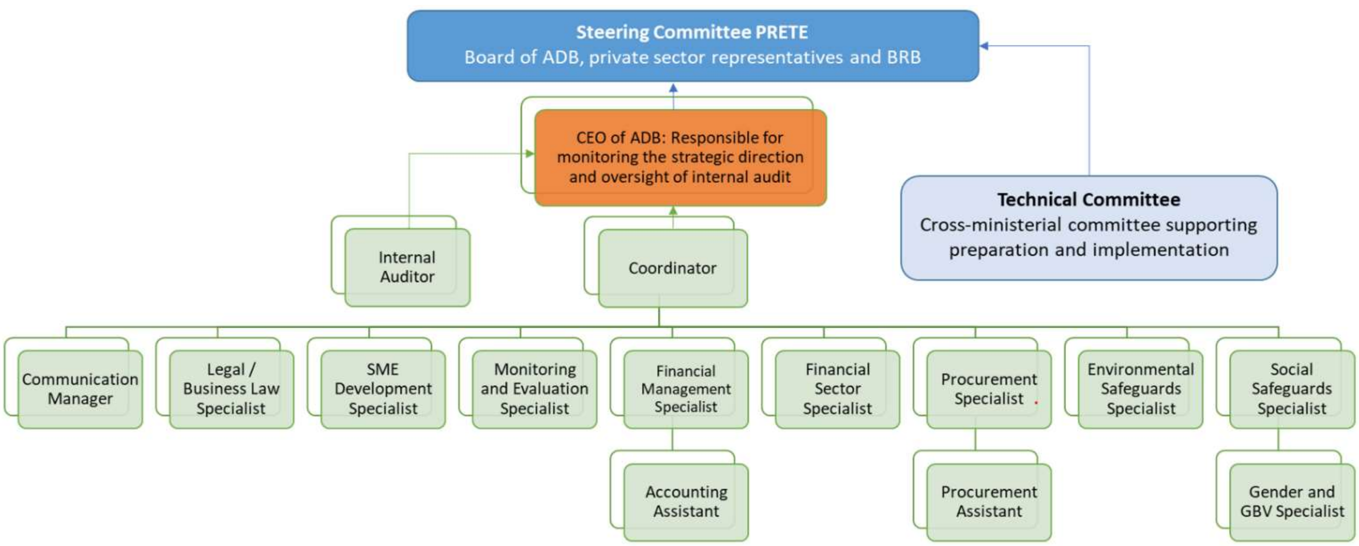
1: FIGA is reformed and is designated as the PPCG fund manager	
Formula	29 percent of phased PPCG endowment of US$17 million
Description	(a) the PPCG Fund is set up with an approved PPCG Fund Manual; (b) the Management Agreement has been signed between MoF and FIGA; and (c) FIGA has signed at least one PPCG Agreement with one PFI; all under terms and conditions as further detailed in the PIM
Data Source/Agency	FIGA
Verification Entity	PIU
Procedure	A first tranche of US$5 million will be disbursed upon World Bank clearance that the PPCG fund has been designed and set up in a manner satisfactory to the World Bank, as well as the satisfactory governance by the designated fund manager. The World Bank no objection will be provided subject to compliance with World Bank requirements (including FIF, E&S, and fiduciary).
2: The amount of outstanding loan/credit provided by PFIs to eligible MSMEs guaranteed by the PPCGs is at least equal to 60 percent of the amount available in the PPCG fund	
Formula	23.5 percent of phased PPCG endowment of US$17 million for every phase
Description	The amount of outstanding loan/credit provided by PFIs to eligible MSMEs guaranteed by PPCGs is at least equal to 60% of the maximum amount of credit that can be guaranteed by the amount available in the PPCG Fund as further detailed in the PIM, as follows: (a) US$ 12,000,000 of loans/credits guaranteed (b) US$ 21,600,000 of loans/credits guaranteed (c) US$ 31,200,000 of loans/credits guaranteed
Data Source/Agency	FIGA
Verification Entity	Experienced auditor (registered in the national college or association for auditors) and chosen though a competitive process with World Bank no objection.
Procedure	All the PBCs after the first one will only be provided after the 60 percent commitment of the existing guarantee amount is reached. A new tranch of US$ 4 million will be disbursed upon the completion of PBC2(a), PBC2(b) and PBC2(c)

ANNEX 1: Implementation Arrangements and Support Plan

1. **The Ministry of Finance, Budget, and Economic Planning will be the line ministry for the project and act as the borrower's representative.** The Ministry of Finance will ensure that executing institutions carry out their respective responsibilities. Although the Ministry of Finance has a good track record in collaborating with the World Bank, its existing structures do not have the required capacity to manage this cross-sectoral project. The project implementation arrangements are designed to ensure that sufficient capacity is developed to supervise the proposed activities and additional efforts are dedicated to building public sector capacity to sustain results over the long term.

2. **The ADB will host the PIU and the Secretariat for the Steering Committee and will provide project oversight and lead day-to-day management of the project.** The PIU will report to the Director General of the ADB. The PIU will consist of a project coordinator, fiduciary specialists (financial management and procurement), environment and social specialists (E&S), a gender and GBV specialist, technical specialists (at least one per component), and specialists to cover other PIU functions, such as M&E, communications, and so on. All procurement transactions will be consolidated within the PIU. All other fiduciary and environment and social functions will also be centralized within the PIU. Figure 1.1 is an organigram of the project's implementation arrangements.

Figure 1.1. Organigram of project implementation arrangements



3. **The project will be governed by a Steering Committee chaired by the Ministry of Finance and will be composed of the board of the ADB and key stakeholders from the public sector, civil society, financial sector, and private sector (including women entrepreneurs and refugees' representatives)**. The role of the committee is to ensure the quality of the annual budget, work plan, and audit reports and provide orientation to ensure consistent and effective project activities and any relevant adjustments that may be required.

4. **The Technical Committee ensures a technical follow-up of the project and reports to the Steering Committee.** This committee will be set up no later than two months after the effective date. The Technical Committee is responsible for analyzing the annual action plans to be submitted for approval by the Steering Committee and providing feedback on the reports submitted by the PIU to the Steering Committee. The Technical Committee will facilitate the communication

with the implementation structures. The Technical Committee will be chaired by the Permanent Secretary and will include representatives from the ministries represented in the Steering Committee. The Technical Committee may request technical expertise for the monitoring and review of project documents submitted to the Steering Committee.

5. **Implementation partners**. The technical implementation of project activities under Component 1 will be done by private firms and/or experienced NGOs or UN agencies hired through a competitive process. Their contracts will include capacity building of partners at the national and local levels and requirement for local implementation partnerships. To maximize benefits for local stakeholders and promote sustainability, the contracts will stipulate explicit criteria for local capacity building, putting the onus on bidders for these contracts to either develop capacity on the ground to meet these needs or to sub-contract with local partners that can provide the services and capacity needed.

6. **Project Implementation Manual.** The project will be implemented in accordance with the PIM, which provides a surrounding framework for the implementation of project activities, including basic project management, institutional responsibilities, financial procedures and management of fiduciary responsibilities, staff selection and management, results M&E, risk assessment and mitigations, ESF, and any other specific reporting requirements imposed by the World Bank. The implementation of matching grants, technology grants, and performance grants under Component 1 and PPCG under Component 2 will be governed by specific chapters of the manual.

Financial Management

7. **The overall financial management risk before the mitigation measures is high and could be reduced to a residual rating of substantial upon considering successful implementation of the mitigation measures**. The rating of high is driven by the introduction of new activities, such as guarantee funds management, the volume of activities, and the lack of PIU experience in monitoring World Bank projects with a high financing envelope. Given the overall weak fiduciary environment of the country and high fiduciary risk, including fraud and corruption, financial and disbursement mitigation arrangements have been designed. The proposed financial management risk mitigation measures for this project are considered adequate to reduce the residual risk to Substantial and comply with the provisions of World Bank Directive: Guidance Note – Reference Material - Financial Management in World Bank Investment Project Financing Operations issued on February 28, 2017. Residual Risk After Mitigation Measures for financial management is assessed substantial.

8. **The overall fiduciary environment of the country is weak and fiduciary risk is rated as high and could be reduced as substantial once there will be a successful implementation of the mitigation measures.** According to Transparency International, Burundi is rated 171 out of 180 countries on the corruption perception index for 2022 after ranking 169 in 2021. Recently, progress has been noted on the modernization revenue policy and administration. With the support of the Bank-financed “Strengthening Institutional Capacity for Government Effectiveness Project (P149176),” the backlog of the financial account statements and the audit of the state accounts were cleared by December 2021. The government is committed to service delivery reforms for citizens in key areas, such as FOREX challenges, civil service, and digital transformation. In October 2022, the Central Bank announced the reopening of exchange offices more than two years after their closure to fight against the depreciation of the Burundian franc. In June 2022, the World Bank approved the digital project P176396 to increase broadband internet access and its additional financing in preparation will focus on public financial management (PFM) digitalization. Since 2021, the Ministry of Finance has been implementing three-year program budgets and included international donor funding in the government budget through the respective line ministries. The government is in the transition period FY23–24. The last Burundi Public Expenditure and Financial Accountability Assessment (PEFA) is dated 2014, and the donors are financing an update to be finalized in late 2023/early 2024.

9. **Responsibility for the fiduciary management**. The World Bank's default of using the country's PFM system or some aspects of the system provided they are reliable applies to the current project. Hence, the fiduciary management of the project will be the responsibility of the ADB. In November 2021, the previous API (*Agence de Promotion des Investissements*) was replaced by ADB, an independent structure that reports to the Presidency of the Republic. The ADB's general mission is to promote foreign and local investment and exports. It is called upon to improve the business climate to attract more investors. The ADB financial management system was assessed to check that (i) it has adequate financial management arrangements to ensure that project funds will be used for purposes intended in an efficient and economical way; (ii) project financial reports will be prepared in an accurate, reliable, and timely manner; and (iii) the entity's assets will be safeguarded. The assessment was done in accordance with the World Bank Directive: Financial Management Manual for World Bank IPF Operations issued on September 7, 2021.

10. **Risk assessment and mitigation measures**. The main risks that need to be addressed are described in Table 1.2.

Table 1.2. Main risks and proposed mitigation measures

Risk	Risk Rating	Risk Mitigating Measures incorporated into the Project Design	Residual Risk After Mitigation Measures
INHERENT RISK	**H**		**H**
Country level Poor governance and the slow pace of implementation of PFM reforms might hamper the overall PFM environment.	H	• Some PFM reforms were supported by the World Bank-financed Institutional Capacity Building project. • The PFM digitalization project in preparation and other technical support is provided by other partners (for example, European Union, IMF).	H
Entity level • The ADB has no experience in managing World Bank projects. • All stakeholders are not familiar with the specific implementation modalities of the project. • PBCs are a new approach for the ADB and the FIGA	**H**	• The ADB financial management unit will be reinforced with coaching sessions with experienced PIU and qualified personnel. • The PIM defines financial management procedures including the PBC procedures and outlines stakeholder roles and responsibilities. • Sensibilization sessions will be provided.	**S**
Project level • Weak financial management capacity and risk of fraud and corruption in the assessment of SMEs for the subsidies in the Component 1. • The project involves new activities, such as guarantee fund management. • Several small transactions with beneficiary of subsidies may pose a serious fiduciary risk to the project that could lead to ineligible expenditures.	**S**	• The ADB financial management team will be regularly assessed and reinforced with competent team members when needed. • An implementation partner will be recruited to support the implementation of subsidies. • PBC: The guarantee funds manager's financial management capacity has been assessed. • The frequency of financial management supervision will be increased with a focus on areas where risks are significant. • Training of stakeholders will be conducted on financial management aspects.	**M**
CONTROL RISK	**S**		**S**

Risk	Risk Rating	Risk Mitigating Measures incorporated into the Project Design	Residual Risk After Mitigation Measures
Budgeting • Late preparation of annual work plan resulting in late approval of annual budget, linked to the volume of activities and the understanding of the new PBC approach. • Unrealistic budget due to the lack of analysis of procurement constraints and integration of multi-year contracts globally (poor contract management).	S	• The PIM defines the arrangements for budget formulation, budgetary control, and the requirements for budgeting revisions. • Quarterly IFR will provide information on budgetary control and compare performance with estimates. • The PIU will be trained on budget preparation and monitoring and provided with customized tools. • The World Bank's financial management review of the budget and IFR will improve their quality.	**M**
Accounting Capacity issues and workload given the volume of supporting documents to review and transactions to record, software-related issues, and lack of clear procedures may undermine the project capacity to produce accurate and reliable information on time.	**S**	• Accounting processes and procedures are documented in the PIM. • The ADB financial management team will be reinforced when needed. • Coaching sessions with qualified experienced staff of other PIUs of World Bank's projects • The ADB will work closely with the accounting software technician to maximize its use. • Financial management recommendations will be monitored during supervision.	**M**
Internal Controls and Internal Audit • Failure of internal control systems to identify or address material risks. • Ineffective risk management and control over the management of the guarantee fund and PBCs. • Internal auditor was recruited directly by the ADB and might need support to meet internal audit key performance indicators.	**H**	• Internal audit risk assessment, audit program and plan, and reports will be timely submitted to the World Bank for review. • Frequent World Bank fiduciary supervisions. • Internal control procedures included in the PIM. • The ADB internal auditors will be trained by the World Bank financial management team.	**S**
Funds Flow • Risk of misappropriation of funds allocated to the project activities, used for non-eligible purposes. • Risk linked to (i) the justification of subsidies operations, based on the volume of activities and (ii) the monitoring of guarantee funds. • Lack of understanding of the PBC approach. • Delays in payment of suppliers due to the involvement of multiple beneficiaries and a lengthy approval process for the request for payment. • Delays may be incurred for payments in foreign currencies.	**H**	• Designated accounts will be opened in a financial institution acceptable to the World Bank. • PIU will be trained on disbursement procedures. • Regular World Bank financial management system supervision missions. • The internal control's work program will include verification on supporting documents provided under the subsidies' allocation. • Funds flow arrangement, monitoring of the guarantee funds, and PBCs modalities approval standards and disbursement arrangements are described in the PIM.	**S**
Financial Reporting • Inaccuracy and delay in the submission of acceptable IFRs to the World Bank. • Delays in submitting quarterly IFRs and financial statements. • Delays in submitting reports on the	**H**	• Use of software to generate the financial reports. • The ADB financial management team will be paired with an experienced team for mentoring. • Comments provided by the World Bank during reviews of the reports will help improve quality.	**S**

Risk	Risk Rating	Risk Mitigating Measures incorporated into the Project Design	Residual Risk After Mitigation Measures
achievement of the PBCs.		• The staff will be trained on the new requirements of the IFRs related to PBCs.	
External Auditing • Audit not carried out in compliance with acceptable standards. • Delay in submission of the audit report and in the implementation of audit recommendations.	S	• External audit ToRs and audit firm shortlist will be reviewed by the World Bank. • IFRs will be produced to facilitate the timely production of the financial statement. • Follow-up of recommendations will be included in the quarterly IFR and during supervisions.	S
Fraud and Corruption The possibility of circumventing the internal control system with colluding practices, such as bribes, abuse of administrative positions, and mis-procurement is a critical issue.	H	• The ToR of the external auditor will comprise a specific clause on the audit of corruption. • Internal audit ToRs will include a periodic review of fraud and corruption risk. • Financial management arrangements will be reinforced, and their operating effectiveness monitored during supervision missions. • World Bank financial management supervision will be increased if necessary. • Measures to improve transparency are built into the project design, such as providing public information on the project's status, and encourage stakeholder engagement.	S
OVERALL FINANCIAL MANAGEMENT RISK	H		S

Details of Financial Management and Disbursement Arrangements

11. **Budgeting**. The ADB will prepare an annual budget based on the procurement and work plans to be submitted to the World Bank at least two months before the beginning of the project's fiscal year. The budgets will follow budgeting guidelines in the financial management manuals or PIMs. During the financial year, the budget will be monitored quarterly using IFRs. The PIM will define processes for the preparation and execution of the annual work plan and budget, and quarterly IFRs will be used to monitor its execution.

12. **Staffing and accounting system.** The ADB's financial team is composed of a specialist in financial management, one accountant, and one junior accountant. All three have experience and a background in accounting. The ADB 2023 budget included the acquisition of an accounting software (TOMPRO V.2) currently used by all other projects in the portfolio. Further, the financial team has completed training on World Bank financial management procedures, and the team is being coached by the financial team from the PDLE, another World Bank-financed project. This coaching is reviewed by the World Bank during supervision missions.

(a) *Accounting Information Systems*: A computerized accounting system with software already used in most of the projects is set up and used for the project transactions and financial reports.

(b) *Accounting Standards*: The national accounting system, accrual accounting that follows internationally recognized accounting standards, will be used.

13. **Reporting**. The ADB prepares quarterly financial reports that are reviewed and approved by the line ministry. The quarterly report compares expenditures with forecasts and gives the budget execution's percentage. This internal ADB document presents expenditures using the ADB's budget classification. The quarterly reports are compiled at the end of each fiscal year for the annual report, which is reviewed by the General State Inspectors on ad hoc missions. Under the PPA, the final IFR prepared by the ADB has not yet been received. Moreover, the team has completed the training and received coaching from the PDLE financial team. The ADB team will generate financial reports in the format agreed upon with the World Bank.

14. **Fund flow**. The ADB has petty cash with a ceiling of approximately US$500. All other expenditures are directly paid by the Ministry of Finance. Subsequently, the procurement and reviews before payments are completed by the ADB team following the *acte du gouvernement portant reglement general de gestion des budgets publics*, dated October 1, 2011.[44] For the PPA, the ADB opened a segregated DA, and the first disbursement was completed in January 2023.

15. **Internal control and audit**. As per the ADB's FY22–23 budget, the internal auditor was hired in October 2022. Further, the general state inspectorate has been conducting random internal audit missions to the ADB on specific internal controls areas (such as salaries or use of fuel) an average of once every two years. However, these reports are not systematically shared with the ADB to implement the recommendations and improve the quality of internal controls.

(a) *Internal Controls*: Administrative and accounting procedures with key internal control processes from transaction initiation, review, approval recording, and reporting with clear division of duties are included in the PIM. The ADB's staff must ensure continued adherence to the financial management procedures defined by the PIM throughout project implementation to ensure that funds are used for their intended purpose.

(b) *Internal Audit*: The World Bank will work with the ADB's newly hired internal auditor and the general state inspectorate team to conduct internal controls operations as per the World Bank's requirements.

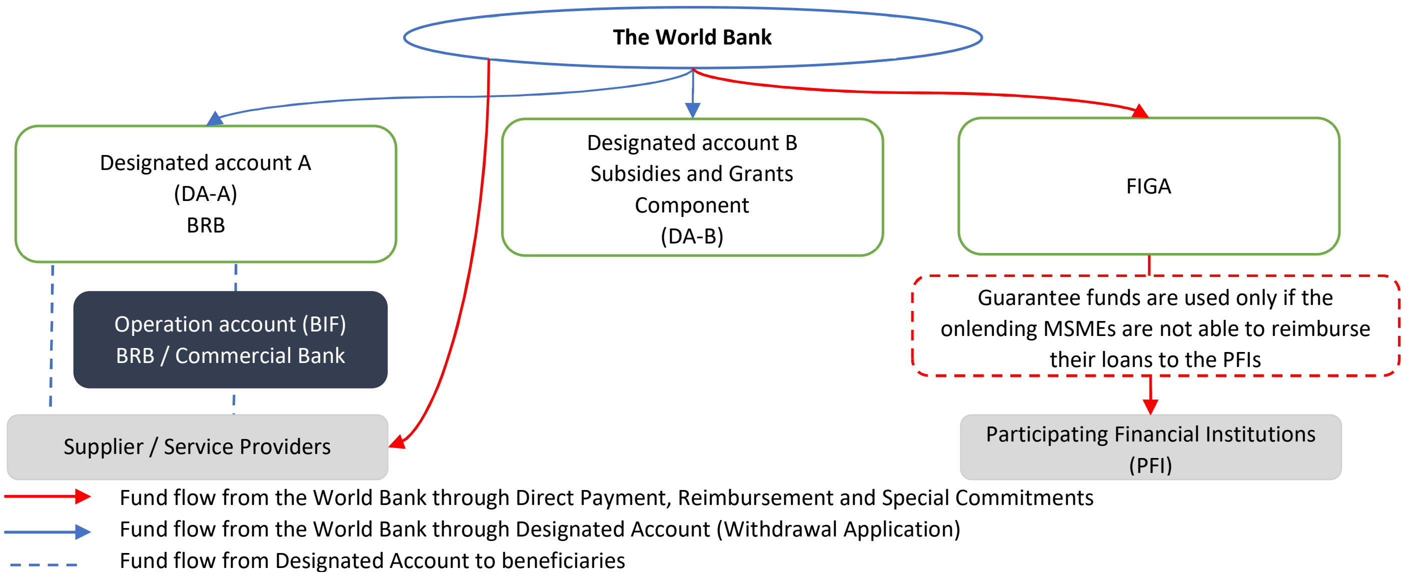
16. **The ADB does not have previous experience in managing World Bank-funded projects**. The ADB is currently handling the PPA (effective since July 2022, first disbursement completed) under the coaching of another experienced project in the portfolio (PDLE, effective since March 2018).

17. **Governance and Anti-Corruption Arrangement**. The ADB will follow existing anti-corruption legislation when dealing with fraud and corruption. Financial management arrangements will strengthen internal control systems and audits conducted to prevent and mitigate fraud and corruption. In addition, the project will comply with World Bank Anti-Corruption Guidelines.

18. **Disbursement and flow of funds flow arrangements***.* Disbursements will be made in accordance with the World Bank Disbursement Guidelines for Projects, dated February 1, 2017. The project will rely on the Statement of Expenditures method of disbursement. This will include advances to the Designated Account (DA), reimbursement, direct payments, and special commitment (Figure 1.2). A separate DA will be linked to in-kind subsidies and grants. Flow of funds to FIGA in the Bank will be done through the direct payment method once that bank has received evidence of the achievement of the result and per the procedures of the PIM. Additional information on the disbursement of the PBC will be provided in the Disbursement and Financial Information Letter. In addition to the DAs, the ADB may open an operating account denominated in Burundi francs at the Central Bank or at any commercial bank to capture revenue resulting from the sale of bidding documents and balances on expenses not entirely spent.

[44] Décret n°100/255 du 18 octobre 2011 portant Règlement Général de Gestion des Budgets Publics.

Figure 1.2. Project flow of funds



19. **Disbursements.** The Statement of Expenditures is the adopted method of disbursement. The disbursement methods will include advances to the DA, reimbursement, direct payments, and special commitment. Supplementary details regarding disbursement will be provided in the disbursement and financial information letter. The disbursement categories are presented in Table 1.3.

Table 1.3. Project disbursement categories

Category	Allocated Grant Amount (US$)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services for the project, and operating costs (other than under categories (2), (3), (4), (5), and (6)	39,500,000	100% of amounts disbursed
(2) Matching grants**	20,000,000	100% of amounts disbursed
(3) Competitive grants*	9,000,000	100% of amounts disbursed
(4) Performance grants***	7,500,000	100% of amounts disbursed
(5) Insurance Premium Subsidies	2,000,000	100% of amounts disbursed
(6) PPCG endowment	17,000,000	100% of amounts disbursed through PBCs
(7) Refund of PPA	5,000,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
(8) CERC	0	
TOTAL AMOUNT	**100,000,000**	

* Matching grants (matching part will be in-kind for the imported equipment and could be partially allocated in cash through DAs in commercial banks.

** In-kind grants will be distributed as technology packages (equipment, technologies, and aftercare) procured by an international trading company (to offset FOREX restriction and obtain better prices).

***The performance grant would include an upfront grant to jumpstart implementation and subsequent disbursements based on achievements of milestones. These grants would only partially cover the cost of the business plan. Based on the nature of the business plan, part of the grant could be allocated as in-kind (for imported equipment).

20. **Disbursements against PBCs**. The allocated amount of the financing under PBCs will be disbursed through the achievement of PBCs. Once PBCs are achieved, an independent verification will be performed based on the PBC verification protocols detailed in the PIM. Once the verification of PBC conditions and related eligible expenses is confirmed, the PBC allocation will be disbursed through direct payment into the guarantee funds. Eligible expenditures in this process are considered as disbursement into the PPCG Endowment fund. The PIM will include procedures related to the PBC and provide details on the entire process, from the identification of PBCs and their verification up to the point of payment. This includes but is not limited to reporting arrangements, supporting documentation to provide roles and responsibilities, verification protocols, independent verification, and payment. Moreover, the PBC manual section will detail what is considered as Eligible Expenditure Program (EEP) and modalities for compliance with terms of the legal agreement. The PPCG setup process will entail the following:

    (a) The reform of FIGA in line with the World Bank 16 Principles for Public Credit Guarantee Schemes for SMEs.
    (b) Consultations with stakeholders to determine needs in type of guarantees, the choice of windows (MSME, agribusiness, climate-resilient investment or investment in climate-resilient companies, women entrepreneurs, refugees), and specific documentation, leveraging, and efficiency of payout requirements.
    (c) The preparation of a draft procedure manual and the drafting of legal agreements (conventions), first between the PPCG fund manager (FIGA) and the government, and then between the fund manager and PFIs, including national requirements, clear supervisory and regulatory framework, and staffing and ToR.
    (d) Endowment (US$17 million) and operationalization of the PPCG fund, using the Sixteen Principles for PPCG Schemes developed by the World Bank to guide the legal and regulatory framework, corporate governance and risk management, operational framework, and M&E.
    (e) Training and technical assistance for the fund manager and PFIs using the guarantees (US$3 million), marginal operational expenses, and other needs related to implementation of the PPCG. This support will cover a range of needs, from new product development (targeting women entrepreneurs) to financial risk management and E&S management system improvements. The PFIs may also receive technical assistance to improve credit analysis tools, internal systems to improve efficiency, and new product design to match the cashflow, constraints, and collateral of women entrepreneurs.
    (f) The endowment will be phased out based on two PBCs, with evidence provided by the fund manager and verification by the counterpart (or an independent third party) and no objection by the World Bank (Table 1.4).

Table 1.4. Disbursement conditions for the endowment of the PPCG

PBC Target	Evidence of Achievement and Verification System	Amount of PBC Disbursed After Verification
PBC1		
FIGA is reformed in a manner satisfactory to the World Bank and is designated as the PPCG fund manager, and there is an approved PPCG procedures manual	(a) the PPCG Fund is set up with an approved PPCG Fund Manual; (b) the Management Agreement has been signed between MoF and FIGA; (c) FIGA has signed at least one PPCG Agreement with one PFI; all under terms and conditions as further detailed in the PIM. The World Bank no objection will be provided subject to compliance with World Bank requirements (including financial intermediary financing, ESMF, and fiduciary).	US$5 million
PBC2 (a, b, c)		
The amount of outstanding loans provided by PFIs to eligible MSMEs guaranteed by the PPCG is at least equal to 60 percent of the amount available in the PPCG SME window.	The amount of outstanding loan/credit provided by PFIs to eligible MSMEs guaranteed by PPCGs is at least equal to 60% of the maximum amount of credit that can be guaranteed by the amount available in the PPCG Fund as further detailed in the PIM,[45] as follows: (a) US$12,000,000 of loans/credits guaranteed (b) US$21,600,000 of loans/credits guaranteed (c) US$31,200,000 of loans/credits guaranteed For every installment, the fund manager (FIGA) will provide a list of the credits that have been guaranteed with the amount of the guarantee. This will be kept confidential by the fund manager and the World Bank and will be audited by an external auditor.	- PBC2(a): US$4 million of loans and credits guaranteed - PBC2(b): US$4 million of loans and credits guaranteed - PBC2(c): US$4 million of loans and credits guaranteed

21. **Financial Reporting Arrangements.** The ADB will prepare quarterly un-audited IFRs in form and content satisfactory to the World Bank and must submit them to the World Bank within 45 days after the end of the quarter. The format and contents of the IFR should be agreed between the World Bank and the implementing agency no later than effectiveness. The contents of the IFR will include at minimum (i) a Statement of Sources and Uses of Funds; and (ii) a Statement of Uses of Funds by Project Activity/Component.

22. **External Audit Arrangements.** The external audit will be conducted based on audit ToR and short list cleared by the World Bank. The external auditors should be appointed within six months after effectiveness (Table 1.5.). Audit reports together with management letters should be submitted to the World Bank within six months after the end of the government's fiscal year. Audit reports will be publicly disclosed by the World Bank Group in accordance with the World Bank's disclosure.

[45] With a multiplier of 2 and a 50/50 risk sharing, an endowment of US$5 million can support US$20 million of credit benefitting from the guarantee (60 percent of this would be US$12 million for the first tranche); US$9 million will support US$36 million credit (60 percent of this would be US$21.6 million for the second tranche), and US$13 million would support US$52 million of guarantee (60 percent of this would be US$31.2 million for the third tranche).

Table 1.5. Financial Management Action Plan

Pillar	Due By	Responsibility
Recruitment of entity in charge of the PBC verifications	3 months after effectiveness	ADB
Guarantee funds manual to be approved before any related disbursement	3 months after effectiveness	ADB
Recruit an independent firm for the external audit of the financial statements	3 months after effectiveness	ADB

23. **Supervision plan.** The project will be supervised on a risk-based approach. It will include desk reviews, onsite and/or virtual visits, and capacity-building activities. Supervision will cover but not be limited to the review of the audit reports and IFRs and advice to the task team on all financial management issues. Based on the current residual risk rating (Substantial), the project will be supervised at least twice a year and may be adjusted when the need arises. A first implementation support mission will be performed six months after grant effectiveness. The implementation support plan is proposed based on the outcome of the financial management risk assessment (Table 1.6).

Table 1.6. Implementation Support Plan

Financial Management Activity	Frequency
Desk reviews	
IFR review	Quarterly
Audit reports review of the program	Annually
Review of other relevant information, such as interim internal control systems reports	Continuous as they become available
Onsite visits	
Review of overall operation of the financial management system	Semi-annually (implementation support mission)
Monitoring of actions taken on issues highlighted in audit reports, auditors' management letters, internal audit, and other reports	As needed, but at least during each implementation support mission
Transaction reviews (if needed)	As needed
Capacity-building support	
Financial management training sessions by World Bank financial management team	Following the project effectiveness and thereafter as needed

24. **The financial management residual risk is assessed Substantial.** As a conclusion to the financial management assessment, the results indicate that the overall financial management arrangements satisfy the World Bank's minimum requirements under the Bank Directive and is therefore adequate to provide, with reasonable assurance, accurate and timely information on the status of the project as required by the World Bank.

Procurement Rules and Procedures

25. **Procurement activities will be carried out in accordance with the World Bank's procurement directives.** This includes the World Bank's Procurement Regulations for IPF Borrowers (dated July 2016 and revised November 2017, August 2018, and November 2020); World Bank Group Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (dated October 15, 2006 and revised in January 2011 and on

July 1, 2016); and any other provisions stipulated in the legal agreement, including strict fiduciary control mechanisms and application of the World Bank's fiduciary rules.

26. **In accordance with the World Bank's Procurement Regulations requirement, the project fiduciary team and the PIU have prepared a PPSD.** The PPSD provides the basis and justifications for procurement decisions, including the recommended procurement approaches for the project, market analysis, and selection methods. The PPSD includes the project procurement plan for the first 18 months, which was approved by the World Bank prior to negotiations. Any updates of the procurement plan will be submitted for the World Bank's approval. The Recipient will use the World Bank's online procurement planning and tracking tools to prepare, clear, and update its procurement plans and conduct all procurement transactions.

27. **Procurable items under this project include goods, small rehabilitation works, non-consultant services, and consultant services contracts.** Components 1, 2, and 3 include activities related to: (i) goods for beneficiaries and the PIU; (ii) consultant services to prepare documents, conduct studies, or draft legal documents; (iii) consultant services to organize business plan competitions, support payment of subventions to beneficiaries, and monitor and train beneficiaries; (iv) grants (matching, in-kind, and cash) expenditures using the World Bank procurement procedures guided by provisions in the PIM; and (v) technical assistance to the banking sector.

28. **To increase negotiation power with international suppliers, a competitively recruited international trading company will assist project beneficiaries with purchases of equipment, technology, and services.** Information asymmetries and lack of experience and scale limit the negotiation power of Burundian MSMEs with powerful international suppliers. An international trading company will help to select the best options in complex international markets; aggregate purchases; optimize the acquisition of equipment, technology, and high-tech inputs for beneficiary MSMEs; and ultimately negotiate lower unit cost for better quality, including aftercare services.

29. **When approaching the national market, the country's procurement procedures may be used with the requirements set forth or referred to in paragraphs 5.3 to 5.6 related to National Procurement Procedures.** For national competition, the Borrower and the World Bank will agree on provisions to consider for the bidding document to be used for consistency between national procurement procedures and the Procurement Regulations. Those provisions will include, among others, provisions for confirming the application of, and compliance with, the World Bank's Anti-Corruption Guidelines, including without limitation the World Bank's right to sanction and the World Bank's inspection and audit rights. The national open competitive procurement includes the requirements described in Table 1.7.

Table 1.7. Requirements for national open competitive procurement

Requirements for national open competitive procurement		Actions
1.	Open advertising of the procurement opportunity at the national level.	No action needed.
2.	The procurement is open to eligible firms from any country.	No action needed.
3.	The request for bids/ proposals will require that during bidding bidders/proposers present a signed acceptance to be incorporated in any resulting contracts, confirming application of, and compliance with, the Bank's Anti-Corruption Guidelines, including without limitation the Bank's right to sanction and the Bank's inspection and audit rights.	The form elaborated by OPCS must be added to each contract agreement with bidders and consultants.
4.	Contracts with an allocation of responsibilities, risks, and liabilities.	No action needed.
5.	Publication of contract award information.	No action needed.
6.	Rights for the Bank to review procurement documentation and activities.	The requirement should be included in the procurement plan.
7.	An effective complaints mechanism.	The PIM outlines an effective complaints mechanism in line with World Bank Regulations.
8.	Maintenance of records of the procurement process.	The PIM spells out the practical modalities and appropriate documentation to archive.

Procurement capacity assessment and mitigating measures

30. **The PIU established within the ADB will ensure the day-to-day coordination of the project procurement activities.** The key staff of the PIU, including at least one senior procurement specialist, will be hired through a competitive process. The procurement assessment conducted within the ADB shows the following:

(a) The existing staff have limited skills and insufficient experience in World Bank procurement procedures.
(b) The Public Procurement and Management Unit at the ADB and the tender committee are not trained on the World Bank procurement procedures.
(c) The filing system in place is not acceptable.
(d) PRETE is the first project financed by the World Bank to be managed by the ADB.

31. **The project procurement risk before the mitigation measures is "High" and could be reduced to a residual rating of "Substantial" upon considering successful implementation of the mitigation measures**. According to the procurement risk assessment, four procurement mitigation measures are proposed (Table 1.8). The procurement assessment for the new PIU will be conducted and updated during project implementation. The procurement team will be trained on the Procurement Regulations for project activities.

Table 1.8. Procurement mitigation measures for the implementing agency (ADB)

Procurement mitigation measures	By when
Recruitment of a senior procurement specialist	Three months after effectiveness
Elaborate and submit to the IDA for approval a PIM with a procurement section	By effectiveness
Train the procurement specialist and the tender committee in World Bank Procurement Regulations	Six months after effectiveness
Establish in the PIU an acceptable filing system	Needs to be described in the PIM

Environment and Social arrangements

32. **Implementation of E&S measures.** Nine of the ten ESF standards apply to this project: 1 (Assessment and Management of E&S Risks and Impacts); 2 (Labor and Working Conditions); 3 (Resource Efficiency and Pollution Prevention and Management; 4 (Community Health and Safety); 5 (Land Acquisition, Restrictions on Land Use and Involuntary Resettlement); 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources); 7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities); 9 (Financial Intermediaries); and 10 (Stakeholder Engagement and Information Disclosure). Project activities consist of: (i) provision of subsidies for equipment purchases, small-scale infrastructure, technical assistance, and operating costs; (ii) training, coaching, or capacity development activities; (iii) provision of grants; (iv) technical support and assistance; and (v) marketing campaigns and international promotion campaigns. Based on the results of the E&S assessment, risks related to the capacity of recipients will be mitigated by developing training modules as agreed in the ESCP.

33. **Regarding SEA/SH risks, the overall rate of the project is Substantial.** The prevalence of GBV in Burundi, including intimate partner and sexual violence, is higher than the regional average: 47 percent of Burundian women report having experienced physical or sexual intimate partner violence and 23 percent of Burundian women report having experienced sexual violence in their lifetime.[46] In this context, the project's activities targeting female beneficiaries including refugees could contribute to creating and/or exacerbating GBV, including SEA/SH risks. The activities identified by Components 1 and 2 aim to identify women-owned MSMEs, encourage them to move into higher-performing activities traditionally dominated by men, and provide technical assistance, grants, and loans to women and refugees. As a complement to these activities, Component 1 foresees the execution of minor civil works that will require foreign or non-local trained personnel, which is also a risk factor for SEA/SH. Component 3 will implement reforms that support MSMEs, especially women-owned in different sectors, including job creation. These activities aim to improve women's and refugees' access to opportunities and financial resources and modify social dynamics and financial status. All the above increase risks of GBV, including SEA/SH, economic violence, and intimate partner violence. To mitigate and respond to these risks, the project will develop a SEA/SH action plan as a part of the ESMF, according to its level of risks and based on the recommendations of the Violence Against Women and Girls Resource Guide on Finance and Enterprise Development Brief[47] and the Good Practice Note Addressing SEA/SH in IPF involving Major Civil Works.[48] These activities will include: (i) regular training for workers on SEA/SH risks; (ii) code of conduct addressing SEA/SH behaviors and sanctions in case of non-compliance for any worker hired by the project, including contractors, enterprises, and consultants; (iii) grievance redress mechanisms sensitive to SEA/SH allegations with specific procedures to handle those incidents in an ethical and confidential manner, following a centered-survivor approach; (iv) identifying local service providers to ensure that basic services are provided to survivors, and will develop referral pathway for SEA/SH survivors (with at least quality health services, psychological assistance, and judicial and legal assistance); (v) awareness strategy to sensitize community members on GBV, including SEA/SH risks and consequences, content of code of conduct, and procedures to report SEA/SH incidents; and (vi) consultations with local communities and stakeholders will continue throughout implementation of the project to ensure communities are adequately informed about activities and potential risks. Women will be consulted in safe and enabling environments, such as in sex-segregated groups and with female facilitators. In addition, the PIU will be strengthened with the recruitment of a gender and GBV specialist in charge of implementing the SEA/SH Action Plan.

---

[46] 2016–2017 Demographic and Health Survey in Burundi.

[47] World Bank. 2015. Finance and Enterprise Development Brief. Violence Against Women and Girls Resource Guide.

[48] World Bank. 2022. *Addressing Sexual Exploitation and Abuse and Sexual Harassment (SEA/SH) in Investment Project Financing involving Major Civil Works.* Good Practice Note. Third Edition. Environmental & Social Framework for IPF Operations. Washington, DC: World Bank.