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MEMORANDUM AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED CREDIT
IN THE AMOUNT OF SDR 7.5 MILLION
TO THE
REPUBLIC OF BURUNDI
FOR A
SOCIAL ACTION PROJECT

APRIL 20, 1993

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CURRENCY EQUIVALENTS

Period Average

Currency Unit	=	Burundi Franc (FBu)
1990	=	FBu 171
1991	=	FBu 200
1992	=	FBu 213

WEIGHTS AND MEASURES

Metric International Standard System

GLOSSARY OF ABBREVIATIONS

BURSAP	Burundi Social Action Project
ISTEEBU	National Statistical Institute
MIS	Management Information System
MU	Management Unit
NGO	Non Governmental Organization
UNDP	United Nation Development Fund
WFP	World Food Program

REPUBLIC OF BURUNDI
SOCIAL ACTION PROJECT
Credit and Project Summary

Borrower : Republic of Burundi
Amount : SDR 7.5 million (US\$10.4 million equivalent)
Terms : Standard IDA terms, with 40 years maturity
Financing Plan :

	Local	Foreign	Total	%
IDA	6.7	3.7	10.4	66
Government ^{1/}	5.3	-	5.3	34
TOTAL	<u>12.0</u>	<u>3.7</u>	<u>15.7</u>	<u>100</u>

1/ Includes contributions by government (some in the form of counterpart funds generated by foreign aid), local communities, and beneficiaries.

Rate of Return : N.A.
Staff Appraisal Report : 11167-BU
Map : IBRD 24302

**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE EXECUTIVE DIRECTORS ON A PROPOSED CREDIT
TO THE REPUBLIC OF BURUNDI
FOR A SOCIAL ACTION PROJECT**

1. I submit for your approval the following memorandum and recommendation on a proposed development credit to the Republic of Burundi for SDR 7.5 million, the equivalent of US\$10.4 million, on standard IDA terms with a maturity of 40 years, to help finance a social action project.

2. **Background.** Per capita GNP in Burundi was about \$210 in 1990, one of the lowest in the world. The degree of monetarization of the economy is still low. Since the inception of its structural adjustment program in 1986, the government of Burundi has made important progress in improving its macro-economic framework and in internalizing the need for adjustment. Equally important, it has increased public spending in health and education, from 26% of the current budget in 1982 to 36% in 1991. Nevertheless, the combined effects of a high population growth rate (3.1%) in an already densely inhabited country and internal inefficiencies in the management of these sectors, make it increasingly difficult to maintain a satisfactory level of delivery of essential services. Because Burundi has one of the lowest urbanization rates in the world, poverty in Burundi is primarily a rural phenomenon, characterized by high childhood morbidity and mortality rates, high levels of illiteracy (in line with the sub-Saharan averages), and a lack of non-farm rural employment opportunities. Sectoral programs in health and education are not designed to directly target those who cannot participate directly in productive activities nor do they attempt to address acute poverty problems. In particular, no comprehensive program has been implemented to aid women in rural areas who face acute problems because of lack of access to land, or cohorts of youth who enter the labor force without employment perspectives.

3. IDA supports an overall poverty alleviation strategy which follows a four-pronged approach: (a) growth, to be fostered by measures being taken under the on-going third adjustment credit (SAC III) which reinforce the government's effort to rationalize the management of public expenditures and encourage private sector initiatives; (b) employment generation, through the removal of economic and legal bottlenecks, the promotion of micro-enterprise development, and an emphasis on off-farm employment and labor-intensive public works programs; (c) improvement in the provision of essential services to the poor, through capacity building, adequate public spending and increased efficiency, and (d) improved knowledge and monitoring of poverty. The Social Action Project (BURSAP or in the local language Twitezimbere) will cut across all four areas and will address structural constraints which greatly inhibit individuals from realizing their economic potential (eg. low level of monetarization, lack of off-farm productive activities, fragile community capacity). The BURSAP aims more specifically at encouraging bottom-up initiatives and involving the poor in productive and social activities to trigger growth. In support of the government's decentralization efforts, BURSAP would also help local communities to improve their management capacity and to shift more responsibilities to local authorities in the design of development activities.

4. **Project Objectives.** Within the global goal of poverty alleviation, the primary objectives of the project are to: (a) encourage a larger participation of the population in small-scale productive activities (and hence economic growth), as well as to assist beneficiaries through the provision of basic social services and rehabilitation of infrastructure; (b) foster local and non-

governmental participation in the development process; and (c) monitor the country's social situation as a means to improve government economic and social policy formulation and implementation.

5. **Project Description.** The project consists of two components: a poverty alleviation program, and a monitoring poverty program.

- (a) **Poverty Alleviation.** This component aims at supporting poor populations to participate directly in activities conducive to growth and to improve living standards in selected regions. This component will finance grass-root sub-projects in the following areas: (i) income generating activities such as training, start-up equipment, marketing support, and—on a pilot basis—easier access to credit; (ii) enhancement of light economic infrastructure needed to facilitate craftsmanship and trade channels for inputs and products (bridges, feeder roads...); (iii) rehabilitation of basic social infrastructure for essential services especially in primary education and basic health; and (iv) high priority social activities (family planning, literacy programs and food supplementation) with high externalities. In addition, the development of local NGOs will be encouraged through advise, training and limited financial support.
- (b) **Poverty Monitoring.** This component aims to improve the government's capacity to implement a global social strategy by allowing an assessment of relative social conditions, to improve knowledge of poverty within the country, and to reinforce the government's ability to incorporate poverty and social concerns into its sectoral and macroeconomic strategies, and to allocate more efficiently minimal resources to a core program of essential social services. The project will also implement surveys to follow up the impact of adjustment measures at both the household and the sectoral/macroeconomic levels. A targeting system will be organized first, followed by the development of a long-term monitoring mechanism.

6. **Project Financing.** The two components will be financed through an autonomous agency which would serve as a mechanism to channel IDA's and government's funds. Other donors are likely to contribute through, *inter alia*, import-generated counterpart funds. The WFP and UNDP intend to contribute technically and operationally.

7. **Project Implementation.** The project management will be contracted to "Twitezimbere", a non-profit organization with which the Government of Burundi has signed a framework agreement. The management unit (MU) of Twitezimbere is already in place. Sub-projects will be identified and developed by communities and submitted to the MU for appraisal based on well-defined criteria (included in the Operations Manual which has been finalized). The MU will select sub-projects and an *a posteriori* control system will be set up with the participation of outsiders to the MU. Implementation will be contracted out to NGOs, small scale private sector enterprises, local government and other development agencies. Local communities will be closely associated in the implementation of the sub-projects. A strong follow-up and monitoring system will be instituted, based on a comprehensive management information system and the use of beneficiaries assessment. The poverty monitoring component will be funded by the MU and will be implemented by the National Statistical Institute (ISTEEBU).

8. **Project Sustainability.** Beneficiary contribution (in cash, material or labor) will be a prerequisite for any sub-project to be considered for financing under the poverty alleviation component. In addition, participation of communities in designing, implementing, and maintaining sub-projects will also be required. Strengthening local NGOs who are involved in many of these projects will also improve sustainability of sub-projects. Regarding the sustainability of the Twitezimbere institution itself, the mid-term review will determine the desirability of its sustainability in light of its implementation record. For this reason, incremental operating expenditures are not financed on a declining basis. Should the project be successful in efficiently implementing micro-projects which have a good record of improving the living standards of the population, past experience with Social Funds has shown that it should have no problem in raising the money from external donors, organizations, and the government to cover these expenditures. The poverty monitoring component of the project contains a strong capacity building element and significant training which will allow long-term effects.

9. **Lessons from Previous Bank/IDA Involvement.** The PCR for the First and Second Structural Adjustment Credits pointed out weak micro and sectoral linkages as one of the reasons for the mitigated performance of the adjustment program. These operations did not include any measures aiming directly at promoting community participation in rural areas. Past and ongoing projects in social sectors (education and health) show that community participation in basic infrastructure (schools and health centers) is critical, but delicate to achieve in the absence of a bottom-up approach. The project will rely on intermediary agencies--irrespective of their institutional settings--with strong local interest to implement projects. Earlier involvement in poverty areas was hindered by lack of reliable statistics, a drawback to be addressed by the second component of the proposed project. The design of the project draws from lessons learned from other projects in the region (i.e., the Zambia Social Recovery Project) or elsewhere (i.e., the Bolivia Emergency Social Fund --PPAR no. 8449).

10. **Rationale for IDA Involvement.** The project is an integral part of the country strategy presented to the Board in June 1992 which supports achieving sustained economic growth while reducing poverty and increasing the access of the poor to basic social services. In addition to being an essential element of the poverty alleviation strategy, the project is a key complement of the reform program undertaken under the Third Structural Adjustment Credit. IDA's involvement is also justified because IDA can play a unique catalytic function and help mobilize other donors' resources into these poverty alleviation efforts in a coherent framework. Finally, the project will be an opportunity for IDA to enhance both government decentralization efforts and NGOs' capacity to participate in local development activities.

11. **Agreed Actions.** Agreement has been reached on the following: (a) management of the project will be undertaken by an autonomous institutional structure and staffing independent from the administration (three staff, including the MU director have been already recruited after a highly selective screening); (b) an Operational Manual will detail a set of clear procedures for project implementation and precise criteria to evaluate and select sub-projects, as well as mechanisms to assure strong involvement of beneficiaries in sub-project identification and of NGOs and decentralized agencies in project execution and supervision; (c) audits will be undertaken three times a year during the first year of project implementation and twice a year thereafter - one audit per year will also include a technical as well as financial audit; (d) annual replenishments of the project account will be programmed into the PEP; (e) any change to the statute of the implementing agency, the Agreement between the implementing agency and the government, or to the Operational Manual will require approval by IDA; and (f) the implementing agency will be staffed at all times by competent personnel with terms of reference,

experience, and qualifications acceptable to IDA. Conditions of credit effectiveness include: (i) the MU has selected 25 sub-projects for financing and IDA has approved the selection of at least 10 of those sub-projects; (ii) the Project Account has been opened and the Initial Deposit of US\$100,000 has been deposited by the Borrower; and (iii) a MIS acceptable to IDA has been installed in the MU and is operational.

12. Environmental Aspects. Environmental category is B. Environmentally beneficial sub-projects will be weighted positively by the MU and sub-projects with potential environmental effects will have to comply with the forthcoming environmental framework being developed under the National Environment Strategy.

13. Program Objective Categories. The project would contribute to the Bank Program Objective of poverty reduction through: (i) employment creation and income generation in private, small scale activities; (ii) enhanced access to basic social infrastructure (education and health) and essential social services (literacy, family planning and nutritional status); and (c) improved poverty monitoring.

14. Benefits. The main benefits will be to improve the living conditions of selected categories of poor and vulnerable (especially women and youth) through higher productivity, enhanced access to essential social infrastructure and potentially increased employment opportunities. The communities where target groups live will benefit both from the products of the work performed and from better education, health and sanitation services, and other collective goods to the production of which they will be associated. The project will also provide an opportunity for existing local NGOs to expand, and for new ones to be created. Finally, through its survey component, the project will allow the government to improve its knowledge of poverty and thus its formulation of both social and macroeconomic policy.

15. Risks. Main risks associated with the social action program component of the project relate to the low management capacity of local NGOs, and to the lack of entrepreneurial experience of the target populations, which could lead to inefficient and slow project implementation. To avert these risks, objective and carefully designed sets of sub-project selection criteria have been defined. Additionally, an emphasis will be put on basic training for beneficiaries and executing agencies and technical assistance will be provided for sub-project appraisal. Strong sub-project supervision, a transparent management information system, and random auditing of accounts will enhance management efficiency. Procurement mechanisms will be similar to those successfully used under existing projects such as the European Community micro-realization project. Local NGOs will be assisted by experienced international NGOs, so as to upgrade their still low appraisal and managing capacities. The risk that some parts of the poverty monitoring component be too difficult a task for ISTEERU will be reduced through capacity building of this institution and a mid-term assessment of the program. The risk that the government will attempt to limit the autonomy of the MU has been addressed through the institutional setup agreed upon before negotiations.

16. **Recommendation.** I am satisfied that the proposed Credit would comply with the Articles of Agreement of the Association and recommend that the Executive Directors approve it.

Lewis T. Preston
President

By Sven Sandstrom
Acting President

Attachments
Washington, D.C.
April 20, 1993

REPUBLIC OF BURUNDI
SOCIAL ACTION PROJECT

Estimated Costs and Financing Plan

Estimated Costs

	US \$			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total		
A. Social Action Program	9,068	1,479	10,546	14	75
B. Poverty Monitoring	721	1,184	1,905	62	14
C. Management and Implem.	1,044	143	1,187	12	8
D. PPF	0	400	400	100	3
Total BASELINE COSTS	10,833	3,206	14,039	23	100
Physical Contingencies	739	267	1,007	27	7
Price Contingencies	437	200	637	31	5
Total PROJECT COSTS	12,009	3,673	15,682	23	112

* Figures may not add up due to rounding.

Financing Plan

	In US\$			Percentage
	Local	Foreign	Total	
IDA	6.7	3.7	10.4	66
Government	5.3	---	5.3	34
TOTAL	12.0	3.7	15.7	100

* Includes contributions by government (some in the form of counterpart funds generated by foreign aid), local communities, and beneficiaries.

REPUBLIC OF BURUNDI**SOCIAL ACTION PROJECT****Procurement and Disbursement****Procurement (US\$ million)**

Project Element	ICB	LCB	Other	Total Cost
1. Works				
1.1 Sub-project		1.7 (1.4)	0.6 (0.4)	2.3 (1.8)
2. Goods	1.0	1.5	3.1	5.6
2.1 Equipment/vehicles	(1.0)	(0.8)	(1.4)	(3.2)
4. Services				
4.1 Technical Assistance			1.4 (1.3)	1.4 (1.3)
4.2 Training & Studies			0.5 (0.5)	0.5 (0.5)
4.3 Social Fund Training, Techn. Assistance & Studies			4.8 (2.6)	4.8 (2.6)
5. Miscellaneous				
5.1 Incremental Operating Costs			0.7 (0.6)	0.7 (0.6)
5.3 PPF Refinancing			0.4 (0.4)	0.4 (0.4)
TOTAL	1.0 (1.0)	3.2 (2.2)	11.5 (7.2)	15.7 (10.4)

Note: Figures in parenthesis represent IDA Financing.

**Allocation of IDA credit by Disbursement Category
(in US\$ million)**

Category	IOA	% of Expenditure to be financed
SOCIAL ACTION PROGRAM		
1. Civil works	1.60	75%
2. Equipment and Materials	2.10	100% of foreign expenditures 50% of local expenditures
3. Technical assistance Training and studies	2.25	50%
POVERTY MONITORING		
4. Equipment, vehicles, and materials	.40	100% of foreign expenditures 50% of local expenditures
5. Technical assistance training and studies	1.50	100%
6. Incremental operating expenditures	.20	95%
PROJECT MANAGEMENT		
7. Equipment, vehicles, and materials	.10	100%
8. Technical assistance	.45	100% of foreign expenditures 50% of local expenditures
9. Incremental operating expenditures	.40	95%
10. PPF refinancing	.40	--
11. Unallocated	1.00	
TOTAL	10.40	

**Estimated IDA Disbursements
(in US\$ million)**

IDA's Fiscal Years	FY94	FY95	FY96	FY97	FY98
Annual	1.4	2.0	2.8	3.4	0.8
Cumulative	1.4	3.4	6.2	9.6	10.4

Timetable of Key Processing Events

Time taken to prepare the project : Two years

Prepared by : Government with IDA assistance

First IDA Mission : December 1990

Appraisal Mission Departure : June 1992

Negotiations : March 1993

Planned Effectiveness : July 1993

This report is based on the findings of an appraisal mission which visited Burundi from June 17 to July 8, 1992. The mission consisted of Messrs and Mmes Benoit Millot, Sr economist (AF3PH), mission leader and task manager, Alexandre Marc, economist (AFTSP), Lynne Sherburne-Benz, economist (AF3PH), Ghislaine Delaine, demographer (AFTSP), Catherine Buyoya, sociologist (consultant). Mr. Steen Jorgensen (AF6PH) was lead adviser. Peer reviewers were Messrs. Antoine Simonpietri (AFTSP) and Aubrey Williams (EXTIE). Contributions are acknowledged from Mmes Catherine Cross, implementation specialist (consultant), Anne-Marie Goetz, rural credit specialist (consultant), and Ms. Eileen Murray, financial analyst (AF3PH). Messrs Francisco Aguirre-Sacasa (AF3DR) and Alain Colliou (AF3PH) are the Department Director and the managing Division Chief, respectively.

"THE STATUS OF BANK GROUP OPERATIONS IN BURUNDI"

1. Statement of Bank Loans and IDA Credits
(As of January 31, 1993)

Loan or Credit Number	Fiscal Year	Borrower	Purpose	Bank (original)	IDA 1/ (original)	Undisbursed (original)
(A) Fully Disbursed						
Ln. 0165	1957	Burundi		4.8		
28 credits	1966-1992	Burundi			340.41	
-- of which						
Cr. A017	1986	Burundi	SFA		16.20	
Cr. 1705	1986	Burundi	SAC I		15.00	
Cr. 1919	1988	Burundi	SAC II		90.00	
(B) Disbursing Credits						
Cr. 1593	1985	Burundi	Power Transmission & Distrib.		8.68	0.31
Cr. 1620	1986	Burundi	Second Forestry		12.80	3.76
Cr. 1795	1987	Burundi	Eco. & Publ. Ent Mgmt.		7.50	3.00
Cr. 1805	1987	Burundi	Second Telecommunications		4.80	3.20
Cr. 1857	1988	Burundi	Muyinga Agric. Develop.		10.00	7.94
Cr. 1862	1988	Burundi	Population & Health		14.00	4.46
Cr. 1881	1988	Burundi	Education Sector Develop.		31.02	8.38
Cr. 1889	1988	Burundi	Small Enterprise/APEX		8.00	5.52
Cr. 1968	1989	Burundi	Second Urban Develop.		21.00	15.61
Cr. 2024	1989	Burundi	Agricultural Services Sector		33.10	29.79
Cr. 2105	1990	Burundi	Transport Sector		43.20	36.45
Cr. 2123	1990	Burundi	Coffee Sector		28.00	16.66
Cr. 2230	1991	Burundi	Energy Sector Rehab.		22.80	20.44
Cr. 2288	1991	Burundi	Water Supply Sector		32.70	30.73
Cr. 2359	1992	Burundi	Private Sector Development		17.00	17.21
Cr. 2376	1992	Burundi	SAC III		30.00	30.53
Cr. 2419	1992	Burundi	Agribusiness Promotion		3.10	3.19
Sub-total of active projects					327.7	237.18
Total outstanding (less cancellations)				4.80	668.11	
-- of which Repaid				4.80	5.87	
Total due (held by Bank and IDA)				0.00	479.65	
Total undisbursed				0.00	237.18	
Credits held					716.83 2/	

1/ In US\$ millions, and less cancellations.

2/ Sum of "Total due" and "Total undisbursed" is higher than "Total outstanding" because of fluctuation of US\$.

2. Statement of IFC Investments
(As of December 31, 1992)

Invest. Number	Date	Borrower	Type of Business	Loan	Equity	Total
571 BU	1981	Verreries du Burundi	Glass containers	4.9	1.00	5.90
Total gross commitment						
-- less cancellations, terminations, repayments and sales				4.90	0.50	5.40
Total commitments held by IFC				0.00	0.50	0.50
Total undisbursed				0.00	0.00	0.00

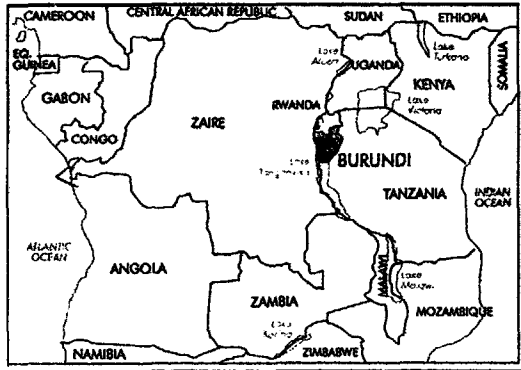
NOTE ON PROJECTS WITH SIGNIFICANT DISBURSEMENT LAGS

1. Of 15 currently active projects in Burundi, four have disbursement lags above 50 percent. They are distributed in the (1) financial and telecommunications sectors; and (2) the agricultural sector. The slow pace of policy reform, poor project management and procurement difficulties are factors contributing to slow disbursements. The following are the specific reasons affecting disbursements on the four projects with the greatest lags:

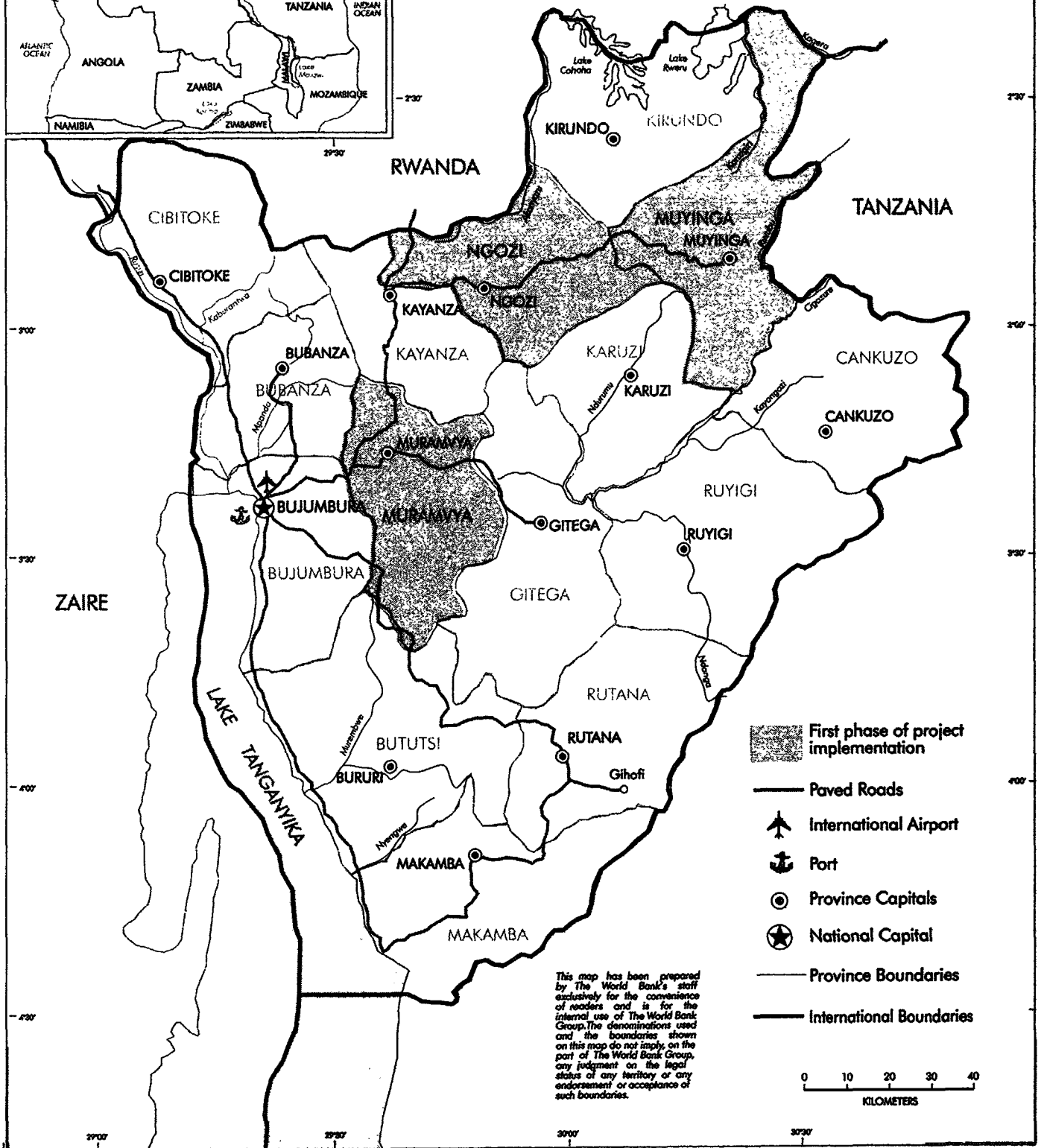
- (a) *Agricultural Services Sector Credit (2024-BU)*: Delays in effectiveness, slow recruitment of project technical assistance, complexity of the institutional setup of the project, slow implementation of the cooperative development component contributed to slow disbursement. Implementation issues are being addressed by the recruitment and training of local consultants and the redesign of the cooperative component.
- (b) *Muyinga Agricultural Development Credit (1857-BU)*: The geographical isolation of the project site has aggravated the recruitment and maintenance of qualified financial staff. In addition, the disbursement on works has been delayed by the difficulty to attract contractors to this part of the country. Disbursements are picking up.
- (c) *Small Enterprise/APEX Credit (1889-BU)*: Disbursement was slow at the beginning of the project due to the delay in credit effectiveness and low ceilings for eligible investments which excluded a significant segment of the market. Commitments have since accelerated significantly following revision of the sub-project eligibility criteria and increased interest from investors and participating financial intermediaries.
- (d) *Telecommunications II (1805-BU)*: Major delays in procurement and an initial inadequate design have greatly hampered disbursements on this project.

2. To improve disbursements and implementation of projects, the resident mission has been reinforced through the recruitment of a long term local consultant. A country implementation review was carried out in March 1993. A steady improvement in Burundi's absorptive capacity is expected as the result of reforms undertaken under the adjustment program and greater familiarization of project managers with the Bank's procedures.

MAP SECTION



BURUNDI SOCIAL ACTION PROJECT



-  First phase of project implementation
-  Paved Roads
-  International Airport
-  Port
-  Province Capitals
-  National Capital
-  Province Boundaries
-  International Boundaries

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