Reference No.: [P-BI-KF0-008]
Sovereign Investment Project

Language: English
Original: French

AFRICAN DEVELOPMENT FUND

PROJECT APPRAISAL REPORT
FINANCIAL GOVERNANCE AND INVESTMENT PROMOTION SUPPORT PROJECT (PAGFPI)

BURUNDI

JULY 2025
ECVP/RDGE/ECGF/COBI

Translated Document

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CURRENCY EQUIVALENTS

April 2025

Currency unit	Equivalent
1 Unit of Account	USD1.33
1 Unit of Account	BIF 3 883.25
1 United States Dollar	BIF 2 922.59

FISCAL YEAR

1 July – 30 June

WEIGHTS AND MEASURES

1 metric ton	2 204.62 pounds (lbs)
1 kilogramme (kg)	2.20462 lb
1 metre (m)	3.28 feet (ft)
1 millimetre (mm)	0.03937 Inch (“)
1 kilometre (km)	0.62 mile
1 hectare (ha)	2.471 acres

ABBREVIATIONS AND ACRONYMS

ADB	Burundi Development Agency
A D F	African Development Fund
ADF	African Development Fund
AfDB	African Development Bank
A I D I	Africa Infrastructure Development Index
BIF	Burundi Franc
BRB	Bank of the Republic of Burundi
CFCIB	Federal Chamber of Commerce and Industry of Burundi
COBI	AfDB Burundi Country Office
CODE	Committee on Operations and Development Effectiveness
COMESA	Common Market for Eastern and Southern Africa
CRFA	Country Resilience and Fragility Assessment
CSP	Country Strategy Paper
DGBFP	Directorate-General for the Budget and Fiscal Policy
DGRCEF	Directorate-General for Reforms and Economic and Financial Cooperation
DP	development partners
E & S	environmental and social
E A C	East African Community
EIRR	economic internal rate of return
ESCON	Environmental and Social Compliance Note
ESIA	environmental and social impact assessment
ESMP	Environmental and Social Management Plan
F A T F	Financial Action Task Force
FC	foreign currency
GDP	gross domestic product
G H G	greenhouse gas
HDI	Human Development Index
IF A D	International Fund for Agricultural Development
IMF	International Monetary Fund
IOM	International Organization for Migration
LC	local currency
MFBPE	Ministry of Finance, Budget and Economic Planning
N D P	National Development Plan
NGP	National Gender Policy
N P V	net present value
OBR	Burundi Revenue Authority
PANA	National Climate Change Adaptation Action Plan
PAR	Project Appraisal Report
PARC-OBR	Capacity Building Support Project for the Burundi Revenue Authority
PARMOCAF	Project to Support the Improvement of Resource Mobilization and the Business Climate
PCN	Project Concept Note
PCR	project completion report
P E	public enterprise
PFA	public finance assessment
PIU	project implementation unit
PPP	public-private partnership
SDG	Sustainable Development Goal
SEAH	sexual exploitation and harassment
SOE	State-owned enterprise
SRGFP	Public Finance Management Reform Strategy
UA	Unit of Account
UNDP	United Nations Development Programme

PROJECT INFORMATION SHEET

CLIENT INFORMATION

Project Name	FINANCIAL GOVERNANCE AND INVESTMENT PROMOTION SUPPORT PROJECT (PAGFPI)
Sector(s)	Multi-sector
Borrower/Grant Recipient	Republic of Burundi
Project Instrument(s)	ADF grant
Executing agency	Ministry of Finance, Budget and Economic Planning

COUNTRY AND STRATEGIC CONTEXT

Country Strategy Paper Period	2024-2029
	The project falls mainly within the CSP's second priority area, "Support for agricultural value chains and economic and financial governance to strengthen the resilience of the economy" and also supports cross-cutting priorities including: (i) private sector development to create an enabling environment; (ii) governance, by strengthening institutional capacity to mobilize domestic resources and improve debt management; and (iii) reducing fragility.
Government Programme (PRSP, NDP or equivalent)	• National Development Plan (NDP 2018-2027) • Burundi Vision: An Emerging Country by 2040 and a Developed Country by 2060 • Public Finance Management Reform Strategy (2025-2030) • Burundi Development Agency Strategic Plan (2022-2027)
Project classification	**SDG 9 (industry, innovation and infrastructure)**: Effective financing promotes the development of modern and sustainable infrastructures **SDG 16 (Peace, justice and strong institutions)**: Financial transparency and combating corruption are the main focus of this goal **SDG 17 (Strengthen the means of implementation)**: Transparency enhances public-private partnerships and international cooperation. The project is aligned with two of the Bank's five main priorities (the High 5s): "Industrialise Africa" and "Improve the Living Conditions of the People of Africa".
Country Performance and Institutional Assessment	Overall CPIA 2023 score (on a scale of 1 to 4): 3.16
Projects at risk in the country portfolio	6% flagged as of May 2025.

PROJECT CATEGORIZATION

Environmental and Social Risk Categorisation	Category 3, validated on 20 October 2024
Does the project involve involuntary resettlement?	NO
Climate Safeguards Categorisation	Category 3 and aligned with the Paris Agreement
Fragility and Resilience Lens Assessment	Yes, the fragility and resilience lens is applied to the operation.
Gender Marker System Categorisation	Category 2, validated on 20 October 2024

ADF/AfDB KEY FINANCING INFORMATION

Interest rate	NA
Service charge	NA
Commitment fees	NA
Tenor	NA
Deadline	NA

Source	**Amount (millions)**		**Financing Instrument**
	UA	**[Other currency]**	
African Development Fund	10.6		ADF
Government counterpart contribution	1.06		
Total Project Cost	**11.66**		

PROJECT DEVELOPMENT OBJECTIVE AND COMPONENTS

Project Development Objective	Improve economic and financial management and promote an enabling environment for private investments, with a view to ensuring inclusive and sustainable economic growth
Project Components	Component I: Support for the improvement of financial governance
	Component II: Support for Investment programming and PPP promotion
	Component III: Strengthening of economic reform coordination and project management

PROJECT PROCESSING SCHEDULE TO BOARD APPROVAL

PCN Approval	28 March 2025
Appraisal Mission	24 to 28 February 2025
Planned Board Presentation	04 July 2025
Effectiveness	July 2025
Implementation	July 2025 – June 2029
Planned Mid-term Review	June 2027
Project Closing Date	December 2029

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I. BACKGROUND

A. Country Context, Strategy and Objectives

1. From 2015 to 2020, Burundi has experienced political turbulence, however the situation has improved since 2020 after the current president took power. The 2020 elections consolidated the current power, leading to improved social cohesion, also enabling the lifting of international sanctions. The new authorities have made considerable efforts to secure peace, security and governance. The country's international isolation ended with the lifting of economic sanctions by the European Union in February 2022 and by the United States in November 2021, and Burundi's removal from the United Nations list of countries with an agenda of concern. Burundi is now striving to strengthen its institutions and promote democratic and inclusive governance. The political and security situation in the Great Lakes region, and in particular the conflict in eastern DRC, impedes relations between the countries in the region. The conflict has led to an influx of Congolese refugees (estimated at 80 000 by the World Food Programme in March 2025) into Burundi.

2. Burundi's development priorities are set out in the Burundi Vision to become and Emerging Country by 2040 and the Burundi 2018-2027 National Development Plan (NDP). The NDP is a strategic paper designed to steer the country towards inclusive and sustainable economic growth over a ten-year period. The NDP sets out the following five strategic guidelines: (i) boosting growth-generating sectors; (ii) developing human capital; (iii) protecting the environment, adapting to climate change and improving regional planning; (iv) strengthening democracy, governance, the rule of law and safeguarding national sovereignty; and (v) strengthening resource mobilization mechanisms and developing cooperation and partnership. The NDP 2018-2027 was reviewed in 2024 to be aligned with the country's new long-term vision. PAGFPI is perfectly in line with priorities iv and v of the reviewed NDP.

3. The Bank's CSP 2024-2029 focuses on two priority areas: (i) Support for agricultural value chains and economic and financial governance to strengthen the resilience of the economy; and (ii) Strengthening energy and transport infrastructure to ensure inclusive and green growth. Economic and financial governance has become a focus area. The project also contributes to the implementation of the three SEGA pillars (domestic revenue collection and competitiveness; investment and business climate; combating corruption). These areas are also consistent with the AfDB Group's strategic commitments under ADF-16, relating to transparency and accountability. In addition, the project approach consists in providing long-term technical assistance and certified training to the beneficiary entities and is in line with the Bank's Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026). Lastly, the Project will contribute to achieving the objectives of the Bank's Ten-Year Strategy for 2024-2033: to improve public financial management, through domestic resource mobilization and equity in public spending; and objectives of sector strategies, namely: Pillar 2 “Accelerating employability and job creation for women through skills building” of the Gender Strategy (2021-2025); 1st pillar "Improving the business environment" of the Private Sector Strategy (2021-2025), as well as two of the Bank's High-5 priorities: "industrialize Africa" and "improve the quality of life for the people of Africa".

B. Sector and Institutional Context

4. **Macro-economic context:** Over the past five years, Burundi has faced several economic and social challenges but made efforts to boost growth and improve social well-being. The country's economic performance improved slightly in 2024, despite recurring fuel shortages, low foreign exchange reserves and frequent power cuts. Real GDP growth was estimated at 3.9% in 2024, relative to 3.3% in 2023. This growth was driven by agricultural

exports and services, on the supply side, and by public investment and public consumption, on the demand side. Despite the pursuit of a restrictive monetary policy, inflation stood at 20.2% (relative to 27.1% in 2023), fuelled by monetary financing of the budget deficit and a high foreign exchange premium on the parallel market (160%). The budget deficit improved from 5.8% to 4.8% of GDP. Tax revenue surged by 11.7% (relative to 2023), while public spending grew at a moderate rate of 4.8%. The current account deficit improved from 14% to 8.4% of GDP between 2023 and 2024, owing to a decrease in the volume of imports, prompted by a decline in foreign exchange reserves (1.6 months of imports at end-2024) and an improvement of the primary and secondary income balances. From December 2023 to December 2024, financial sector performance was marked by an increase in the non-performing loans ratio from 34.9% to 38.6% and a fall in the overall solvency ratio from 20.3% to 18.6%.

5. **The 2025 and 2026 economic outlook** remain fragile, reflecting the uncertainties linked to current geopolitics (new US tariffs, reduction in official development assistance). Thus, the real GDP growth rates are projected to 3.7% and 3.9% respectively, reflecting a performance underpinned by export-oriented agriculture, mining, power generation and construction, as well as public spending. Inflation is expected to reach 39.1% and 30.9% in 2025 and 2026 respectively, fuelled by escalated trade tensions and financing of the budget deficit, which is projected to deteriorate to 5.1% of GDP in 2025 before improving to 4.4% of GDP in 2026, thanks to advances in the digitalization of revenue collection. The current account deficit would reach to 8.7% and 8.3% of GDP in 2025 and 2026 respectively, owing to a decline in the volume of transfers and a weak importation.

6. However, this outlook could be undermined by higher inflation, falling prices for the country's main commodities (gold and coffee), difficulties in debt repayment, and internal and external resources mobilisation, climatic hazards and the region's security situation, in particular the conflict in eastern DRC. The lack of economic diversification is also a weakness that prevents the country from harnessing its development and economic expansion opportunities. Burundi is heavily dependent on agriculture, which accounts for over 40% of its GDP and around 90% of jobs, while the service and industrial sectors account for 42% and 18% of GDP respectively.[1] Such dependence makes the economy vulnerable to climatic shocks and commodity price fluctuations. In addition, transport, communications and energy infrastructure is largely underdeveloped, making it difficult for the country to integrate into regional and global markets.

7. **Burundi**'s **public finance management is fraught with several challenges** which curb the government's ability to mobilize and effectively manage the resources needed to support national economic and social development. The weaknesses identified during the Public Expenditure and Financial Accountability (PEFA) assessment conducted in 2023 can be summarized as follows: (i) budget planning shortcomings, with strategic objectives that are inconsistent with budget allocations and incoherence between the budget and sector plans; (ii) significant shortcomings in public debt management, particularly with regard to the formalization of data reconciliation procedures and compliance with the legal frameworks governing loans; (iii) revenue collection difficulties, resulting in a low tax yield due to an inefficient system and the limited capacity of the tax and customs administrations; (iv) internal audit shortcomings; and (v) poor implementation of audit and control recommendations.

1 AFDB, 2023: https://www.afdb.org/fr/countries/east-africa/burundi/burundi-economic-outlook

8. In terms of **resource mobilization**, despite the tax administration's improved performance and the cancellation of some exemptions, notably on imported products, the tax burden remains low (around 13% of GDP in 2023) compared with the sub-regional average (around 19%). The economy remains dependent on external aid, including grants, and domestic financing, in particular the Central Bank's statutory advances. Government is pursuing efforts to improve domestic revenue collection by broadening the tax base, modernizing tax procedures (e-processing and making the procedure paperless) and introducing consumption tax. The Burundi Revenue Authority (OBR) faces a number of major challenges, including: (i) incomplete digitalization of services and lack of centralized databases interconnecting the various government services; (ii) rampant fraud and corruption; (iii) an informal sector beyond the reach of the tax authorities; (iv) weak tax auditing, in terms of tools and human capacity; (v) unreliable taxpayer database; (vi) auditing of tax returns not based on risk analysis; and (vii) no follow-up on taxpayers to ensure that they file their taxes and make payments.

9. **Burundi's public debt** has increased in recent years, reflecting the country's economic challenges, exacerbated by internal and external pressures. According to BRB data, total outstanding public debt rose by 15.1% between December 2023 and December 2024, mainly due to an increase in domestic debt (+20.5%), relative to a moderate rise in external debt (+2.2%). As a percentage of GDP, the outstanding debt stood at 43.2% at end-2024 (IMF) against 47.2% of 2023. The steady rise in public debt in recent years is mainly driven by public spending financing needs and poor domestic revenue collection. External debt, which accounted for around 26.4% of the total public debt volume in 2024, has increased the country's vulnerability to external shocks, particularly exchange rate fluctuations and the spike in global interest rates. The IMF has assessed the public debt as sustainable, but with a high risk of debt distress.[2] The 2024-2027 Medium-Term Debt Management Strategy (MTDS) adopted in May 2024 was intended to address these constraints and meet the State's financing needs at the lowest possible cost, while maintaining the risks at an acceptable level. Capacity-related challenges include: (i) the lack of inter-institutional coordination as well as data fragmentation, which make it difficult to prepare reports that are clear and understandable to stakeholders; (ii) the debt management systems which needs improvement; (iii) risk management challenges (difficulties in analysing and pre-empting debt-related risks such as exchange rate fluctuations or interest rate changes); and (iv) poor loan monitoring/evaluation mechanisms, particularly those of public enterprises and public debt-financed projects. The lack of tools needed to manage the performance of public enterprises makes it difficult to control their debt levels and monitor their financial operations.

10. Burundi faces a number of major challenges pertaining to **public investments and the PPP regulatory framework**. Firstly, the lack of strategic prioritization means that investment projects are not aligned with national priorities, which undermines their effectiveness. In addition, limited institutional capacity means that there are insufficient technical skills to select and prepare bankable PPP projects, negotiate balanced contracts and effectively monitor projects during the implementation phase. Furthermore, investors' high risk perception (prompted by political and social instability), the frail rule of law, corruption and the lack of transparency in public procurements are major obstacles to the implementation of PPP projects. Lastly, the non-involvement of the private sector in the planning and implementation of infrastructure projects limits mobilization of the necessary investments. The project aims to: (i) support the technical capacity development of entities involved in the programming and management of public investments (National Planning Directorate (DPN), Burundi

2 Press release from the Burundi Article IV Mission 2025, dated 15 April 2025.

Development Agency (ADB), Public Policy Monitoring and Evaluation Office (BSEPP)); (ii) strengthen investment planning and monitoring tools in order to improve efficiency and transparency; (iii) support analytical studies, in particular the Public Investment Management Assessment (PIMA[3]) to identify gaps in the institutional and operational framework governing public investment projects, with a view to maximizing their impact on economic and social development; and (iv) review the legal framework defining the procedures and criteria for selecting investment projects to ensure that it covers the gender and environmental dimensions.

11. Burundi's **private sector** remains weak and uncompetitive, despite Government reforms. The economy's competitiveness continues to be undermined by poor basic infrastructure (energy, transport and telecommunications), limited institutional capacity, limited professional skills, regional integration difficulties and limited access to finance. Over 80% of the industrial fabric is dominated by small- and medium-sized enterprises (SMEs), and most of these economic units operate in the informal sector, which accounts for around 78% of GDP and more than 90% of jobs. However, the country has potential, particularly in the development of agricultural value chains and the processing of exportable agricultural produce such as coffee, tea and horticultural products. Burundi also has mineral resources such as nickel, gold and rare stones. Although it remains underdeveloped, the mining sector offers opportunities for SMEs to engage in activities such as supply, logistics and technical subcontracting.

12. In a bid to tap this potential, the country has made some progress in improving the **business climate**. The enactment of the Bankruptcy Law, the amendment of the Investment Code and the Company Code, as well as the Privatization Law, have led to the adoption of provisions to facilitate SMEs participation in financing infrastructure and services, by offering specific incentives and tax benefits. These provisions cover aspects such as public-private partnerships (PPPs), access to finance through microfinance and credit unions, and SME support programmes. In addition, Government continues to foster the digitization and modernization of tax and customs procedures in order to improve the tax administration's efficiency. The Burundi Revenue Authority (OBR) faces major challenges, including persistent fraud and corruption and incomplete digitization of its services. Nevertheless, the ongoing reforms are promising in terms of strengthening the private sector and improving the business climate in Burundi.

13. To remedy these shortcomings, Burundi amended the 2015 Law instituting the general regime for public-private partnership contracts in 2019, clearly stating the conditions for public/private sector collaboration. The amendment seeks to strengthen private sector commitment to financing infrastructure and public services, by offering specific tax incentives and facilitating access to financing, in particular through microfinance institutions and credit unions. The country is also banking on modernizing and digitizing tax and customs procedures to improve the tax administration's efficiency and increase transparency.

14. **Regarding governance**, persistent corruption and endless public finance management challenges are partly responsible for the weak financial and economic governance in Burundi and explain the lack of transparency and poor coordination within public institutions, as well as the lack of independence for internal and external audit institutions. Under the Ibrahim Index of African Governance (IIAG), Burundi obtained a score of 40.4 out of 100 for overall governance in 2024, ranking 43rd out of 54 African countries. This score is below the African

3 PIMA (Public Investment Management Assessment) is an assessment tool developed by the IMF to analyse a country's public investment management.

average of 48.9, but above the Central African regional average of 39.1. As regards perceived corruption, Burundi scored 20 out of 100 under Transparency International's Corruption Perceptions Index (CPI) in 2023, ranking 162nd out of 180 countries assessed (compared with 165th in 2022). These indicators highlight the persistent challenges facing Burundi in terms of governance and corruption control, despite the efforts made to improve the transparency and efficiency of public institutions. In 2024, significant progress was made in digitizing tax services, thus helping to modernize the tax administration and improve revenue collection. However, corruption and tax evasion continue to undermine effective and transparent governance.

C. Rationale for the Bank's Involvement

15. This support is justified by the need to back up structural reforms in order to overcome economic and institutional challenges, in accordance with the strategic guidelines of the Bank and the Government, and as a means of consolidating the Bank's previous economic and financial governance operations in Burundi.

16. To address the public finance management shortcomings, a new public finance reform strategy (SRGFP 2025 - 2031) has been launched, to support the country's ambitious public finance reform programme. The main thrusts of the strategy are: (i) preparation of three-year budgets to improve public spending planning and management; (ii) strengthening of programme-based budgeting to ensure resource allocation based on performance and expected outcomes; (iii) modernization of the public finance management system by setting up an integrated public finance management system (SIGFP); (iv) strengthening of transparency and accountability; (v) tax administration reform; and (vi) debt management.

17. The Bank also has a track record of supporting public finance reform in Burundi through its previous initiatives. For example, the Capacity Building Support Project for the Burundi Revenue Authority (PARC - OBR) yielded an internal revenue increase of over 80% by: (i) improving the performance of taxation services through technical and human capacity-building for OBR staff on IT system development and tax management skills; (ii) implementing the OBR procedures and services digitization programme. For its part, the Project to Support the Improvement of Resource Mobilization and the Business Climate (PARMOCAF) introduced the programme budget, thereby laying the foundations for more effective and results-based public management.

18. Regarding public investment and the promotion of public-private partnerships (PPPs), although initiatives have been undertaken to strengthen infrastructure and public services, pending obstacles include: (i) the low profitability of public enterprises due to their governance; (ii) limitations in the regulatory and institutional framework governing PPPs; (iii) the limited knowledge of public and private stakeholders on the PPP best practices crucial to the effective management of partnerships.

19. Consequently, the Bank's support is intended to shore up the public finance and investments promotion reforms initiated by the Government, supported actions will strengthen financial governance and promote effective public and private investment, through increased public revenues and better management of public debt, while encouraging transparency and integrity in the use and investment of these resources.

D. Coordination of Development Partners

20. Burundi's aid coordination mechanism is well structured and relies on several entities and mechanisms established under the National Development Cooperation Strategy 2023-2027. Hence, a three-level consultation framework was formalized in 2022, consisting of: (i)

the PCP (Partner Consultation Platform) which brings together ambassadors and heads of diplomatic missions; (ii) the GCP (Policy Advisory Group) for heads of cooperation; and (iii) sector groups. A national strategy to coordinate cooperation is also being developed, with the involvement of development partners (DPs). The strategy sets out a consistent dialogue and aid coordination framework. The Bank plays an active role in implementing the entire system. It co-chaired the GCP group until late 2024 and, in this capacity, attends PCP meetings. It acts as the lead development partner in the field of transport, where it plays a key role in financing regional integration infrastructure and projects. The Bank is also co-leader of the Statistics Group with UNICEF.

21. During the preparation of the PAGFPI, the Bank consulted development partners, including the IMF, the World Bank, the European Union and UNDP that have support in the same area (Technical Annex 1-3), to ensure synergy with other ongoing support for greater impact. This integrated approach reinforces the coherence of the interventions of technical and financial partners and national ownership.

II. PROJECT DESCRIPTION

A. Project Development Objective

22. The **Financial Governance and Investment Promotion Support Project (PAGFPI)** aims to improve economic and financial management and promote an enabling environment for private investments, with a view to ensuring inclusive and sustainable economic growth. The project's specific objectives are to: (i) boost tax revenue collection by supporting the OBR programme in broadening the tax base; (ii) strengthen debt management and support analytical capacity-building to ensure better risk monitoring; (iii) build the capacity of internal and external audit institutions; (iv) strengthen investment programming and planning; and (v) promote public-private partnerships.

B. Theory of Change

23. Burundi faces major challenges in many areas, including an unattractive private investment institutional framework as well as non-transparent and inefficient public finance management (paragraphs 7, 9, and 10). These constraints are an obstacle to the country's efforts to achieve economic stability and resilience. With such institutional fragility, the capacity to implement public policies is undermined by poor public revenue collection, inefficient public finance control and audit systems, and limited investment. To address these challenges, the project will support activities that are fully consistent with the efforts already made by the Government of Burundi to implement NDP 2018-2027 and SRGFP 2025-2031.

24. Under the first component, "improved public finance management" the project will support: (i) **improved revenue mobilisation** through: analytical work to identify tax revenue collection opportunities, capacity building of tax personnel; developing tax control tools; developing strategies to combat customs fraud and smuggling; raising awareness and absorbing new taxpayers into the formal system. (ii) improving debt management through improving the skills of debt management staff, modernizing the SYGADE system and introducing debt sustainability analysis tools to enable a strategic and less risky public debt management, (iii) strengthening the control and transparency system through the reinforcing skills of public auditors, deploying audit and internal control tools and building the capacity of public procurement institutions.

25. Under the second component, “improving public investment management and promoting public-private partnerships (PPPs)”, the project will support (i) **improving the public investment planning and programming framework** through the development and use of investment planning tools, the implementation of recommendations resulting from the public investment management assessment, as well as the strengthening of all stakeholders including sectoral ministries, and (ii) **the promotion of PPPs** through the strengthening of the PPP management framework, the development of PPP procedures, the training of civil servants on themes related to management of PPP (preparation, appraisal, negotiations, monitoring…etc) and the completion of feasibility studies for NDP pilot projects.

26. PAGFPI outputs therefore serve as concrete levers for ensuring transformation, their gradual implementation will facilitate achievement of the desired structural outcomes. Accordingly, activities financed by PAGFPI will strengthen technical skills and institutional capacities critical to improve PEFA indicators on public revenue management and public investment management. This theory of change is based on **the** following critical **underlying assumptions**: (i) maintaining a stable macroeconomic environment to ensure the sustainability of achieved outcomes; (ii) maintaining Government's commitment to implementing reforms; and (iii) implementing the proposed activities on time.

C. Project Components

27. PAGFPI has three components, namely: (i) Improved financial governance support; (ii) Public investment programming and PPP promotion support; and (iii) Economic reform coordination and project management. The project aims to mitigate the country's fragility factors and strengthen its economic and social resilience. Improved financial governance aims to enhance public resource management efficiency, transparency and accountability. Public and private investment promotion aims, on the one hand, to ensure optimal and efficient investment planning aligned with national and sector priorities and, on the other hand, to strengthen the PPP institutional and regulatory framework. ADF grant amount is allocated by component as follow:

Component I: Improved financial governance support (UA 4.47 million)

28. Faced with major financial governance challenges, the Government of Burundi is committed to developing a public finance reform strategy. The reforms seek to improve public resources management, enhance transparency and promote more effective budget management. In this light, the project will contribute to the following areas:

29. **Sub-component 1.1: Tax revenue collection (UA 1.13 million)**

Improving tax collection is essential to ensuring that the State enjoys sustainable and transparent financial autonomy. This can be achieved by broadening the tax base (identifying domestic tax potential, streamlining exemptions, combating fraud and optimising customs management, among other measures) and by modernising the tax system. Government must aim for optimum revenue collection so as to be able to finance its national development priorities, improve public services and ensure medium- and long-term fiscal sustainability. The project will contribute to this objective through:

- an assessment of tax revenue expenditure to determine budget shortfalls, as well as the economic and social impact of exemptions;
- Analytical studies for effective decision making: a study on the national tax potential, in particular by identifying tax loopholes, assessment of gender impacts of the revenue/ taxation policies, simplified guidelines for tax compliance and training for women owned SMEs on tax procedures

- the development of a tax audit strategy based on the main operational risks, together with an audit programme tailored to each identified risk; support will be provided to implement this programme, the project will also support training of SMEs on fiscal procedures (including women owned SME) and conduct awareness campaigns on combating fraud concurrently;
- an in-depth study to develop an action plan to increase the fiscal efficiency of the value-added tax (VAT) and other consumption taxes;
- tax collection and tax information analysis automation, including software development, defining appropriate methodologies and training users to improve the reliability of the OBR's taxpayer database and expanding the registration base; registration awareness campaigns will also be supported, with a particular focus on registering women operating in the informal sector;
- strengthening of the customs administration's capacity to effectively combat fraud and smuggling;
- optimization of the SYDONIA system's "exemptions" module to include details of tariff positions;
- installation of software for the monitoring/evaluation of decisions taken by the OBR; and
- support in the form of equipment, including computer hardware and office furniture, to facilitate the implementation of all these actions.

The beneficiaries are OBR and the Tax Policy Directorate.

30. **Sub-component 1.2: Public debt management support (UA 1.76 million)**

It is important to strengthen public debt management and internal control within Burundi's public finance management system, given the country's high vulnerability, its dependence on external financing and its limited institutional capacity. Strengthening these functions will increase budgetary discipline, ensure sustainable borrowing, improve transparency in the use of debt resources, and ensure public debt predictability. It will also promote better inclusion of public debt servicing (including that of public enterprises and PPPs) into budget planning, shield the country from debt distress, and strengthen donor and investor confidence. To that end, the project will support:

- the public debt information system upgrade through migration of SYGADE6 to version 7 to enhance public debt data management (including arrears) and the dissemination of information through statistical bulletins; such support also includes user training sessions and IT equipment support to optimize the use of the software;
- improvement of the analytical capabilities of Debt Department (DP) officials to better control risks, including those relating to public institutions and public-private partnerships (PPPs); practical training on preparing debt sustainability analyses will be offered to the DP and macroeconomic framework teams;
- the development of management tools such as government's financial transactions table (TOFE), the medium-term expenditure framework (MTEF) and the results-based public expenditure management tool (RBM) to improve debt planning;
- the development of a directory of public establishments (PEs) and State-owned enterprises (SOEs), and tools to strengthen their oversight, including dedicated software and an annual reporting template that includes data on their financial situation. The economic and financial monitoring of public establishments will also be strengthened, particularly with regard to debt management and the development of a strategy for the State as shareholder.

The beneficiaries are the Debt Department, the Heritage Protection Department and the State-Owned Enterprises Reform Department, ARCP, Planification Directorate

31. **Sub-component 1.3: Strengthening transparency (UA 1.58 million)**

To promote transparency and accountability and restore trust in public institutions, Burundi plans to build the capacity of public finance oversight institutions. The project will contribute to this objective by supporting the following activities:

- developing a risk map for central government services and public enterprises to better target oversight interventions, and building the risk analysis and management capacity of internal and external oversight bodies (General State Inspectorate (IGE), Court of Auditors (CoA), General Inspectorate of Ministries (IGM));
- establishing digital platforms designed to ease the work of supervisory institutions, improve information sharing and increase their operational efficiency. This also includes providing IT hardware tailored to the needs of the various entities. Concurrently, methodological tools will be developed and targeted training provided to public accountants to improve public accounts auditing and make public finance management more rigorous;
- providing certified training for public auditors on risk standards, ethical standards and different types of audits, including public finance audits, public debt audits, compliance audits, public procurement audits and financial audits;
- professionalization of procurement actors (train civil servants and young graduates), in collaboration with local training centres, to develop appropriate teaching modules and permanently incorporate the public procurement programme into training institutions' curricula; Development of a framework to monitor opportunities for vulnerable groups, particularly women and young people, in public procurement, and training for SMEs run by women and young people on access to public procurement.
- supporting CoAs in coordinating financial audit missions of Bank-financed projects in Burundi.

The beneficiaries are IGE, IGM, CoA, the Public Procurement Regulatory Authority and the National Public Procurement Control Directorate, Audit and internal control service

Component II: Public investment programming and private investment promotion support (UA 4.78 million)

32. Burundi plans to strengthen its economic and social development by implementing effective public investment programming and promoting public-private partnerships (PPPs). These objectives aim to boost economic growth, create jobs and improve public services, based on an institutional and regulatory framework conducive to public investment and PPPs in Burundi. In this light, the project will contribute to the following areas:

33. **Sub-component 2.1: Public investment planning and programming support (UA 2.10 million)**

To address public investment programming challenges in Burundi (detailed in paragraph 10), the country plans to adopt an integrated approach, combining better institutional coordination, a medium-term budgetary framework, appropriate monitoring and evaluation mechanisms and transparent and effective public funds management, to maximize the impact of public investment on economic and social development. In this light, the project will support the following institution-building activities:

- Implementation of priority actions that will be identified by the public investment management assessment (PIMA). The evaluation PIMA will identify strengths and weaknesses of the current system and propose appropriate reforms for its improvement; an action plan to implement recommendations will also be developed, and the project will provide support to finance the priorities of the action plan

- development and dissemination of a Public Investment Programme (PIP) procedures manual covering key stages including evaluation, selection, prioritization, programming, gender analysis framework for the PIP, and physical and financial monitoring of public projects;
- review of the legal framework governing investment project selection procedures and criteria to incorporate gender and environmental dimensions, thereby ensuring a more inclusive and sustainable approach;
- strengthening technical skills through targeted staff training at the National Planning Directorate (DNP) and the Public-Private Partnership Contracts Regulatory Agency (ARCP), focusing in particular on project preparation, risk assessment and public investment management;
- building the capacity of cross-functional entities involved in PIP development and monitoring;
- drafting implementation reports for ongoing public investment projects;
- preparing feasibility studies that include gender analysis to develop realistic priority project sheets;
- establishing a macroeconomic impact analysis tool, by developing a Computable General Equilibrium (CGE) model to assess the effects of public investment on the domestic economy;
- building the capacity of the Directorate General for Reforms and Economic and Financial Cooperation (DGRE) by implementing monitoring and evaluation tools and analytical studies focusing on: (i) sector policies and institutional capacity building strategies in the DSP 2024-2029 priority sectors and making sure that they are consistent with economic policies; (iii) the diversification of Burundi’s economy, in particular a study on growth- and job-creating sectors; and (iv) gender- and climate-responsive budgeting, as well as support for the launch of gender-responsive budgeting;
- supplying computer hardware and office furniture to ease public investment management.

The beneficiaries are the National Planning Directorate and the Programming Directorate, the DNP, ARCP and DGRE, Budget General Directorate.

34. **Sub-component 2.2: Promoting public-private partnerships (UA 2.68 million)**

To address growing infrastructure and public service delivery needs and mitigate budgetary constraints, the country plans to establish an incentive-based and transparent environment to facilitate private sector partnership and involvement in infrastructure financing and management, leveraging private sector skills and resources. This is essential to stimulate economic growth, create jobs and diversify the economy. Therefore, to strengthen the PPP framework, the project will support:

- the operationalization of the PPP institutional framework by developing and providing essential technical tools such as a screening tool, a standard financial model, a standard PPP contract, prequalification and request for proposal (RFP) templates, as well as a procedures manual and a methodology guide;
- specialized training to improve the skills of ARCP and sector ministry executives in accounting, PPP budgeting, financial modelling and contract negotiation. At the same time, provide risk management tools and hold practical workshops on preparing calls

for tenders; managing financial, environmental and legal risks; structuring PPP projects; and PPP project monitoring/evaluation;

- AMPG PPP certifications for executives of ARCP, the Ministry of Finance and sector ministries;
- establishment of a PPP projects portfolio and supporting the maturation of three medium-scale projects accessible to the local private sector. This will help the country to implement this infrastructure financing and management method. The support seeks to build the capacity of local stakeholders in structuring and implementing PPPs, while demonstrating the viability of this approach in attracting private investment.
- a feasibility study on creating a PPP study fund, including the drafting of related legal instruments;
- the organization of three national PPP forums to enable consultation between public and private actors, and networking with investors and financial institutions;
- the establishment of public/private sector dialogue platforms to ease consultation and transparency in the development of PPPs. Support will also focus on establishing risk-sharing mechanisms between the public and private sectors and laying down rigorous monitoring mechanisms to ensure the successful implementation of PPP projects;
- support for greater participation in strategic forums and discussions to promote an enabling private investment environment in Burundi;
- awareness-raising and training to build the capacity of local authorities and the local private sector, with a particular focus on SMEs/SMIs access to public contracts;
- equipment (IT hardware, office furniture) to build the capacity of entities responsible for PPPs.

The beneficiaries are the ARCP, the National Planning Directorate and the Programming Directorate, sector ministries and the Federal Chamber of Commerce and Industry of Burundi (CFCIB), National Committee for PPP contracts.

Component III: Project Management (UA 0.85 million)

35. To ensure economic reforms sustainability, the project activities coordination and implementation framework needs to be improved to guarantee effective resource management and sustainable growth. A Project Implementation Unit (PIU) will therefore be set up to implement PAGFPI activities in accordance with Bank procedures. The Unit will be responsible for fiduciary management and project implementation monitoring and evaluation. The Unit will be headed by the coordinator. He will be supported by national procurement, administrative and financial management, accounting and monitoring and evaluation experts. The project will finance the unit's operating costs, financial audits and the procurement of goods needed for its functioning. This component will be co-financed with the national counterpart.

D. Project Cost and Financing Arrangements

36. The total project cost, net of taxes and duties, is estimated at UA 11.660 million. Tables (2), (3), (4), and (5) show the estimated project cost by component, expenditure category, financing source and expenditure schedule, respectively. The Bank will provide UA 10.6 million (90% of the project cost) through an ADF grant, while Government will provide a UA 1.06 million counterpart contribution in kind (10% of the project cost). As discussed during the appraisal with Government, this contribution will be in the form of office space, support staff salaries and general operating costs. The project cost includes a 5% contingency allowance to cover unexpected price increases and material implementation difficulties.

E. Project Area Beneficiaries, Local Population and other Stakeholders

37. The beneficiary project area is the entire country. The direct beneficiaries of this institutional support are mainly the State entities responsible for public finance management and control, tax administration and private sector promotion entities. The indirect beneficiaries are private sector operators and the entire population, including women and young people, thanks to the allocation of resources to priority sectors of the NDP. In addition, the project approach will provide numerous opportunities to share the project outcomes with a wider audience and get them involved in project activities, particularly in promoting public financial management transparency.

38. The stakeholders who will benefit from this support are the OBR, the Fiscal Policy Directorate, the Debt Directorate, the Heritage Preservation Directorate and the State-Owned Enterprises Reform Directorate, for the first component. Stakeholders for the second component include: IGE, IGM, CoA, the Public Procurement Regulatory Authority, the National Public Procurement Control Directorate, the National Planning Directorate, the Programming Directorate, the DNP, the ARCP, DGRE, the ARCP, sector ministries , the Federal Chamber of Commerce and Industry of Burundi (CFCIB), Audit and internal control service, Budget General Directorate, and National Committee for PPP contracts. **Opportunities for young people**: Under component II, the project will strengthen youth SMEs to facilitate their involvement in smaller PPPs. The project will also support the strengthening of public procurement and will focus on improving youth involvement in public procurement and their vocational training in the sector.

F. Bank Group Experience and Lessons Reflected in Project Design

39. Project preparation was informed by the lessons learned from implementing previous projects, notably the PAMOCAF Project and the PARC-OBR Project, as well as similar projects in countries with institutional fragility. The main lessons factored into the project design are: (i) weaknesses in the design and selectivity of priority activities and needs based on set strategic guidelines to address this, the project has reinforced selectivity by financing priorities identified by the beneficiaries ; (ii) weaknesses in the monitoring and evaluation system for a country with institutional fragility. This weakness was addressed by putting in place a robust evaluation and monitoring framework more adapted to local capacities and integrated from the design of the project; (iii) country's weak capacity, which has a negative impact on implementation; and (iv) failure to consider certain risks, particularly the institutional and organizational risks of beneficiary entities. To address the last two lessons, the project will reinforce technical and organisational capacities of stakeholders (PIU and beneficiaries) through long term technical assistances.

III. PROJECT FEASIBILITY

A. Financial and Economic Analysis

40. PAGFPI is mainly an institutional capacity building project with no aim for immediate financial profitability or a return on investment. Accordingly, the financial analysis usually conducted for investment projects is not applicable. However, the project will have **additional financial and non-financial effects**. Indeed, the support to public investment programming and PPP promotion activities will help to fuel inclusive economic growth that significantly creates sustainable jobs and generates national wealth for effective poverty reduction. The project will thus support the Government of Burundi in its reform implementation efforts to strengthen domestic revenue collection, thereby making the national budget more robust and ensuring its speedy and reliable transfer to implementing agencies. This will improve and expand public service delivery to the entire population. In addition, by enhancing the country's

institutional capacity while minimizing revenue losses and resource misallocation, the project should strengthen national institutions that will help nurture a culture of trust, transparency and accountability in the public sector. Combating corruption and illicit financial flows will have a positive impact on public policy implementation. In addition, the project will help strengthen reserves by: (i) promoting PPPs and foreign investment; and (ii) improving domestic revenue collection which ultimately ensures exchange rate stability.

B. Environmental and Social Safeguards

41. **E&S risk categorization:** The project is classified in category 3 in accordance with Decree No. 100/22 of 7 October 2010 to define the implementation measures of the Environmental Code relating to the Environmental Impact Assessment procedure, and the Bank's Integrated Safeguards System. The category was validated in ISTS on 20 October 2024 and confirmed in SAP on 22 October 2024.

42. **Applicable environmental and social safeguards instruments:** As a Category 3 (low risk) project, no environmental and social safeguards are required prior to Board approval of the project.

43. **Environmental and social risks and impacts** will be low due to the nature and characteristics of the activities intended to support and strengthen the public finance reform management framework, investment programming and PPP promotion.

44. **Involuntary resettlement:** The implementation of project activities will not result in population displacement, property damage or restricted access to resources.

1.**Institutional arrangements:** The project has no environmental and social risks to manage.

45. **E&S compliance**: The project is compliant and ready for consideration by the Board of Directors, as evidenced by the attached ESCON.

46. **Climate change and green growth:** By its very nature, the project is not directly exposed to climate risks or likely to emit greenhouse gases (GHGs) directly. It is therefore classified in Category 3 of the Bank’s Climate Safeguards System (CSS). The Component 2 activity, aimed at supporting revision of the legal framework review to include gender and the environment, will boost achievement of the country’s climate goals in accordance with Burundi’s updated nationally determined contributions (NDC 2021) and the Initial National Adaptation Plan (2023). The operation is aligned with the Paris Agreement on Climate Change

as none of its components/activities are included on the universally non-aligned list of activities and are not incompatible with the Agreement’s adaptation and mitigation objective and the NDCs (Technical Annex 4-9 on Paris Alignment).

C. Other Cross-cutting Priorities

Resilience-building Opportunities

47. The relative security and political stability fostered by the holding of elections in 2020 remains vulnerable to the country’s social and economic fragility. This fragility is compounded by weak financial governance, a lack of resources for public investment and lukewarm commitment to implementing crucial reforms to improve the business climate that is key to private sector growth. The fragility generates institutional pressure which is compounded by the country’s unskilled human capital and the volatile security situation on its western border, coupled with low digital penetration in public services, dwindling foreign

exchange reserves and the lack of institutional coordination. On account of the aforementioned factors, finance planning has become a key fragility which the project must address (Technical Annex 3-2 on project fragility and resilience assessment).

48. The project's design is based on the potential sources of resilience needed to structure its entry points. The new 2021 investment code, the permanent public-private dialogue by thematic groups, the operationalization of applications for electronic filing and payment of taxes and customs duties are the basic project activities outline in these components. There are also sector policies in each ministry and an enabling framework for robust economic recovery in 2025-2026 with a 4% average GDP growth rate. The project objectives are consistent with all the priorities of the Bank Group's Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026). The project entry point to mitigate the country's institutional fragility requires a response to the vulnerable populations' social and economic demands, which are very high relative to the response capacity, despite support from Burundi's financial and technical partners. The project will therefore have the leverage effect of boosting public investment in basic infrastructure in the medium term and improving the living conditions of the country's population in the long term.

Promoting Gender Equality and Women's Empowerment

49. Women account for 52% of the population, and despite the constitutional quota guaranteeing a minimum of 30% representation for women in several sectors of the civil service, including management positions, they remain under-represented. Some of the reasons for this situation are socio-cultural norms limiting women's access to professional opportunities, resulting from the disproportionate burden of domestic chores borne by women, or the lack of training or mentoring opportunities. Within the context of the training provided to employees of the beneficiary entities, the project seeks to ensure that women account for at least 30% of the trainees in order to encourage skills transfer and increase their access to positions of responsibility in public finance. In addition, gender aspects will be included in the update of Burundi's economic simulation model. This will enable economic policies and budget allocations to be tailored to the needs of each category of the population, thereby reducing gender inequalities. Burundi's 2023-2026 Public Investment Programme (PIP) was drawn up bearing in mind development priorities, particularly those relating to social equity. The programme seeks to align investment projects with the strategic objectives of the National Development Plan (NDP) and the Burundi Vision 2040-60, which include gender equality considerations and broadening the participation of women from the private sector. Although

women are the mainstay of the informal sector in Burundi, they are still often under-represented as employees or entrepreneurs in sub-sectors like crafts and services. Promoting informal sector formalization in Burundi can be a crucial lever for women's empowerment and will require appropriate policies such as subsidies and tax reforms to encourage female entrepreneurs to enter the formal sector. This will not only improve women's financial inclusion, but also national economic governance. The project is classified in category 2 of the Gender Marker system, Gender plan and its budget are detailed in Technical Annex 3-3 "Promoting Gender Equality and Women's Empowerment".

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

50. The project's executing agency (EA) is the Ministry of Finance, Budget and Economic

Planning (MFBPE), acting through its Directorate General for Reforms and Economic and Financial Cooperation. A Project Implementation Unit (PIU) will be set up under its responsibility of the EA including a Coordinator, an Administrative and Financial Officer, a Procurement Officer, and a Monitoring and Evaluation Officer. The coordinator and the M&E Officer should be staff of the Directorate General for Reforms and Economic and Financial Cooperation. The Administrative and Financial Officer, a Procurement Officer will be recruited on a competitive basis. An Accountant will be appointed by the MFBPE. The PIU will also include qualified assistants, who will be appointed by the EA, to work with Coordinator, an Administrative and Financial Officer, a Procurement Officer, and a Monitoring and Evaluation Officer. The institutional framework will be completed by setting up a steering committee comprising the heads of the beneficiary entities and chaired by the Permanent Secretary of Finance.

B. Procurement Arrangements

51. All goods (including non-consultancy services) and consultancy services financed by the Bank under the project will be procured in accordance with Procurement Policy for Bank Group-Funded Operations" (PFF), October 2015 edition, and with the provisions of the Financing Agreement.

(i) **Bank Procurement Methods and Procedures (BPMs)**: The Bank's standard procurement methods and procedures, based on the relevant Standard Bidding Documents (SBDs), will be used for the procurement of some goods available on the market and for consultancy services deemed to be the most appropriate and if the use of the Borrower's SPM is not appropriate for a given activity or set of activities due to any significant risks identified as obstacles to the effective implementation of Project activities.

(ii) **Third party procurement methods and procedures (PMPs):** It is agreed that UNOPS will act as Executing Agency for the recruitment of a consultant who will provide Technical Assistance to support project implementation and, in particular, the support the preparation of ToRs and project deliverables quality review. This institution is a specialized United Nations body, which is recommended for use in situations of fragility, having regard to Sections G (G3.3 and G3.4) and I3 (I3.22) of Volume 2, Part A of the Bank's Operations Procurement Manual (OPM). To that end and in accordance with Articles 5.3 (e) and 6.5 of the Bank's Procurement Policy and Section A.2.5 of Chapter A2, Volume 1, Part A of the OPM, UNOPS will award the said contracts in accordance with the Fiduciary Principles Agreement (FPA) signed between this United Nations body and the Bank on 21 August 2017.

52. Risk assessment and procurement capacity: An assessment of the risks at country, sector and Project level, as well as the Executing Agency's (EA) procurement capacity, was carried out and the findings were used to guide the decision to select the country's procurement system, which will be used for part of the Project's procurement. Appropriate risk mitigation measures will be included in the action plan presented in Annex 5 of the technical annexes of the Project Appraisal Report.

53. The summary of the main findings of the country procurement system assessment, the detailed Procurement Risks and Capacity Assessment (PRCA), details of the procurement methods and procedures (PMP) to be used in the Project, the review and control system and the procurement plan are set out in Annex 4.5 of the Technical Annexes to this report.

C. Financial Management, Disbursement and Audit

54. Overall, the country’s fiduciary risk is substantial. This risk re-assessment stems from the comments and ratings made in the recent 2023 PEFA assessment of the Public Financial Management System (PFMS). The country systems still have weaknesses, particularly in the areas of public finance transparency, national policy-based budgeting, the national procurement system, financial information and national assets security, and internal and external control and audit. Despite the country’s efforts to address these weaknesses, the mission decided not to rely on national systems for the project’s implementation. Accordingly, the national processes for budgetary and accounting management, disbursement and internal and external control and audit by the country's supreme audit bodies will not apply to this project. A priori, on the basis of the appraisal, the national system will not be used to implement PAGFPI (use of higher-level control functions for internal and external audits - the national resources disbursement and management circuit, etc.).

55. The project **budget**, set out in the annual work plan and budget (AWPB), will be adopted by the project governance bodies and submitted to the task manager at the Bank before 30 June N-1 to be enforceable from 1 July N-1. It should be recalled that the project will be aligned with Burundi’s official fiscal year which runs from 1 July N-1 to 30 June N. The project will have to set a clear fiscal timeline to comply with this provision.

56. **For internal control**, an administrative, accounting and financial procedures manual or Project Implementation Manual will have to be prepared to meet the project’s specific requirements and in line with the Bank's fiduciary procedures, in particular with the 2020 disbursement manual. The necessary steps must be taken to make the final version available within the first six months of project start-up. The mission held discussions with the Ministry's Inspectorate General, which will include a project review in its annual work programme and will produce reports with recommendations for optimal project implementation.

57. The project's **accounting management** will include management software deemed acceptable by the Bank and capable of ensuring fair reporting. The project will adopt accrual accounting to monitor its financial transactions. Regarding **financial reporting**, in addition to producing audited annual financial statements, the PIU will be responsible for producing quarterly financial reports to be sent to the Bank within 45 days of the end of the quarter. The content of these quarterly reports is detailed below in the technical annexes.

58. The **disbursement methods** selected for the project are three (3) of the Bank's traditional methods, namely: direct payment; working capital or special account which will require the opening of a bank account with the Bank of the Republic of Burundi (Central Bank); and reimbursement of expenditure incurred by the National Counterpart for any

advance procurement or any other advance expenditure needed for the project and made with the Bank’s prior approval. Management of the project's accounts will be backed by the regular production of monthly and quarterly reconciliation statements of the special bank account.

59. For **external audit**, the traditional provisions used by the Bank when the country's system is not selected will be applied. This includes the recruitment of an independent external auditor on the basis of ToRs approved beforehand by the Bank. The auditor's contract may not exceed three financial years, and the audit reports must reach the Bank no later than six months after the end of the financial year under consideration. In this respect, the first and last audits may cover a maximum period of 18 months, depending on whether the first disbursement is made during the second half of the launch year or the closing date is set during the first half of the closing year. The project will bear the cost of the audit.

D. Monitoring and Evaluation

60. The Directorate General for Reforms and Economic and Financial Cooperation under the MFBE will coordinate the implementation of activities in conjunction with the PIU. The Directorate already coordinates support from other partners and donors and is responsible for the system for monitoring the implementation of all the SGFP's economic and financial reforms. Hence, the Directorate will collect data that will enable it to assess the progress made under this operation, by addressing cross-cutting issues concerning several directorates, ministries and other stakeholders. The quantitative and qualitative indicators in the project's Results Framework will underpin the monitoring and evaluation process under the PIU's responsibility. The monitoring and evaluation system will form part of the EA's monitoring and evaluation system and will be based on (i) regular monitoring of activities by the country office (COBI and ECGF); (ii) periodic supervisions with the Bank, at the rate of two or more per year (virtual and in-person) and periodic reports from the Project Executing Agency as well as audits; and (iii) the mid-term review to assess project implementation performance and the project appraisal report at project closure.

E. Governance

61. Project implementation could encounter governance issues (fraud or corruption) mainly in the procurement process and financial management. Procurement risk will be mitigated by the Bank's control over the procurement process, by applying its procurement rules and procedures and the prior review of tender documents, contract award proposals, contracts, as well as by supervising and auditing the project's procurement. In addition, fiduciary clinics and training will be provided to all staff members of the Project Implementation Unit and the General Directorate for Reforms to ensure that they are fully aware of the Bank's requirements and regulations. The Bank's Country Office (COBI) will provide appropriate and timely support to implementation through regular on-site and field supervision and dialogue with the authorities.

F. Sustainability

62. The first sustainability factor is Government's resolve to improve public revenue collection and streamline expenditure. The second factor is assimilation of knowledge and control of modern budget management tools and identification of revenue niches which will allow beneficiaries to perform their duties more effectively and encourage the dissemination of the best practices learned. The project's sustainability depends on the authorities' commitment to strengthen governance in the implementation of public policies and to promote job creation. The project is based on the beneficiary entities' strategies and action plans, which ensures ownership of its implementation and sustainability of its outcomes. Most training courses will be run by the beneficiary entities using in-house trainers to whom the project had provided capacity-building to ensure the sustainability of achievements.

G. Risk Management

63. Annex 4-2 summarizes the main risks and mitigation measures. The main risks identified for the implementation of the proposed operation are: (i) macroeconomic risks due to Burundi's vulnerability to external shocks, geopolitical tensions, commodity price fluctuations and tighter monetary conditions; (ii) weak institutional and human capacity to implement project activities, which could lead to delays; and (iii) political and institutional instability that could affect the government services involved in project implementation. However, given the nature of the project (institutional support), it will be implemented at the country's capital. Mitigation measures will include capacity building for the PIU and beneficiaries, close supervision and the recruitment of technical assistants to support project

implementation and knowledge transfer.

H. Knowledge-building

64. The type of knowledge that should emerge from implementation of the PAGFPI includes best practices in the areas of public finance management, public investment programming and PPP promotion. Such best practices will be disseminated within government services through training, procedures manuals and training manuals. In addition, the studies to be conducted under the project on diagnosis of the country's tax system and on the contribution of the productive sectors to the national economy will help to build knowledge of these sectors and make recommendations to improve their contribution to growth and development in Burundi. The Bank will also collect and disseminate knowledge and experience by sharing the findings of supervision missions, progress reports and the project completion report.

V. LEGAL INSTRUMENTS AND AUTHORITY

A. Legal Instrument

65. The project will be financed by an African Development Fund (ADF or "Fund") grant. The project's legal instrument will be: (i) a Grant Agreement Protocol ("the Agreement") to be signed between the Republic of Burundi (the "Recipient") and the Fund for an amount of UA 10.6 million.

B. Conditions Associated with Bank's Intervention

Effectiveness: The Agreement shall become effective on the date of its signature by the Recipient and the Fund.

66. **Conditions precedent to first disbursement**: In addition to the effectiveness of the Agreement, the Fund's obligation to make the first grant disbursement is subject to the Recipient fulfilling the following conditions: (i) submission to the Funds proof of the establishment within the Directorate General for Reforms and Economic and Financial Co-operation of a Project Implementation Unit (PIU), appointing the Coordinator, and Recruitment of the Administrative and financial management officer whose qualifications et Terms of Reference are deemed acceptable to the Funds, and (iii) proof of the establishment of a Project Steering Committee comprising the heads of the beneficiary entities and chaired by the Permanent Secretary of Finance.

67. **Other conditions:** No later than six (06) months following the first disbursement, submission to the Fund of proof of the appointment of a Monitoring and Evaluation Officer and an Accountant; and of the recruitment of a Procurement Officer whose qualifications and terms of reference will have been deemed acceptable by the Fund.

C. Compliance with Bank Policies

☒ This project complies with all applicable Bank policies.

African Development Bank Group Independent Recourse Mechanism

68. Communities and individuals who believe that they have been adversely affected by an

AfDB-financed project may file complaints with existing project-level grievance redress mechanisms or with AfDB's Independent Recourse Mechanism (IRM). The IRM ensures that project-affected communities and individuals can submit their complaints to its Office which shall determine whether harm occurred or could occur as a result of the AfDB's failure to comply with its own policies and procedures. To file a complaint or request further information, please contact IRM@afdb.org or visit the IRM website www.irm.afdb.org. Complaints may be filed with the IRM at any time after the concerns have been reported directly to AfDB, and Bank Management has had the opportunity to respond.

VI. RECOMMENDATION

69. Management recommends that the Board of Directors should approve the award of an ADF-16 Grant, not exceeding UA 10.6 million, to the Republic of Burundi, for the purposes and subject to the conditions stipulated in this report.

VII. RESULTSFRAMEWORK

3 A		PROJECT INFORMATION			
❚ PROJECT NAME AND SAP CODE: FINANCIAL GOVERNANCE AND INVESTMENT PROMOTION SUPPORT PROJECT (PAGFPI)				❚ COUNTRY/REGION: BURUNDI/RDGE	
❚ PROJECT DEVELOPMENT OBJECTIVE: Improving economic and financial management and promoting an enabling private investment environment, for inclusive and sustainable economic growth					
❚ ALIGNMENT INDICATOR(S): (i) Tax/GDP ratio (%); (ii) Private investment/GDP (%)					
RESULTS CHAIN AND DESCRIPTION OF INDICATORS	**RMF/ADOA INDICATOR**	**UNIT OF MEASURE MENT**	**BASELINE (2023)**	**TARGET (2029)**	**MEANS OF VERIFICATION**
❚ OUTCOME STATEMENT 1: Public finance management is improved					

OUTCOME INDICATOR 1.1: Improved PEFA rating on revenue management	□	Rating	D+	C	PEFA report
OUTCOME INDICATOR 1.2: Improved PEFA rating on gender responsive public finance management		Rating	D	C	PEFA report
❚ OUTCOME STATEMENT 2: Public investment management and PPP promotion are strengthened					
OUTCOME INDICATOR 2.1: improved PEFA rating on public investment management	□	Rating	D	C	PEFA report
❚ OUTPUT STATEMENT 1.1: Tax revenue collection is improved					
OUTPUT INDICATOR 1.1.1: Tax administration staff trained in tax control tools and in combating customs fraud and smuggling (including at least 30 women)		Number	0	100, including 30 women	OBR Activity Report
OUTPUT INDICATOR 1.1.2: New taxpayers sensitised to register (individuals) at least 150 women		Number	0	300, including 150 women	OBR Activity Report
OUTPUT INDICATOR 1.1.3: Study conducted on domestic tax revenue collection opportunities		Number	0	1	OBR Activity Report
OUTPUT INDICATOR 1.1.3: Evaluation of the exemptions conducted		Yes / No	No	Yes	Report from the Fisal directorate unit
❚ OUTPUT STATEMENT 1.2: Improved debt management					
OUTPUT INDICATOR 1.2.1: Public Debt Department staff trained to improve risk management (including at least 30 women)		Number	0	20 including 10 women	Debt Department/ MFBPE activity report
OUTPUT INDICATOR 1.2.2: SYGADE public debt management system upgraded		Yes / No	No	Yes	Debt Department/ MFBPE activity report
OUTPUT INDICATOR 1.2.3: Debt sustainability analysis tools developed and used by stakeholders		Yes / No	No	Yes	Debt Department/ MFBPE activity report
❚ OUTPUT STATEMENT 1.3: The control and transparency system is strengthened					
OUTPUT INDICATOR 1.3.1: Public auditors trained in risk standards, audit standards and ethics (including at least 30 women)		Number	0	50, including 30 women	IGM/IGE/CoA Activity Report
OUTPUT INDICATOR 1.3.2: Internal control and audit tools developed and used by stakeholders		Yes / No	No	Yes	IGM/IGE/CoA Activity Report
OUTPUT INDICATOR 1.3.3: Capacity Building Plan for the National Public Procurement Control Department is prepared, based on the 2024 MAPS evaluation.		Yes / No	No	Yes	National Public Procurement Control Department activity report

I

COMPONENT II: Investment programming and Private sector development promotion support					
❚ OUTPUT STATEMENT 2.1: The public investment planning and programming framework is improved					
OUTPUT INDICATOR 2.1.1 PIP Selection criteria revised to include gender and climate aspects		Yes / No	No	Yes	National Planning Directorate (DPN) activity report
OUTPUT INDICATOR 2.1.2: Public investment planning and programming tools developed and used by stakeholders		Yes / No	No	Yes	DPN Activity Report
OUTPUT INDICATOR 2.1.3: Civil servants trained in public investment management		Number	0	50 including 20 women	DPN/MFBPE Activity Report
❚ OUTPUT STATEMENT 2 2.2: The public-private partnerships (PPPs) management framework is strengthened					

OUTPUT INDICATOR 2.2.1: PPP toolkit, including a PPP procedures manual developed and used by stakeholders		Yes / No	No	Yes	ARCP Activity Report
OUTPUT INDICATOR 2.2.2: PPP-certified civil servants trained in PPP contract negotiation		Number	0	30, including 10 women	ARCP Activity Report
OUTPUT INDICATOR 2.2.3: A PPP pilot project feasibility study conducted		Yes / No	No	Yes	ARCP Activity Report

VIII. ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)

A. Basic information [4]

Project Title: Financial Governance and Investment Promotion Support Project (PAGFPI)		**SAP Code or Project TFMS:** P-BI-KF0-008
Country: Burundi	**Region:** RDGE	**Financing Instrument**: Project Financing Loan/Grant
Project Sector: Multi-sector		**Task Team Leader:** Angélique UMUBYEYI
Date of the ex-ante evaluation mission: 24 to 28 February 2025		**Estimated approval date**: 13 June 2025
Environmental Safeguards Officer: xxxxx		
Social Safeguards Officer: Ghislain NKWINTCHOUA/BIDOUZO Sèdjro Hostin Esperancia		
Environmental and social category: Category 3	**Operation Type**: Public Sector Operation	**Financial Intermediary**: No
Date of categorization: 20/10/2024	**Categorization in ISTS:** 20/10/2024	**Categorization in SAP:** 22/10/2024
Is this project processed under rapid responses to crises and emergencies?		No
Is this project processed under a waiver to the Integrated Safeguards System (ISS)?		No

B. Disclosure and Compliance Monitoring
B.1 Mandatory disclosure

Environmental and Social Assessment/Audit/System/Other: [*Specify including the number*]	
Was (were) the document(s) disclosed ***prior to appraisal?***	N.A.
Date of in-country disclosure by the Borrower/Client	Type or insert date
Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
Resettlement Action Plan (RAP)[5]**:** [*Specify including the number*]	
Was (were) the document(s) disclosed ***prior to appraisal?***	N.A.
Date of in-country disclosure by the Borrower/Client	Type or insert date
Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
Stakeholder Engagement Plan (SEP): [*Specify including the number*]	
Was (were) the document(s) disclosed ***prior to appraisal?***	N.A.
Date of in-country disclosure by the Borrower/Client	*Type or insert date*
Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
Pest or Vector Management Plan (PMP/VMP): [*Specify including the number*]	
Was (were) the document(s) disclosed ***prior to appraisal?***	N.A.
Date of in-country disclosure by the Borrower/Client	Type or insert date
Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
Vulnerable Peoples Plan (VPP): [*Specify including the number*]	
Was (were) the document(s) disclosed ***prior to appraisal?***	N.A.
Date of in-country disclosure by the Borrower/Client	Type or insert date
Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
Community Engagement Plan (CEP): [*Specify including the number*]	
Was (were) the document(s) disclosed ***prior to appraisal?***	N.A.
Date of in-country disclosure by the Borrower/Client	Type or insert date
Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
Emergency Preparedness and Response Plan (EPRP): [*Specify including the number*]	
Was (were) the document(s) disclosed ***prior to appraisal?***	N.A.
Date of in-country disclosure by the Borrower/Client	Type or insert date
Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
Hazardous/Biomedical Waste Management Plan (HBWMP): [*Specify including the number*]	
Was (were) the document(s) disclosed ***prior to appraisal?***	N.A.
Date of in-country disclosure by the Borrower/Client	Type or insert date
Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
Disclosure to neighbouring countries:	
Was (were) the document(s) disclosed ***prior to appraisal?***	N.A.
Date of in-country disclosure by the Borrower/Client	Type or insert date

4 **Note**: *This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.*
5 *Including the Livelihood Restoration Plan (LRP)*

Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
Borrower's Environmental and Social Management Plan (ESMP) (Financing Agreement Annex)[6]	
Was (were) the document(s) disclosed ***prior to appraisal?***	**N.A.**
Date of in-country disclosure by the Borrower/Client	Type or insert date
Date of receipt, by the Bank, of the authorization to disclose	Type or insert date
Date of disclosure by the Bank	Type or insert date
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: xxxx	
B.2. Compliance Monitoring Indicators	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	**N.A.**
Have the costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	**N.A.**
Is the total amount for the full implementation for the Resettlement of affected people, as **integrated in the project costs, *effectively mobilized and secured***?[7]	**N.A.**
Does the monitoring and evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	**N.A.**
Have the appropriate institutional arrangements been agreed with the Borrower/Client and the same been adequately reflected in the project legal documents?	**Yes**

A. Clearance

Is the project compliant with the Bank's environmental and social safeguards requirements, and can therefore be submitted for approval? **Yes**

Prepared by:	***Name***	***Signature***	***Date***
Environmental Safeguards Officer:	**XXXXX**		**Type or insert date**
Social Safeguards Officer:	**Ghislain NKWINTCHOUA/ BIDOUZO Sèdjro Hostin Esperancia**		**23 April 2025**
Task Manager:	**Angélique UMUBYEYI**		**24 April 2025**
Submitted by:			
Sector Director:	**Kalayu GEBRE-SELASSIE acting for Abdoulaye COULIBALY**		24 April 2025
Cleared by:			
Director SNSC:	ISSA Maman-Sani		27 April 2025

6 As required by Section III.2.3 of the Bank's Environmental and Social Policy (ESP)

7 If a Resettlement Action Plan (RAP) is not required although the ESIA has been published, attach the image/photo of the site/area/landscape to prove that it is free from occupation (a simple statement or letter from the Borrower is not enough), in addition to the Borrower's statement that the land is State-owned.