



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 25-Aug-2023 | Report No: PIDA36581



BASIC INFORMATION

A. Basic Project Data

Country Burundi	Project ID P180987	Project Name Digital Burundi Additional Financing - Modernization of Public Financial Management	Parent Project ID (if any) P176396
Parent Project Name Burundi Digital Foundations Project	Region EASTERN AND SOUTHERN AFRICA	Estimated Appraisal Date 10-Oct-2023	Estimated Board Date 19-Dec-2023
Practice Area (Lead) Digital Development	Financing Instrument Investment Project Financing	Borrower(s) Republic of Burundi	Implementing Agency Secrétariat Exécutif des Technololies de l'Information et de la Communication (SETIC), Ministère de la Communication, des Technologies de l'Information et des Médias (MINCOTIM)

Proposed Development Objective(s) Parent

To increase broadband internet access, especially to underserved communities, and improve government’s capacity to deliver public services digitally.

Proposed Development Objective(s) Additional Financing

To increase broadband internet access, especially to underserved communities, and improve government’s capacity to manage resources more effectively and deliver public services digitally.

Components

- 1: Digital Access and Inclusion
- 2: Digital Public Service Delivery Enablers
- 3: Institutional Coordination & Project Management
- 4: Contingent Emergency Response

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY



Total Project Cost	40.00
Total Financing	40.00
of which IBRD/IDA	40.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	40.00
IDA Grant	40.00

Environmental and Social Risk Classification

Moderate

B. Introduction and Context

A. Introduction

1. **The US\$40 million Additional Financing (AF) responds to the Government of Burundi (GoB)'s request in 2022 to support the digitalization of public financial management (PFM).** The AF will finance efficiency and transparency enhancements of PFM processes through process reengineering and capacity building supported by digital technologies. Activities will focus on six PFM functions: (i) budget preparation, execution, accounting, and reporting, (ii) treasury management, (iii) tax administration; (iv) public investment management and reform coordination; (v) public procurement; (vi) and human resources and payroll management. The AF will be financed through IDA funds. In addition, the AF will finance the rehabilitation of premises given to the PAFEN PIU by the Ministry of Infrastructure, Equipment and Social Housing (*Ministère des Infrastructures, de l'Équipement et des Logements Sociaux*; MIELS)

B. Parent Project Description and Status

2. **The Burundi Digital Foundations Project (*Projet d'Appui aux Fondations de l'Économie Numérique - PAFEN - P176396*) was approved on June 22, 2022 and is financed through an IDA grant of US\$ 50 million.** The project development objective (PDO) is *“to increase broadband internet access, especially to underserved communities, and improve government’s capacity to deliver public services digitally”* and comprises three components: Component 1, Digital Access and Inclusion (US\$36.5 million), supports wider access to broadband as well as the adoption of data-enabled services; Component 2, Digital Public Service Delivery Enablers (US\$21.3 million) finances cross-cutting digital government foundations that can boost capacity for secure digital public service delivery and use of digital tools and systems by Burundi’s public administration; Component 3, Coordination and Project Management (US\$3.2 million), finances project management and coordination capacity and helps to strengthen the



capacity of the Executive Secretary for Information and Communication Technology (*Secrétariat exécutif des Technologies d'information et de Communication; SETIC*), where a new Project Implementation Unit (PIU) has been established. Component 3 also supports the public sector's ability to attract, build, and retain skills for implementing whole-of-government digital transformation.

C. Sectoral Context

Key PFM Processes

3. **The GoB has made efforts to enhance PFM efficiency and transparency in recent years.** The 2018 Constitution established the legal and institutional framework for the budget and its related authorities (Government and Parliament) and, importantly, reinstated the jurisdictional status of the Court of Accounts (*Cour de Comptes*), among other PFM provisions. The Court of Accounts has regularly published audit reports that reveal weaknesses in budget execution. The GoB has also initiated reforms to replace its current system of traditional (input-based) budgeting with program budgeting. Moreover, increased tax revenues since the 2015 crisis have translated into considerable growth in fiscal revenues, and updated laws on Income Tax¹, Value Added Tax (VAT)², and on Tax and Non-Tax Procedures³ were passed in 2020. Most recently, in 2022, a new Organic Law on Public Finances⁴ was passed, as well as a law defining the financial relations between the central state and local authorities⁵. In looking to better manage these financial relations between sub-national governments, the government has accelerated efforts towards the consolidation of the Treasury Single Account (TSA). Lastly, the government has advanced in the rollout of a salary policy meant to harmonize wages across the civil service and reduce wage disparities which led to an overall increase in the wagebill. In addition, a performance management policy has been designed and 105 senior staff have been trained in anticipation of the implementation of the *politique salariale* and performance management committees have been established throughout the civil service. The new performance management policy is scheduled to be fully deployed on July 31, 2024.

4. **Challenges to the effective and transparent management of public resources remain, starting with budget preparation, execution, accounting, and reporting.** The Court of Accounts' Execution Control report for the 2020/2021 National Budget⁶ is particularly telling. Revenues are considerably under-budgeted leading to in-year surpluses. With these surpluses, expenditure lines are then exceeding the legal allowance (10 percent) without going through parliamentary approval as established by law. Tax expenditures are severely underbudgeted. Arrears are created and not reported and "unexpected" expenditures are carried out beyond the legal allowance (2 percent of total budget) though the expenditures would have been foreseeable at the time of budget preparation. New budget lines are added to the budget in-year without parliamentary approval. There are considerable discrepancies between

¹ Loi No. 1/14 du 24 Décembre 2020 Portant Modification de la Loi No. 1/02 du 24 janvier 2013 Relative Aux Impôts sur les Revenus

² Loi No. 1/10 du 16 Novembre 2020 Portant Modification de la Loi No. 1/12 du 29 juillet 2013 Portant Révision de la Loi No.1/02 du 17 Février 2009 Portant Institution de la Taxe sur la Valeur Ajoutée « TVA »

³ Loi No. 1/12 du 25 Novembre 2020 Relative Aux Procédures Fiscales et Non Fiscales

⁴ Loi Organique No. 1/20 du 20 juin 2022 portant Révision de la loi No 1/35 du 4 décembre 2008 relative aux Finances Publiques

⁵ Loi Organique No. 1/04 du 19 février 2020 portant Modification de Certaines dispositions de la Loi No. 1/33 du 28 novembre 2014 portant Organisation de l'Administration Communale

⁶ Rapport public général Année 2021. République du Burundi, Cour des Comptes (2021).



aggregated numbers and line-item additions in the budget law and the Revenue Authority (*Office Burundais des Recettes*; OBR) reporting and the revenue execution numbers reported by the Ministry of Finance (*Ministère des Finances, du Budget et de la Planification Economique*; MFBPE).

5. **Domestic Resource Mobilization (DRM) though relatively high for the region has not met its full potential, while transparency issues remain.** Since 2010, a year after the creation of the OBR, the country has had the highest tax revenue in the the East African Community (EAC) except for the 2015-2017 crisis years⁷. This despite having the lowest score in the EAC region when it comes to paying taxes (Doing Business 2020), suggesting that lowering the costs of paying taxes could have leapfrog-effects. Consumption taxes account for the larger share of tax revenue (62 percent in 2022), followed by income taxes, and taxes on international trade. OBR has been able to maintain these levels of tax collection using antiquated mostly manual methods of collection and audit. Though effective in collecting taxes, the manual nature of most collection leads to several risks in terms of fiduciary management. Information (data) sharing between OBR, the MFBPE and the Central Bank of Burundi is done manually as they do not have the digital interfaces between the three entities. This has caused discrepancies between the OBR's reporting to the Court of Accounts and the budget execution reports issued by the MFBPE. Importantly, the OBR has not issued an Annual Report of its operations since 2016.

6. **The Treasury Single Account (TSA) is incipient, burdened by the challenges on the expenditure and revenue sides.** The International Monetary Fund (IMF) has been providing TA to the MFBPE to consolidate the TSA for over a year. They have focused on developing the TSA framework decree and on surveying and evaluating the multiple governmental bank accounts. The main driver of the TSA is the urgent need for efficiency in the day-to-day bank balance estimation. Without digital interfaces between the budget execution system at the MFBPE, OBR, and the Central Bank, an accurate daily picture of available liquidity is nearly impossible.

7. **Public investment is projected to increase in the short term and will need support to be geared towards sustainable impact.** The MFBPE has set forth an ambitious public investment program (PIP) aligned with the national development plan. The PIP (2023-2026) proposed amounts to around US\$ 6.7 billion. For the first year of the PIP the GoB is aiming to disburse US\$ 1.1 billion of which US\$ 430 million would be domestically funded (38 percent). This domestically funded public investment for 2023/24 would be a 352 percent increase compared to fiscal year 2021/22. There is no comprehensive institutional framework that regulates the different stages of the Public Investment Management (PIM) system (e.g. identification, preparation, approval) to accompany this hike in investment. Moreover, capacities in sectoral ministries for project development and management are low. There are also no climate considerations in project planning and limited environmental safeguarding.

8. **Challenges in the Public Procurement are eminent and reform in the public procurement sector is necessary.** Public procurement is challenged by lack of transparency and inefficiency, presence of corrupt practices⁸, unsatisfactory compliance of procurement practices with public procurement laws, unnecessary delays in procurement and contract execution, lack of reasonable accountability and limited capacity and expertise of the procurement executives which follow manual procedures for procurement management. A shortage of skilled procurement professionals makes it difficult to manage procurement

⁷ World Bank. Burundi 2023 Economic Update (forthcoming).

⁸ Transparency International's Corruption Perception Index ranked Burundi 171st out of 180 countries in the 2022 rankings.



processes effectively. Procuring entities do not consistently follow the standard bidding documents and procurement processes.

9. **With a new opening to external partners and commitments to new reform areas, the GoB will need a hub to drive reforms.** On July 17, 2023, the IMF Board approved a US\$271 million 38-month Arrangement Under the Extended Credit Facility for Burundi. The WB has started preparation of a potential Development Policy Operation. Other development partners may follow. This will mean a new and additional burden on the MFBPE to drive and report on key reforms for the respective programs. To this end, the MFBPE has established a Coordination Unit (*Cellule de Coordination*) that would take this lead. The Unit will need considerable support to outline its functional mandate and strategy, and to establish daily processes and practices effectively.

10. **Human Resources Management (HRM) in the public sector is highly centralized, lacks effective controls, and is riddled with inefficiencies.** The civil service is the largest employer in Burundi, with an estimated 105,000 civil servants. The Civil Service Ministry (*Ministère de la fonction publique, du travail et de l'emploi*; MFPTE), whose mandate includes the management of civil servants' careers, centralizes some information on civil servants, but sector ministries and departments maintain their own mostly manual HR management practices which are incompatible with the centrally-run OpenPRH system.. As a result of this, Human Resource (HR) processes such as leave approvals, disciplinary measures, addressing absenteeism, promotions, and other actions are often executed with delay⁹ because they are not received in a timely manner or are wrongly inputted due to human error.

11. **The manual processes have reached an unmanageable level of physical registries that hamper the MFPTE's ability to accurately and comprehensively ascertain the workforce and plan for service delivery.** Updated and accurate data on the number and location of civil servants is not readily available. Inability to accurately manage the public workforce contributes to significant inequalities and poor service delivery. For example, the student-to-teacher ratio ranges from 26:1 in the province of Gitega, to 61:1 for Kirundo or Muyinga.¹⁰ Recruitments are not systematically based on needs, but rather according to quotas determined by budgetary constraints, leading to such disparities.

C. Proposed Development Objective(s)

Original PDO

To increase broadband internet access, especially to underserved communities, and improve government's capacity to deliver public services digitally.

Current PDO

To increase broadband internet access, especially to underserved communities, and improve government's capacity to manage resources more effectively and deliver public services digitally.

Key Results

⁹ The average time for processing the file of a new recruit is 3 months and an additional 3 months to process their first salary payment

¹⁰ Institutional Assessment Review of the Primary Education Sector, World Bank. 2022.



D. Changes to PDO and PDO indicators

12. The PDO will be revised to reflect the objective of improved resource management enabled by the modernization of PFM systems and processes. Additional PDO indicators are proposed to monitor achievement of the revised PDO: (i) Level of irregular expenditures in the yearly budget execution report and (i) Share of tax audits selected by data-informed practices.

E. Changes to the Project Components and Costs

13. **Activities for the modernization of PFM processes would be incorporated into Component 2.** The component intends to “finance cross-cutting digital government foundations that can boost capacity for secure digital public service delivery and use of digital tools and systems by Burundi’s public administration”. The digitalization of core PFM systems would directly boost capacity in the use of digital tools in the public administration. The objective of the component would be expanded to reflect the focus on enhancing efficiency and transparency through the development of institutional and organizational frameworks, and training. Specifically, the Component would *finance cross-cutting digital government foundations that can boost capacity for efficient and transparent use of public resources through use of digital tools and systems by Burundi’s public administration.*

14. **Rehabilitation of the PAFEN site would be incorporated under Component 3.** The site that has been assigned to the project consists of 15 old buildings, seated on a surface area of over 1 hectare. Eight of these would be for the use of PAFEN.

G. Changes to the Results Framework (RF)

15. **The results framework will be revised to reflect the focus the management of public resources and to ensure the RF monitors progress on this particular area.** In addition to the two new PDO indicators mentioned above, three new Intermediate Results Indicators (IRI) as follows: (i) Number of tax services covered by the ITAS; (ii) Number of National Budgets prepared through the new IFMIS; (iii) Number of civil servants accessing digital human resources services.

D. Project Description

F. Description of Activities

Modernization of key PFM Processes (US\$ 38 million)

16. **The proposed AF will enhance the efficiency and transparency of key PFM areas through process reengineering supported by digital technologies, as well as reinforce the PAFEN PIU with additional recruitments and rehabilitation of a dedicated site for the project.** The AF will support six key PFM processes: (i) budget preparation, execution, accounting, and reporting, (ii) treasury management, (iii) tax administration; (iv) public investment management and reform coordination; (v) public procurement; and (vi) human resources and payroll management.¹¹ In the selection of activities priority is given to areas with the largest impact on expansion

¹¹ Payroll and human resources management are included in the PFM core processes. However, the project will include also areas of HRM not traditionally considered core PFM processes e.g. performance management.



of fiscal space and enhancement of transparency. Process enhancements would include the development of the institutional and organizational frameworks needed for an efficient and transparent use of government resources as well as the use of new or upgraded digital tools when needed and the trainings and change management required to adopt lasting changes.

17. **Budget preparation, execution, accounting, and reporting (US\$ 13.5 million).** The objective is to (i) enhance internal controls to budget execution, (ii) adapt budget preparation and accounting practices to program budgeting, and (iii) enhance data processing capabilities needed for the sustainable operation of the new PFM digital processes. Activities will include TA (a) to reinforce internal control practices and (b) align accounting practices towards program budgeting; (c) purchase and roll-out of a new IFMIS, accompanying (b) training and change management, and, importantly and a large part of the component, (c) capacity reinforcement of the MFBPE to manage and service the new IFMIS in a fiscally sustainable manner as well as (d) data processing and cybersecurity solutions¹² (e.g. data centers, cloud storage arrangements) aligned with data management policies already supported under Component 2. Capacity reinforcement will include a program to recruit, train and maintain Information Technology (IT) professionals within the public sector. This work will be coordinated with the European Union, UNDP, and UNICEF's support to program budgeting.

18. **Treasury management (US\$ 2 million).** The objective is to consolidate the treasury single account architecture by (i) providing technical assistance to establish the organizational structure e.g. standard operating procedures and roles, around the TSA and (ii) developing the digital connections between the IFMIS, ITAS and Central Bank systems required for efficient consolidation. This work will be coordinated with the IMF's current program on TSA set to end in December 2023.

19. **Tax administration (US\$ 10 million).** The objective is to enhance (i) risk-based control practices and (ii) public reporting of tax administration operations. Activities will include the (a) purchase and roll-out of a new ITAS, (b) accompanying trainings and change management for adoption of the system; and TA and trainings (c) to develop data-driven risk assessments in the audit and day-to-day control processes (from data issued by the new ITAS) and (d) to develop a reliable and consistent practice of public reporting of the tax administration's operations.

20. **Public investment management (PIM) and reform coordination (US\$ 2 million).** The objective is to enhance the efficiency, impact, and climate change sensitivity of (i) public investment projects (including externally funded) and (ii) macro-fiscal and PFM reforms. This would be done through TA to (a) strengthen the PIM cycle, including project preparation by the sector ministries; (b) enhance climate change-informed public investment planning and monitoring, (c) supervise externally and domestically funded projects, and (d) to work with project implementation teams to improve project performance. Additionally, support will be given to the newly created Reform Coordination Unit, including (e) south-to-south exchanges, trainings, and TA to develop the unit's mission, strategy, organizational set-up and Standard Operating Procedures along with (f) any needed hardware and software e.g. computers, furnishings. With an aim to support key reform efforts activities will include TA to prepare capacity

¹² Data processing solutions would be required to comply with the Paris Agreement as guided by the country's NDC and the World Bank's Paris Alignment requirements.



assessments and strategic planning for key reform areas such as State Owned Enterprises (SOE) governance¹³.

21. **Public procurement (US\$ 1.5 million).** The objective is (i) to enhance the transparency, efficiency, and accountability of the public procurement system while (ii) preparing the procurement processes for an evolution towards an e-procurement system (e-GP). Financing will provide TA to (i) develop a procurement reform strategy and roadmap, including preparatory activities for an e-GP system; (ii) draft and move forward a legislative and regulatory framework that enhances transparency and efficiency of the procurement system; (iii) develop the business process re-engineering (BPR) of procurement processes and practices for transforming traditional procurement into modern and transparent processes; (iv) change management to adopt the changes; and the (v) preparation of business, functional and technical requirements for the acquisition of an e-GP system. Financing will also support the (vi) enhancement of the current State Procurement Portal with a view to making advancements on transparency of procurement processes while the sector prepares itself for an e-GP.

22. **Human resources and payroll management (US\$ 9 million).** The objective is to (i) consolidate and improve the reliability of the civil servants database and eliminate inconsistencies between the personnel registry at the MFPTE and the payroll database, (ii) reinforce HRM control systems including attendance at key ministries, identity verification, and retirement protocols, and (iii) enhance the efficiency and reliability of career management functions at the MFPTE. Activities would include (a) design and rollout of a biometric census and functional ID system, and concurrent match/mismatch survey of the payroll; as well TA to (b) reinforce payroll controls sustainably. Activities would also include the (c) upgrade of the existing modules in OpenPRH (payment, career management and recruitment) to optimize functionality and its accompanying (d) change management, along with equipment (e.g. computers) and digitalization of records as needed; and (e) a program to build internal digital skills and competencies within the MFPTE to manage and support digitalization and uptake.

PAFEN PIU strengthening and site rehabilitation (US\$ 2 million)

23. **Under Component 3, support will be provided to the PAFEN PIU to manage the additional activities and rehabilitate a site given to the Project by the GoB following approval of the project.** Following the assignment of land and eight buildings to the PAFEN, rehabilitation of these will be financed. The site would have the capacity to host the offices for the PIU as well as governmental institutions working on digital government initiatives in the future, including SETIC, and national data protection and cybersecurity functions. It would also host the Network Operating Centre (NOC) being financed under PAFEN. At the end of the project, the offices would be under the responsibility of SETIC. The rehabilitation would involve amongst others TA for the provision of comprehensive cost estimates covering civil, electrical and interconnection works; a social and environmental audit, which will inform design to ensure rehabilitation activities are aligned with the WB environmental and social framework as well as alignment with the Paris Agreement; TA for the development of maintenance and sustainability model for this site; and financing the actual works to be carried out in the site.

¹³ SOEs employ more than 75 percent of the country's formal workers, and they account for almost one-third of overall non-farm wage employment. Estimates of SOEs' debt amount to 2 percent of the GDP, including wage arrears. The Direction in Charge of Reforming Publicly Owned companies (Direction des reformes des societees a participation publique; DRSP) was created in September 2020 and is under the MFBPE.



Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

Institutional and Implementation Arrangements

24. **The institutional arrangements under the Parent Project would be maintained, with members representing the new beneficiaries added at all levels.** The new beneficiaries and technical leads would be the MFBPE for all new activities on Component 2 except the HRM-related activities for which the MFPTC would be the lead. The SETIC would lead the rehabilitation of the PAFEN site. The Project Steering Committee will also be expanded to include an OBR representative. PIU staff would be augmented with a deputy Coordinator in charge of PFM as well as a Senior Procurement Specialist to accommodate for the increase in activities when/if needed. A consultant would also be recruited to oversee the rehabilitation of the PAFEN site.

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