AFRICAN DEVELOPMENT BANK GROUP

BURUNDI

YAKARARO-MWARO-GITEGA ROAD (NH18) UPGRADE AND ASPHALTING PROJECT / PHASE II - KIBUMBU-GITEGA SEGMENT (Mweya) - (24 km)

OITC/GECL DEPARTMENTS

January 2017

Translated Document
TABLE OF CONTENTS

1. STRATEGIC THRUST AND RATIONALE ................................................................. 1
   1.1 PROJECT LINKAGES WITH REGIONAL AND NATIONAL STRATEGIES AND GOALS .................................................. 1
   1.2 RATIONALE FOR BANK INVOLVEMENT ......................................................................... 2
   1.3 BANK PORTFOLIO ..................................................................................................... 3
   1.4 AID COORDINATION ............................................................................................... 3

2. PROJECT DESCRIPTION ............................................................................................ 4
   2.1 PROJECT OBJECTIVES AND COMPONENTS ................................................................. 4
   2.2 TECHNICAL SOLUTIONS ADOPTED AND ALTERNATIVES EXPLORED .................................................. 5
   2.3 TYPE OF PROJECT .................................................................................................. 5
   2.4 PROJECT COST ESTIMATE AND FINANCING MECHANISMS .............................................. 6
   2.5 PROJECT AREAS AND BENEFICIARIES ..................................................................... 7
   2.6 PARTICIPATORY APPROACH .................................................................................... 8
   2.7 CONSIDERATION OF BANK GROUP EXPERIENCE ....................................................... 8
   2.8 KEY PERFORMANCE INDICATORS ............................................................................ 8

3. PROJECT FEASIBILITY ............................................................................................. 9
   3.1 ECONOMIC AND FINANCIAL PERFORMANCE .......................................................... 9
   3.2 ENVIRONMENTAL AND SOCIAL IMPACT ................................................................ 10

4. IMPLEMENTATION ..................................................................................................... 14
   4.1 IMPLEMENTATION ARRANGEMENTS .......................................................................... 14
   4.2 MONITORING/EVALUATION .................................................................................... 15
   4.3 GOVERNANCE ....................................................................................................... 16
   4.4 SUSTAINABILITY ................................................................................................... 17
   4.5 RISK MANAGEMENT ............................................................................................. 18
   4.6 KNOWLEDGE BUILDING ........................................................................................ 18

5. LEGAL FRAMEWORK ............................................................................................... 19
   5.1 FINANCING INSTRUMENT ....................................................................................... 19
   5.2 CONDITIONS FOR BANK INVOLVEMENT ............................................................... 19
   5.3 COMPLIANCE WITH BANK POLICIES .................................................................... 20

6. CONCLUSION AND RECOMMENDATION .................................................................. 20
   6.1 CONCLUSION .......................................................................................................... 20
   6.2 RECOMMENDATIONS ............................................................................................. 20

ANNEX I: COMPARATIVE SOCIO-ECONOMIC INDICATORS
ANNEX II: TABLE OF THE BANK’S PORTFOLIO IN BURUNDI
ANNEX III: TAKING FRAILITY INTO ACCOUNT
ANNEX IV: MAP OF THE PROJECT AREA

LIST OF TABLES
Table 1: Description of Solutions ............................................................................. 4
Table 2: Summary of Total Project Cost Estimate by Component .................................. 6
Table 3: Summary of Total Project Cost Estimate by Category .................................... 6
Table 4: Summary of Total Project Cost Estimate by Source of Financing .................... 7
Table 5: Summary of Total Project Cost Estimates by Expenditure Category .................. 7
Table 6: Project Expenditure Schedule by Component (in US million) .......................... 7
Table 7: Summary of the Economic Analysis .............................................................. 10
Currency Equivalents
November 2016

UA 1 = BIF  2,279,24UA 1 = EUR 1.27
UA 1 = USD 1.35

Fiscal Year
1 January – 31 December

Weights and Measures

<table>
<thead>
<tr>
<th>Unit</th>
<th>Equivalent</th>
<th>Unit</th>
<th>Equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 tonne (t)</td>
<td>= 2,204 pounds</td>
<td>1 millimetre (mm)</td>
<td>= 0.03937 inch</td>
</tr>
<tr>
<td>1 kilogramme (kg)</td>
<td>= 2.204 pounds</td>
<td>1 kilometre (km)</td>
<td>= 0.62 miles</td>
</tr>
<tr>
<td>1 metre (m)</td>
<td>= 3.28 feet</td>
<td>1 hectare (ha)</td>
<td>= 2.471 acres</td>
</tr>
</tbody>
</table>

Abbreviations and Acronyms

ADF African Development Fund
BADEA Arab Bank for Economic Development in Africa
BIF Burundian Franc
CPPR Country Portfolio Performance Review
CSP Country Strategy Paper
DPD Detailed preliminary design
ESIA Environmental and Social Impact Assessment
ESMP Environmental and Social Management Plan
EU European Union
GDP Gross domestic product
GPRSF II Growth and Poverty Reduction Strategic Framework (second generation)
IDA International Development Agency
IRR Internal rate of return
ISTEEBU National Institute of Statistics and Economic Studies of Burundi
JICA Japanese International Cooperation Agency
MFBP Ministry of Finance, Budget and Privatisation
MTTPE Ministry of Transport, Public Works and Infrastructure
NEPAD New Partnership for Africa’s Development
OdR Highways Authority
OFID OPEC Fund for International Development
PAI Project’s area of influence
PAP Priority Action Programme
PDSR Road Sector Development Project
PIU Project Implementation Unit
RRN National Road Network
SMEs Small and medium-sized enterprises
SPD Summary preliminary design
TSF Transition Support Fund
UA Unit of Account
VOCs Vehicle operating cost
### Project Information Sheet

**Client Information**

**BORROWER:** Republic of Burundi  
**PROJECT TITLE:** Nyakararo-Mwaro-Gitega Road (RN18) Upgrade and Asphalting Project / Phase II – Kibumbu-Gitega Segment (Mweya) - 24 km  
**PROJECT AREA:** Gitega and Mwaro Provinces  
**EXECUTING AGENCY:** Highways Authority (OdR)

### Financing Plan (in UA million)

<table>
<thead>
<tr>
<th>Sources of Financing</th>
<th>Amount in UA million</th>
<th>Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign Exchange</td>
<td>Local Currency</td>
</tr>
<tr>
<td><strong>ADF 13</strong></td>
<td>ADF 7.00</td>
<td>2.72</td>
</tr>
<tr>
<td></td>
<td>Performance-Based Allocation (BPA): UA 8.99 million</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cancellation: UA 0.73 million</td>
<td></td>
</tr>
<tr>
<td><strong>TSF</strong></td>
<td>3.06</td>
<td>1.02</td>
</tr>
<tr>
<td><strong>Counterpart contribution</strong></td>
<td>1.54</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>10.06</td>
<td>5.28</td>
</tr>
</tbody>
</table>

### Key Financial Data on the ADF Grant

- **Grant Currency:** Not applicable
- **Unit of Account:** Not applicable
- **Interest type:** Not applicable
- **Interest rate margin:** Not applicable
- **Other Expenses:** Not applicable
- **NPV (baseline scenario):** BIF 6.4 billion
- **ERR (baseline scenario):** 18.44%

<table>
<thead>
<tr>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concept Note approval</td>
</tr>
<tr>
<td>Project approval</td>
</tr>
<tr>
<td>Effectiveness</td>
</tr>
<tr>
<td>Completion</td>
</tr>
<tr>
<td>Last disbursement</td>
</tr>
</tbody>
</table>
Overview

1. Burundi is a country in a fragile situation, consequent upon the 2015 electoral process and the resulting social tensions. The country’s geographic location and its weak infrastructure (roads, energy, ICT, etc.) have led to the spatial exclusion of rural areas, thus further worsening other forms of divide (inter-regional divide and the rural/urban divide). This infrastructural weakness also hampers the promotion of the private sector and the diversification of an economy that is heavily dependent on foreign aid. The improvement of the road network is a factor likely to contribute to the restoration of social cohesion through the intensification of trade among the diverse communities and the fostering of economic opportunities: private sector and employment promotion, especially in favour of the youth.

2. Through various development programmes implemented since 2005, the authorities decided to lay specific emphasis on road infrastructure development, with a view to pulling the country out of isolation. This infrastructure is seen as the lever for developing the country’s economic and commercial activities. Over 80% of national trade is conducted by road and this percentage will likely remain unchanged due to the country’s geographic location. The upgrade and asphalting project on National Highway No. 18 (RN 18: Nyakararo-Mwaro-Gitega), Phase II, Kibumbu-Gitega segment (Mweya), which is approximately 24 km long, is part of Burundi’s road network improvement plan. RN 18 is one of the economic and strategic routes linking the capital city of Bujumbura to the central, northern and eastern parts of the country.

3. The project has four components: (A) upgrade and asphalting works on the Gitega-Kibumbu segment (Mweya), including environmental protection measures; (B) ancillary works comprising rehabilitation of 15 km of rural roads and basic socio-economic infrastructure; (C) support to higher education institutions; and (D) project management and monitoring.

4. The project’s area of influence (PAI) covers two communes of Mwaro Province and two communes of Gitega province, with a population of over 350,000 inhabitants, of which 53% are women. It is expected to facilitate mobility, boost regional trade and open up access to rural areas. Specifically, it seeks to facilitate the movement of goods and people along RN 18 to the rest of the country and the sub-region, and to improve community access to basic services and agricultural inputs.

5. Project activities will be implemented from January 2017 to December 2020, for an estimated total of UA 15.34 million, net of taxes and customs duty, of which: (i) UA 9.72 million from the ADF; (ii) UA 4.08 million from the TSF; and (iii) UA 1.54 million as counterpart contribution. The Bank’s contribution is UA 1.12 million or 89.96% of the total project cost.

Needs Assessment

6. The project design is essentially based on detailed pre-project studies financed with own resources by Burundi in November 2013, and updated in July 2016 (alignment, traffic costs and projections, etc.).

7. The Bank’s intervention is based on an analysis of national socio-economic needs and a desire to support the Government’s implementation of its road development strategy for the country and regions with high economic potential. Investments under the project are prompted by the current state of the segment (dirt road in poor state) and the completion of asphalting on RN 18. This road is an alternative route on the central corridor.
**Value-added for the Bank**

8. Through this project, the Bank will contribute to the implementation of the Priority Action Plan in Burundi’s transport infrastructure sector and build on the achievements of similar national/multinational operations executed in the past. The financing of this project falls within the framework of the Bank’s assistance strategy in Burundi (CSP 2012-2016) and is aimed at helping the country to create the conditions necessary for the attainment of Burundi Vision 2025 goals, namely: achieving double-digit growth and 50% poverty reduction. This project is also consistent with the Infrastructure Action Plan for Burundi, financed by the Bank in 2009, which aims at promoting the country’s regional integration. The Bank has long-standing experience in executing backbone projects in Burundi, especially in the infrastructure sector where it has a comparative advantage. These projects have proven to be key dialogue instruments for the Bank, through its Transition Support Facility and the 2014-2019 Strategy to Address Fragility and Build Resilience in Africa (2014-2019), especially in countries like Burundi.

**Knowledge Management**

9. The experience acquired from implementing similar road projects was factored into this project design. The Bank’s infrastructure projects are a mechanism for women’s empowerment that leads to a change of mentality. Women are increasingly taking more construction site jobs that used to be the exclusive preserve of men.

10. The project will further knowledge on the contribution of transport projects, the consolidation of regional integration and the improvement of the living conditions of project beneficiary communities. It will also enhance youth employability, particularly through the promotion of internships for young engineers in the construction companies and in the control and supervision firms.
### PROJECT RESULTS-BASED LOGICAL FRAMEWORK

**Country and Project Title:** Burundi: Nyakararo-Mwaro-Gitega Road (RN18) Upgrade and Asphalting Project / Phase II – Kibumbu-Gitega Segment (Mweya) _24 km_

**Project Goal:** Facilitate the movement of goods and persons, with a view to strengthening social cohesion and improving the living conditions of project’s area of influence

<table>
<thead>
<tr>
<th>RESULTS CHAIN</th>
<th>PERFORMANCE INDICATORS</th>
<th>BASELINE SITUATION (2016)</th>
<th>TARGET (2020)</th>
<th>MEANS OF VERIFICATION</th>
<th>RISKS/ MITIGATION MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPACT</td>
<td>Indicators (including ISCS)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Contribute to road development and poverty reduction | Improve regional flows | Baseline 2016: Not stated | 10% increase in 2020 | Sources: ISTEEBU and OdR reports | Major Risk  
Country’s political instability and fragility  
Mitigation measures: Efforts by the international community to restore inter-Burundian dialogue could help to overcome these risks. Furthermore, despite the country’s fragile situation, sites in which project investments are planned remain accessible, from the security standpoint. |
| Impact 1: The level of service on the highway (Kibumbu-Gitega segment) is improved | Total traffic on RN 18: (Kibumbu-Gitega segment) | 100 vehicles/day | 250 vehicles/day (150% growth rate) | Sources: Head count, surveys and progress reports of the Highways Authority (OdR) | Risk 1: Increase in the cost of works.  
Mitigation measures 1: International competitive bidding procedure for works, works control and surveillance.  
Risk 2: Late mobilization of counterpart funds.  
Mitigation measures 2: Annual availability of counterpart fund resources, in accordance with the expenditure schedule, as a grant condition.  
Risk 3: Early deterioration due to non-compliance with the axle-load limit.  
Mitigation measures 3: The adoption and implementation of the decree on axle-load regulations and its enabling instruments will help to mitigate this risk.  
Risk 4: Lack of road maintenance due to cap on National Road Fund resources  
Mitigation measures 4: Ongoing consultations with Burundian authorities on lifting the cap on FRN 

<table>
<thead>
<tr>
<th>OUTCOMES</th>
<th>INDICATORS</th>
<th>BASELINE SITUATION (2016)</th>
<th>TARGET (2020)</th>
<th>MEANS OF VERIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome 1: The level of service on the highway (Kibumbu-Gitega segment) is improved</td>
<td>Total traffic on RN 18: (Kibumbu-Gitega segment)</td>
<td>100 vehicles/day</td>
<td>250 vehicles/day (150% growth rate)</td>
<td>Sources: Head count, surveys and progress reports of the Highways Authority (OdR)</td>
</tr>
<tr>
<td>Heavy vehicle travel time on RN 18: Nyakararo- Mwaro-Gitega, Kibumbu-Gitega segment</td>
<td>1.30 hr</td>
<td>0.75 hr (representing a 50% reduction)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average vehicle operation cost (VOC) for heavy vehicles</td>
<td>BIF 5,748 /km</td>
<td>2,931 vehicles/day (49% decline)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUTCOMES</th>
<th>INDICATORS</th>
<th>BASELINE SITUATION (2016)</th>
<th>TARGET (2020)</th>
<th>MEANS OF VERIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome 2: Rural access and living conditions of communities improved in project's area of influence (PAI)</td>
<td>Rural access index (RAI) in the PAI</td>
<td>20%</td>
<td>25%</td>
<td>Sources: National statistical reports and monitoring-evaluation reports</td>
</tr>
<tr>
<td>Number of jobs created</td>
<td>N.A.</td>
<td>70,000 man-months, including 30% for women</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of women using vehicles for transport</td>
<td>25%</td>
<td>40%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of women holding direct jobs created on the project site</td>
<td>0%</td>
<td>30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of km</td>
<td>24 km</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUTCOMES</th>
<th>INDICATORS</th>
<th>BASELINE SITUATION (2016)</th>
<th>TARGET (2020)</th>
<th>MEANS OF VERIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome 2: Rural access and living conditions of communities improved in project's area of influence (PAI)</td>
<td>Length of rural roads developed</td>
<td>15 km of rural roads developed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROCEDURES</th>
<th>INDICATORS</th>
<th>BASELINE SITUATION (2016)</th>
<th>TARGET (2020)</th>
<th>MEANS OF VERIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output 1: Length of paved road on RN 18: Kibumbu-Mweya</td>
<td>Length of rural roads developed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output 2: Ancillary works</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROCEDURES</th>
<th>INDICATORS</th>
<th>BASELINE SITUATION (2016)</th>
<th>TARGET (2020)</th>
<th>MEANS OF VERIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output 1: Length of paved road on RN 18: Kibumbu-Mweya</td>
<td>Length of rural roads developed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output 2: Ancillary works</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROCEDURES</th>
<th>INDICATORS</th>
<th>BASELINE SITUATION (2016)</th>
<th>TARGET (2020)</th>
<th>MEANS OF VERIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output 1: Length of paved road on RN 18: Kibumbu-Mweya</td>
<td>Length of rural roads developed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output 2: Ancillary works</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
- Bihanga market rehabilitated and constructed
- Number of markets rehabilitated

- Kibiri primary school rehabilitated and lit
- Number of primary schools rehabilitated and lit

- Mugoboka-Rutoke DWS rehabilitated
- 1 Mugoboka-Rutoke DWS line rehabilitated

Output 3: Strengthen the employability of university graduates
- Training course in engineering and fiduciary management
- Connection of universities to high-speed internet

One market rehabilitated and occupied 50% by women

1 primary school rehabilitated and lit with solar panels

Mugoboka—Rutoke DWS line rehabilitated and operational

10 trainee engineers (including at least 5 women) are involved in project execution

14 universities connected to high-speed internet with at least one hotspot

Source: OdR report

resources and raising of additional resources through road tolls, for instance, will increase the road maintenance fund.

<table>
<thead>
<tr>
<th>COMPONENTS</th>
<th>RESOURCES (UA MILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Road works and environmental measures</td>
<td>1 Road Works: 11.96</td>
</tr>
<tr>
<td>2 Ancillary works</td>
<td>2 Ancillary works: 0.78</td>
</tr>
<tr>
<td>3 Institutional Support</td>
<td>3 Institutional support: 0.18</td>
</tr>
<tr>
<td>4 Project management and monitoring</td>
<td>4 Project management and monitoring: 0.18</td>
</tr>
<tr>
<td>5 Vacating the right-of-way</td>
<td>Contingencies: 2.17</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL: 15.34</strong></td>
</tr>
</tbody>
</table>

**TOTAL RESOURCES: 15.38**
## PROJECT IMPLEMENTATION SCHEDULE

<table>
<thead>
<tr>
<th>Years</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>9 10</td>
<td>11 12</td>
<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
<td>1 2 3 4 5 6 7 8 9 10 11 12</td>
</tr>
</tbody>
</table>

**0. RN-18 Phase II, Project Implementation Schedule**

**1. Burundi-Project-Kibumbu-Gitega (Mweya)-24Km Phase II**

<table>
<thead>
<tr>
<th>Name of Task</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. GENERAL ACTIVITIES</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Bank approval of the Grant</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Grant effectiveness</td>
<td>X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. ROAD WORKS</td>
<td>X X X X X X X X X X X X X X X X X X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Process from procurement to notification (AC)</td>
<td>X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Implementation of road works</td>
<td></td>
<td>X</td>
<td>X X X X X X X X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. End of works/provisional reception</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. ANCILLARY WORKS</td>
<td>X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Process of procurement up to notification (AC)</td>
<td>X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12. Works implementation (access roads, markets, schools)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. CONTROL AND SUPERVISION OF ROAD AND ANCILLARY WORKS (AC)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Process from procurement to notification (AC)</td>
<td>X X X X X X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. End of services/final report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>5. SENSITIZATION OF PA COMMUNITIES</td>
<td>X X X X X X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1. Process from procurement to notification</td>
<td>X X X X X X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.2. Periodic execution of sensitization campaigns</td>
<td>X X</td>
<td>X X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.3. End of service/final report</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. SOCIO-ECONOMIC IMPACT MONITORING/EVALUATION</td>
<td>X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.1. Process from procurement to notification</td>
<td>X X X X X X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.2. Periodic execution of monitoring/evaluation campaigns</td>
<td>X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.3. End of service/final report</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. ACCOUNTING AND FINANCIAL AUDIT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>7.1. Process from procurement up to notification</td>
<td>X X X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.2. Provision of auditing services</td>
<td>X X</td>
<td>X X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. ROAD SECURITY TECHNICAL AUDIT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.1. Process from procurement up to notification</td>
<td>X X X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.2. Provision of auditing services</td>
<td>X X</td>
<td>X X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. INSTITUTION BUILDING AND PROCUREMENT OF GOODS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.1. Process from procurement to notification</td>
<td>X X X X X</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.2. Procurement and installation of hot spots</td>
<td></td>
<td></td>
<td>X X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
REPORT AND RECOMMENDATION OF MANAGEMENT TO THE BOARDS OF DIRECTORS CONCERNING THE AWARD OF GRANTS TO THE REPUBLIC OF BURUNDI TO FUND THE NYAKARARO-MWARO-GITEGA ROAD (RN 18) UPGRADE AND ASPHALTING PROJECT / PHASE II - KIBUMBU-GITEGA SEGMENT (MWEYA) - (24 Km)

Management hereby submits this report and recommendation concerning a proposal to award: (i) an ADF grant of UA 9.72 million; and (ii) a TSF Pillar I grant of UA 4.08 million to the Republic of Burundi to finance the Nyakararo - Gitega (RN18) Road Upgrade and Asphalting Project - Phase II - Kibumbu-Gitega Segment (Mweya) - (24 km).

1. STRATEGIC THRUST AND RATIONALE

1.1 Project Linkages with Regional and National Strategies and Goals

1.1.1. Pursuant to Pillar II ("Transform the Burundian economy to ensure sustained growth and job creation") of the second-generation Growth and Poverty Reduction Strategic Framework (GPRSF-II), the Government of Burundi developed a transport sector strategy to provide the country with modern infrastructure that fuels the promotion of socio-economic activities. Therefore, this project, which aligns seamlessly on Pillar II, contributes to the implementation of the National Road Network Improvement Programme that specifically aims to: (i) expand the paved network to ensure access to all areas with high economic potential; (ii) protect the existing network; (iii) promote the private sector by fostering the emergence of businesses and successful consultancy firms; and (iv) diversify international routes to open up and ensure access to the country.

1.1.2. The Bank’s Country Strategy Paper for Burundi (CSP 2012-16) is aligned on PRSF-II and supports the Government's vision through two strategic pillars: (i) “Strengthen governance”; and (ii) “Improve Infrastructure”. This project is also in line with CSP Pillar II and consistent with Bank priorities and strategies, especially the Ten-Year Strategy 2013-2022, the High 5s – specifically regional integration – as well as the Bank’s Strategy on Addressing Fragility and Building Resilience in Africa (2014-2019), which underscores equitable access to basic infrastructure as a factor for reducing fragility and a source of resilience. It will be recalled that the goal of CSP Pillar I is to ensure that Bank operations promote an adequate institutional framework through capacity-building to improve reform development and monitoring skills. Thus, strengthening governance in public finance management will enhance the delivery of public services, and infrastructure construction/maintenance (transport, energy, agricultural, etc.). The goal of Pillar II is to develop “green”, environmentally-friendly infrastructure in the transport and energy sectors, with a view to fostering sub-regional integration. Furthermore, the development of irrigation infrastructure will help to boost agricultural production and thus reduce the level of malnutrition in the country. In short, this infrastructure will increase community access to basic facilities for households, thereby helping to mitigate the factors of fragility.

1.1.3. Pursuant to the CSP and PRSF-II, the Nyakararo-Mwaro-Gitega Road Upgrade and Development Project / Phase II - Kibumbu- Gitega Segment (Mweya) will boost mobility, inter-regional trade, access to rural communities and enhanced social cohesion once it is completed. Specifically, it will boost economic growth sectors¹ and improve community access to basic services and agricultural inputs. RN18 was identified in December 2010 and the financing request was sent to the Bank in January 2013.

¹ Out of the 1,952 km of national roads, 84% is paved and 16% unpaved.
1.2  Rationale for Bank Involvement

1.2.1  Burundi is a landlocked country with a high population density (one of the highest in the world: 325 inhabitants/km²). The agricultural sector, which employs over 90% of the population, accounts for almost 40% of GDP. Studies have shown that the harmonious development of this sector is not possible without transport infrastructure that facilitates all-season transportation of goods and passengers. Currently, the National Road Network (RRN) covers 4,474 km, of which 1,952 km national roads and 2,522 km provincial roads. However, within the project’s area of influence (PAI), the roads are hardly motorable for most of the year. Hence, maintaining a system that ensures the regular supply of various inputs to farming areas, access to basic social services for rural communities and the timely evacuation of produce to commercial centres essentially depends on the quality of services rendered to customers.

1.2.2  Burundi’s fragility situation was further exacerbated by the 2015 electoral crisis (cf. Annex III). This situation is the consequence of the social divide that has characterized the country’s history. The poor road infrastructure has contributed to worsening the existing divide. Yet, a road infrastructure intensification programme could help to strengthen trade between diverse communities, thus reducing some of the divide and enhancing social cohesion. Beyond inter-community trade, this infrastructure could foster economic opportunities capable of promoting economic diversification, employment and the private sector. Therefore, having opted to continue its engagement with the country in a situation of fragility through the Transition Support Facility and the Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019), the Bank could use this project as a dialogue instrument and a means towards contributing to the process of resolving the Burundian crisis, alongside other technical and financial partners.

1.2.3  About 90% of domestic passenger and goods transport is done by road, which is consequently the most prevalent mode of transport in the country. The deterioration of transport infrastructure due to lack of maintenance (45% is in relatively good condition and about 2/5 of the asphalted network is at the end of its life expectancy and thus requires rehabilitation) is a major handicap to the development of access to and within Burundi.

1.2.4  Development of the Nyakararo-Gitega road, Phase II, will ease traffic on RN 1 (Bujumbura–Kayanza), which bears the heaviest traffic from the North Corridor (from/to Mombassa Port in Kenya), the Central Corridor (from/to the Dar es Salaam Port in Tanzania) and the national traffic from the central, northern and eastern provinces. Hence, the newly constructed road will serve as an alternative route to the Central Corridor via RN 12 (between Gitega and Muyinga), and cut transport costs which currently represent 40% of the import-export price.

1.2.5  In light of the foregoing, various components identified for the project are based on the need to improve the community access rate to social, administrative and economic infrastructure. Furthermore, the project is consistent with the operations financed by the Bank in Burundi’s transport sector. The various operations confirm the Bank’s comparative advantage in Burundi’s transport infrastructure sector. It is worth noting that in 2009, the Bank funded and piloted the study on “the Action Plan for Improvement of Infrastructure in Burundi”, which led to the identification of national and regional priority investments.
1.3 Bank Portfolio

1.3.1 As of 30 September 2016, the Bank’s active portfolio in Burundi comprised 15 projects, including six (6) national projects, nine (9) regional operations and no private sector project. Total commitments amounted to UA 265.3 million, of which UA 94 million was allocated to national projects and UA 171.3 million to regional operations. The sector distribution of the portfolio is consistent with the country strategy priority pillars (CSP 2012-16) and indicate a predominance of transport and energy infrastructure (85%). All the operations are funded with ADF and TSF grants.

1.3.2 Overall, national public portfolio performance is deemed satisfactory according to the latest rating conducted in 2015, with a score of 3.7 on a scale of 1 to 4, even if some indicators are still relatively low. The total score improved from 3.4 in 2012 to 3.46 in 2013 and 3.7 in 2015. The average implementation status (IS) score rose from 3.28 in 2012 to 3.3 in 2013 and 3.7 in 2015. Meanwhile, the score on the probability of attaining the development goals (DGs) increased from 3.74 in 2012 to 3.77 in 2013 before falling back to 3.6 in 2015. This performance essentially stems from: (i) opening of the Bank’s field office in Burundi (BIFO); (ii) the proper review and execution of DPD studies to ensure good project quality at entry; (iii) timely fulfilment of conditions precedent to first disbursement; (iv) respect of deadlines at all stages of the procurement and project execution processes; (v) timely conduct of audits; (vi) assessment of the impact of Fund operations on national development, by including the monitoring/evaluation system; and (vii) establishment of a committee to monitor the Bank’s portfolio in Burundi.

1.4 Aid Coordination

1.4.1 The formal frameworks for dialogue between the various development partners and the Government have not been operational since the eruption of the socio-political crisis in April 2015. These include: (i) monthly strategic forums chaired by the Minister of Finance; and (ii) quarterly political forums, held under the chair of the Second Vice-President of the Republic. The 13 sectoral groups are no longer able to hold monthly meetings as they did in the past.

1.4.2 Pursuant to Article 96 of the Cotonou Agreement, the European Union (EU) and its main member countries suspended their direct aid (including budget support) to the country in March 2016 following the 2015 electoral process (cf. Annex III). It should be noted that the EU was planning to provide Burundi with funding amounting to EUR 432 million for 2015-2020. The EU expects “concrete measures” from the Government, especially on press freedom and human rights, and that it should engage in genuine dialogue with the opposition. This decision does not affect financial support to the population and humanitarian aid. Moreover, ongoing projects have not been suspended. Meanwhile, several EU missions have visited Burundi since the beginning of 2016 to analyse the procedures for implementing new social projects [health (EUR 40 million) and nutrition (EUR 15 million)] through NGOs/associations and the private sector, without going through the Government. In contrast, the World Bank, like AfDB, has never suspended its aid to the country and several projects are being appraised [Integrated Multinational Project in Ruzizi Plain DRC/Burundi, to promote safety nets in collaboration with UNICEF (USD40 million), etc.].

1.4.3 The Bank is the lead donor in the area of transport infrastructure (over 60% of its portfolio, or UA 122.7 million), and thus consolidates its position as the lead agency of TFPs in this sector. The other key donors of the sector are the World Bank (WB), European Union (EU), Japanese Cooperation (JICA) and the Arab Funds. Between 2010 and 2015, the commitments of the other TFPs in the sector were: UA 117.07 million (EU); UA 73.67 million (World Bank); UA 46.37 million (Arab Funds) and UA 27 million (JICA).
2. **PROJECT DESCRIPTION**

2.1 **Project Objectives and Components**

2.1.1 The sector goal of the project is to open up access to and within the country, and to strengthen social cohesion, in a bid to support economic activities and improve the people’s living conditions. It also seeks to create access to farming areas as well as social, administrative and commercial infrastructure.

2.1.2 The specific objective of the project is to: (i) complete the upgrade and asphalting of RN 18; and (ii) improve the level of service offered to users along RN 18, as well as the people’s living conditions.

2.1.3 The project focuses on the following four components:

A. **Road works** (UA 13.93 million)

A.1. Upgrade and asphalting works on the Kibumbu-Gitega-Mweya main road, over a distance of 24 km, including environmental protection measures, displacement of the right-of-way and rehabilitation of the pipe (Mugoboka-Rutoke) that supplies drinking water to the local primary school, Bihanga market and Rutoke health centre

A.2. Road works control and supervision

A.3. Community awareness-raising in the project area on road safety, environmental protection, control of STIs including HIV/AIDS, and family planning.

B. **Ancillary Works** (UA 0.91 million)

B.1. Development of rural feeder roads (15 km), including the rehabilitation of two culverts over the Waga and Mushwabure rivers

B.2. Construction of socio-economic infrastructure (Bihanga rural market)

B.3. Rehabilitation of school infrastructure (administrative block, 3 classrooms and a toilet block at Kibiri primary school), including supply and installation of solar panels

B.4. Control and supervision of related works.

C. **Support to Higher Education Institutions** (UA 0.21 million)

C.1. The project plans to recruit 10 young trainee engineers (including at least five women) to ensure the transfer of engineering and fiduciary management knowledge under the project. These young recruits will be absorbed into the control mission and the road construction company, with salaries paid by the project.

C.2. Contribution to the AFRICA CONNECT project: support the supply and installation of internet connectivity to universities in EAC countries (BERNET-Burundi Education and Research Net Work), as well as the provision and installation of hotspot equipment in 14 universities (see details in Annex C9).

D. **Project Management and Monitoring** (UA 0.29 million)

D.1. Accounting and financial audit
D.2. Technical and road safety audit of the project
D.3. Monitoring/evaluation of project impact
D.5. Functioning of the Project Execution Unit.

2.2 Technical Solutions Adopted and Alternative Explored

2.2.1 For road works, the cross-section provides for a platform that is 10 metres wide, with a running surface of 7 metres and two shoulders of 1.5 metres each. Where the road passes through settlement areas, the platform will be 10 metres wide, with a running surface of 7 metres and two shoulders of 1.5 metres each. In areas with very rugged terrain, steep slopes will be stabilized with buttresses after every 5 metres, a base platform that is 2.5 metres wide, as well as intercepting ditches and downspouts upstream.

2.2.2 The adopted pavement structure provides for a sub-base in lateritic gravel with an average thickness of 25 cm, a 15 cm base course of litho-stabilized lateritic gravel and a 5 cm wearing course of semi-coarse asphaltic concrete. The road shoulders will have a dual-coating surface course. Provision is made for a sub-grade course composed of resilient road construction material for waterproofing purposes and varying in thickness from 20 to 30 cm, in areas where the surface soil has a low load-bearing capacity. Inspections done during the appraisal and in-situ observations confirm that the technical solution adopted is satisfactory and guarantees the sustainability of the project infrastructure. This is the solution being applied to Phase I of this road.

2.2.3 The sub-base course materials are available along the road and each of the identified borrow pits has significant potential. The average transport distance is 12 km at project commencement and approximately 10 km on average at completion. This will generate savings during construction of the sub-base course. The massive rock quarries identified for the sub-base and bituminous concrete materials are in Shombo, 12 km from Gitega. This site is currently being operated for the execution of Phase I.

2.2.4 Two pavement structure alternatives were studied, but rejected for reasons provided in the table below.

<table>
<thead>
<tr>
<th>Alternative Solution</th>
<th>Brief Description</th>
<th>Reason for Rejection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road surface covered with superficial coating</td>
<td>Sub-base in a 25 cm layer of lateritic gravel, 15 cm base course in lateritic gravel and a wearing course with double-surface coating.</td>
<td>Sustainability of the road foundation deemed insufficient in view of the high volume of truck traffic.</td>
</tr>
<tr>
<td>Base course made of natural untreated 0/31.5 sand-gravel aggregate</td>
<td>Sub-base in a 20 cm layer of lateritic gravel, 15 cm base course in untreated sand-gravel aggregate and a wearing course with double-surface coating.</td>
<td>Although this solution enhances the durability of the road, it has the disadvantage of being more expensive in a context of scarce resources, given the large volume of untreated sand-gravel aggregate to be produced and the long distance over which it will be transported (55 km).</td>
</tr>
</tbody>
</table>

2.3 Type of Project

The upgrade and asphalting of the Kibumbu-Gitega (Mweya) segment of RN 18 is an investment project for the construction of a new road. This operation addresses the need to complete Phase I of the road and operationalize the alternative route of the central corridor. Donor interventions in transport infrastructure in this country are conducted through these types of operations.
2.4 Project Cost Estimate and Financing Mechanisms

Project Cost by Component

2.4.1 The project cost, net of taxes and customs duties, is estimated at UA 15.34 million, comprising UA 10.06 million in foreign exchange and UA 4.9 million in local currency. The unit cost of works was determined based on: (i) results of the DPD studies update in 2016; (ii) unit costs from bids received between 2014 and 2016 for similar work carried out in Burundi; (iii) programming of works procurements for 2017-18; and (iv) execution of works scheduled for 2017-19. The provision for physical contingencies is estimated at 10% of the base cost, while financial contingencies represent 5.89% of the base cost plus contingencies. The estimated project cost is summarized in Tables 2 and 3, and detailed in the annexes (C.1).

Table 2: Summary of Total Project Cost Estimates by Component

<table>
<thead>
<tr>
<th>PROJECT COMPONENT</th>
<th>USD million</th>
<th>UA million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign exchange</td>
<td>L.C.</td>
</tr>
<tr>
<td>A. Road works</td>
<td>10.85</td>
<td>5.77</td>
</tr>
<tr>
<td>B. Ancillary works</td>
<td>0.69</td>
<td>0.42</td>
</tr>
<tr>
<td>V. Institution building</td>
<td>0.19</td>
<td>0.06</td>
</tr>
<tr>
<td>D. Project management and monitoring</td>
<td>0.13</td>
<td>0.22</td>
</tr>
<tr>
<td>BASE COST</td>
<td>11.87</td>
<td>6.47</td>
</tr>
<tr>
<td>Physical contingencies</td>
<td>1.19</td>
<td>0.65</td>
</tr>
<tr>
<td>Financial contingencies</td>
<td>0.77</td>
<td>0.42</td>
</tr>
<tr>
<td>TOTAL</td>
<td>13.82</td>
<td>7.54</td>
</tr>
</tbody>
</table>

Table 3: Summary of Total Project Cost Estimates by Category

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>USD million</th>
<th>UA million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F.E.</td>
<td>L.C.</td>
</tr>
<tr>
<td>A. Goods</td>
<td>0.03</td>
<td>0.01</td>
</tr>
<tr>
<td>B. Road works</td>
<td>10.89</td>
<td>5.90</td>
</tr>
<tr>
<td>C. Services</td>
<td>0.92</td>
<td>0.31</td>
</tr>
<tr>
<td>D. Miscellaneous</td>
<td>0.16</td>
<td>0.11</td>
</tr>
<tr>
<td>BASE COST</td>
<td>12.01</td>
<td>6.31</td>
</tr>
<tr>
<td>Physical contingencies</td>
<td>1.20</td>
<td>0.63</td>
</tr>
<tr>
<td>Financial contingencies</td>
<td>0.78</td>
<td>0.41</td>
</tr>
<tr>
<td>TOTAL COST</td>
<td>13.98</td>
<td>7.34</td>
</tr>
</tbody>
</table>

Financing Mechanism

2.4.2 The project is financed by the ADF, TSF and the State of Burundi. The ADF grant worth UA 9.72 million, represents 63.36% of the project cost, net of taxes and customs duties, while the TSF grant of UA 4.08 million, represents 26.60%, net of taxes and customs duties. Both grants are intended to finance part of the cost of works on the main road, the related facilities, community awareness and monitoring/evaluation services; all works supervision and control services, as well as audits (account, technical and road safety). The UA 1.54 million counterpart contribution, i.e. approximately 10% of the cost, net of taxes and customs duties, will finance the total operating cost of the Project Implementation Monitoring Unit (PIMU), part of the cost of the main road and ancillary works, population awareness-raising and monitoring/evaluation. Financing resources by expenditure category, component and expenditure schedule are detailed in Annex B.1. Tables 4 and 5 below present cost details by source of financing and provide a summary of the financing plan.
Table 4: Summary of Total Project Cost Estimates by Source of Financing

<table>
<thead>
<tr>
<th>PROJECT COMPONENT</th>
<th>ADF</th>
<th>TSF</th>
<th>Burundi</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F.E.</td>
<td>L.C.</td>
<td>Total</td>
<td>F.E.</td>
</tr>
<tr>
<td>A. Road works</td>
<td>5.23</td>
<td>2.07</td>
<td>7.30</td>
<td>2.63</td>
</tr>
<tr>
<td>B. Ancillary works</td>
<td>0.51</td>
<td>0.19</td>
<td>0.70</td>
<td>-</td>
</tr>
<tr>
<td>V. Institutional Support</td>
<td>0.14</td>
<td>0.03</td>
<td>0.17</td>
<td>-</td>
</tr>
<tr>
<td>D. Project management and monitoring</td>
<td>0.14</td>
<td>0.04</td>
<td>0.18</td>
<td>-</td>
</tr>
<tr>
<td>BASE COST</td>
<td>6.01</td>
<td>2.34</td>
<td>8.35</td>
<td>2.63</td>
</tr>
<tr>
<td>Physical contingencies</td>
<td>0.60</td>
<td>0.23</td>
<td>0.83</td>
<td>0.26</td>
</tr>
<tr>
<td>Financial contingencies</td>
<td>0.39</td>
<td>0.15</td>
<td>0.54</td>
<td>0.17</td>
</tr>
<tr>
<td>TOTAL COST</td>
<td>7.00</td>
<td>2.72</td>
<td>9.72</td>
<td>3.06</td>
</tr>
</tbody>
</table>

Table 5: Summary of Total Project Cost Estimates by Expenditure Category

<table>
<thead>
<tr>
<th>PROJECT CATEGORIES</th>
<th>ADF</th>
<th>TSF</th>
<th>Burundi</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F.E.</td>
<td>L.C.</td>
<td>Total</td>
<td>F.E.</td>
</tr>
<tr>
<td>A. Goods</td>
<td>0.02</td>
<td>0.01</td>
<td>0.03</td>
<td>-</td>
</tr>
<tr>
<td>B. Road works</td>
<td>1.54</td>
<td>0.63</td>
<td>2.17</td>
<td>1.35</td>
</tr>
<tr>
<td>C. Services</td>
<td>0.66</td>
<td>0.03</td>
<td>0.69</td>
<td>0.17</td>
</tr>
<tr>
<td>D. Miscellaneous</td>
<td>0.14</td>
<td>0.02</td>
<td>0.16</td>
<td>-</td>
</tr>
<tr>
<td>BASE COST</td>
<td>6.01</td>
<td>2.35</td>
<td>8.36</td>
<td>2.63</td>
</tr>
<tr>
<td>Physical contingencies</td>
<td>0.60</td>
<td>0.23</td>
<td>0.83</td>
<td>0.26</td>
</tr>
<tr>
<td>Financial contingencies</td>
<td>0.39</td>
<td>0.15</td>
<td>0.54</td>
<td>0.17</td>
</tr>
<tr>
<td>TOTAL COST</td>
<td>7.00</td>
<td>2.72</td>
<td>9.72</td>
<td>3.06</td>
</tr>
</tbody>
</table>

Table 6: Project Expenditure Schedule by Component (in UA million)

<table>
<thead>
<tr>
<th>PROJECT COMPONENTS</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Road works</td>
<td>4.54</td>
<td>5.91</td>
<td>1.51</td>
<td>11.96</td>
<td></td>
</tr>
<tr>
<td>B. Ancillary works</td>
<td>0.78</td>
<td>0.01</td>
<td>0.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V. Institutional Support</td>
<td>0.18</td>
<td>-</td>
<td>0.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Project management and monitoring</td>
<td>0.05</td>
<td>0.10</td>
<td>0.09</td>
<td>0.01</td>
<td>0.25</td>
</tr>
<tr>
<td>BASE COST</td>
<td>4.60</td>
<td>6.97</td>
<td>1.60</td>
<td>13.17</td>
<td></td>
</tr>
<tr>
<td>Physical contingencies</td>
<td>0.46</td>
<td>0.70</td>
<td>0.16</td>
<td>0.00</td>
<td>1.32</td>
</tr>
<tr>
<td>Financial contingencies</td>
<td>0.30</td>
<td>0.45</td>
<td>0.10</td>
<td>0.00</td>
<td>0.85</td>
</tr>
<tr>
<td>TOTAL COST</td>
<td>5.35</td>
<td>8.12</td>
<td>1.86</td>
<td>0.01</td>
<td>15.34</td>
</tr>
<tr>
<td>% Total</td>
<td>34.9</td>
<td>52.9</td>
<td>12.2</td>
<td>0.1</td>
<td>100%</td>
</tr>
</tbody>
</table>

2.5 Project Areas and Beneficiaries

2.5.1 The extended project area is quite broad and includes: (i) Gitega Province (at the beginning of the route) and the capital city of Bujumbura, which are the main destinations for agricultural produce from the project area; (ii) the communes of the neighbouring Muramvya Province; (iii) the communes of Bururi and Ruyigi Provinces; (iv) Rutana Province which has the Moso (SOSUMO) sugar plant; and (v) Tanzania, where some of the heavy vehicles (transporting hydrocarbon and manufactured products) take RN 12 in order to join RN 18.

2.5.2 The direct project area has four communes with approximately 350,000 inhabitants, or about 3.8% of the country’s total population. The monetary poverty rate in the two direct project’s area of influence (PAI) in provinces of Gitega and Mwaro is estimated at 79% and 50% respectively, per ECVMB data. Despite the country’s fragility situation, sites in which the investments will be made remain accessible from the security standpoint. During project implementation, the people’s representatives will be involved notably in the choice of local labour (compliance with the gender criteria) and in awareness-raising activities.

2.5.3 The road beneficiaries are essentially: (i) farmers who previously experienced difficulties in selling their harvest and purchasing inputs; (ii) local youth and women who will be employed in jobs created by the road project and get easier access to socio-economic infrastructure; (iii) project area pupils who will enjoy better travel conditions on the road; (iv) the government, which will broaden its tax base through business activities; (v) industrialists...
and loggers who will benefit from reduced transport costs; and (vi) higher education students who will obtain improved access to the internet.

2.5.4 Because of the geo-strategic position of RN18, the positive effects will be amplified since the road will create an economic link between Bujumbura and the Centre, North and East regions of the country; and between Gitega and the coastal region of the Lake that is specialized in palm oil and fish production. Furthermore, as an alternative route of the central corridor linking Bujumbura to Dar es Salaam Port (Tanzania) via RN 12 (Gitega-Muyinga-Kobero), the road will have a greater economic impact, thanks to reduced transport costs resulting from time gains and better driving conditions.

2.6 Participatory Approach

2.6.1 The participatory approach was preferred at all stages of project identification and appraisal. During the preparation and appraisal missions, plenary information and consultation sessions were held with project’s area of influence, administrative and political authorities, the heads of decentralized services and provincial branches of national NGOs, youth organizations and the women’s groups, and university rectors in the two communes of Gitega. These sessions provided an opportunity to hear the views and expectations of beneficiary communities. During project implementation, the people’s representatives will be involved, notably in the choice of local labour (compliance with the gender criteria) and awareness-raising activities.

2.6.2 Related activities were identified through broad-based consultations with the above-mentioned stakeholders. This participatory approach made it possible to retain related projects that were extremely useful to the beneficiary communities. These are essentially projects aimed at improving youth employment, boosting trade, creating income-generating activities, and enhancing living conditions (especially for women) through the rehabilitation of drinking water supply. Moreover, the project will improve the quality of teaching and youth employability by integrating higher education institutions into regional and international research forums.

2.7 Consideration of Bank Group’s Experience

2.7.1 The Bank plays a major role in financing the upgrade and asphalting of several regional roads linking Burundi to Rwanda, namely: (i) Kirundo-Kicukiro; (ii) Nyamitanga/Ruhwa- Ntendezi/Mwityazo and the Mugina-Mabanda-Nyanza Lac regional road segment linking Burundi and Tanzania. It also finances national roads such as: (i) RN 15 Gitega-Nyangungu-Ngozi, executed in two phases; (ii) RN 13 Makebuko-Butaganzwa, which is ongoing; and (iii) Phase I of the RN 18.

2.7.2 In general, completed Bank-funded operations in the transport sector have been relatively well executed and the main lessons learned have been reflected in the design of this project. These include: (i) review and update of DPD studies to ensure good quality at project entry; (ii) recruitment of a procurement expert within the OdR to improve the quality of records and the project procurement and implementation process; (iii) the appointment of an OdR executive to be responsible for monitoring/evaluation of the socio-economic impact of operations; and (iv) the establishment of an inter-ministerial committee in charge of road maintenance and counterpart funds for Bank projects.

2.8 Key Performance Indicators

2.8.1 The key outcome indicators identified are those featuring in the logical framework, with due dates. They mainly concern: (i) the total traffic on RN 18; (ii) vehicle operation costs (VOC); (iii) the average transit time of a heavy-duty vehicle over the entire length of RN 18;
(iv) the rural access index (RAI); (v) the number of direct jobs created, including those held by women; and (vi) the percentage of women using vehicles as a means of transport.

2.8.2 The implementation performance indicators that will be established and monitored are essentially: (i) timeframes for fulfilment conditions precedent to first disbursement of the grant; (ii) procurement timeframes; (iii) project implementation timeframes; and (iv) changes in disbursement rates to match the expenditure schedule.

2.8.3 The weakness of the monitoring/evaluation system at project start-up accounts for the difficulties encountered in appreciating the level of attainment of development objectives adopted in the results matrix. Hence, this project provides for the establishment of a monitoring/evaluation mechanism to: (i) collect and manage information on the implementation status of various project components; (ii) establish the baseline situation for monitoring project impact; and (iii) conduct an impact assessment at project completion, using the methodology adopted to establish the baseline situation.

3. PROJECT FEASIBILITY

3.1 Economic and Financial Performance

3.1.1 The project’s economic viability was analysed from the standpoint of the community, and in relation to the economic costs and benefits of the “no-project” and "project" situations over 20 years. The project outputs were measured through the economic rate of return (ERR) and the net present value (NPV).

3.1.2 The baseline situation took account of the nature and degraded state of the road surface, as well as traffic volume based on the recent traffic count on RN 18 (56 km long). According to the baseline situation, the upgrade and asphalting works on the Nyakararo-Mwaro-Kibumbu road segment (30 km long and 7 m wide) will end in April 2017 (subject of Phase I, which is underway). In the project situation, provision is made for upgrading and asphalting the road for it to have the same characteristics as the Kibumbu-Mweya road segment (24 km) in Phase II, which is the subject of this project. The remaining 3 km between Mweya and Gitega will be funded with the balance of resources from RN 15 Phase II, Gitega-Nyangungu-Ngozi.

3.1.3 The current level of traffic was determined based on traffic counts made on RN 18 in October 2013 and analysed based on the growth rate of said traffic correlated with the population and GDP growth rate. Traffic analysis took account of the deviation of transport flows on RN 18 to the detriment of competing alternative routes. Execution of the second phase will help to ease traffic on RN 1 (Bujumbura–Kayanza) which bears the heaviest traffic from the North Corridor (from/to Mombassa Port in Kenya), the Central Corridor (from/to the Dar es Salaam Port in Tanzania) and the national traffic from the country’s Centre, North and East regions.

3.1.4 The costs considered are the economic costs of investment, routine and periodic maintenance and operation of vehicles. Hence, considering that the asphalted road is designed to withstand traffic over a 20-year period, gains have been made in: (i) vehicle operation; and (ii) maintenance. The expected economic benefits of project implementation relate to gains in vehicle operating costs, road maintenance costs and direct jobs expected. Exogenous benefits were determined in terms of agricultural value-added and time gains induced by the project. The land in the project’s area of influence is suitable for cash crops such as coffee, tea and stevia (substitute plant for sugar), and for food crops like cassava, beans and pea. The project will ensure greater community access to markets and better supply of inputs and farm equipment.
3.1.5 Time gain benefits were determined based on an average occupancy rate of eight (8) passengers per vehicle and an hourly cost of BIF 225, considering that upgrade of the project road will yield the shortest and straightest link between Bujumbura and Gitega. Under the basic option, the results of the analysis thus conducted yield: (i) an ERR of 18.44% for the RN 18 upgrade and asphaltling project. The rates obtained after the sensitivity tests remain largely in excess of the adopted opportunity cost of capital (12%) and justify implementation of the project, which is economically viable for the community. The table below summarizes the results of project economic analysis.

Table 7: Summary of the Economic Analysis

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>Investment Amount (in BIF billion)</th>
<th>ERR</th>
<th>NPV (in BIF billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Scenario</td>
<td>52.30</td>
<td>18.44%</td>
<td>20.21</td>
</tr>
<tr>
<td>Assumption 1: A 10% increase in investment costs</td>
<td>57.52</td>
<td>16.37%</td>
<td>14.36</td>
</tr>
<tr>
<td>Assumption 2: A 20% reduction in exogenous benefits</td>
<td>52.30</td>
<td>15.79%</td>
<td>11.69</td>
</tr>
<tr>
<td>Assumption 3: A 10% increase in investment costs and a 20% reduction in exogenous benefits</td>
<td>57.52</td>
<td>13.82%</td>
<td>5.83</td>
</tr>
</tbody>
</table>

3.2 Environmental and Social Impact

Environment

3.2.1 The project was classified under Category 2 based on: (i) the scope of works (less than 50 km); (ii) the number of people affected by the project (less than 200); and (iii) identified negative environmental and social impacts, which are generally of limited-to-average significance. An environmental and social impact assessment (ESIA) was conducted in accordance with the Environmental Code of the Republic of Burundi. It was reviewed and supplemented by an Environmental and Social Management Plan (ESMP), and an abbreviated Resettlement Action Plan (RAP) in accordance with Bank policies and procedures. The project’s area of influence (PAI) covers Kayokwe and Nyabihanga communes in Mwaro Province and Nyarusange and Gitega communes in Gitega Province. The project directly targets an estimated rural population of almost 350,000 inhabitants (or 3.8 % of the total national population), of whom 53% women. The target population is spread over a surface area of 1,241.8 km², representing an average density of 340 inhabitants/km², which exceeds the national average of 326 inhabitants/km² in 2013.

3.2.2 The project should lead to: (i) improvement of the ecotourism potential around the city of Mwaro by improving access to tourism areas (the Mpotsa natural forest, the “GASUMO KA MWARO” site, the Kiremera falls in Gisozi commune and 2 sites of historical interest - called 'sites d'enclos des rois' - in Bisoro commune); (ii) mitigation of the risk of flooding and erosion through appropriate sizing of hydraulic and road drainage structures, especially in marshland areas; and (iii) the reduction of dust emissions and improved visibility for road users relative to the no-project situation.

3.2.3 Pursuant to Bank policy on involuntary displacement of people, the policy of the Government of Burundi and the laws governing expropriation for public purposes, the project’s impacts on displaced communities were reduced to a minimum. Apart from minor adjustments and clearing of a 10-metre right-of-way for the platform (comprising a 7-metre running surface and two shoulders of 1.5 metres each) along the existing route, the proposed upgrade will not require any deviation from the current road alignment. This will lead to the displacement of approximately 175 persons (see Paragraph 3.2.21).
3.2.4 Maintenance cost estimates were calculated based on national rates (unit prices defined in Ordinance No. 720/CAB/304/2008). Article 12 of the Ordinance provides for a process for updating rates and scales every 2 to 3 years. Since this update is not actually done in practice, prices were updated based on: (i) discussions and interviews with various local stakeholders and the affected population; (ii) current market prices; and (iii) the rates schedule previously applied under Phase I. Hence, it was agreed to use a 10% discount rate of the unit prices every three years, while considering those in the Ordinance as a benchmark.

3.2.5 To enhance the project’s socio-economic impacts and support development in the project area, the Mission, in collaboration with local authorities and local communities, identified related facilities that especially benefit women and the youth. Such facilities are: (i) the rehabilitation of 15 km of rural roads to improve access to schools and health centres, and ensure continuity of the erstwhile Coffee Roads Maintenance Programme; (ii) the construction of a market in Bihanga (PK 43) for local community women; (iii) rehabilitation of the Mweya/Rutoke drinking water pipe, which supplies water to local schools (Mweya, Bihanga and Gihiza), the health centre (Rutoke) and the future Bihanga market; (iv) the construction of approximately 250 m of fences for the two schools located along RN 18 (PK 26.7 and PK 40); and rehabilitation/upgrade of Kibiri school (construction of an administrative block, classrooms and latrines, as well as the installation of solar panels). The budget allocated for the construction of related facilities stands at BIF 1,667,500,000.

Climate Change

3.2.6 The main issues identified relate to the risk of flooding in the mud plains and marshlands, and the risk of landslides on some sections, due to a combination of unfavourable hydrological and geotechnical factors. The adaptation and mitigation options adopted are: (i) the adoption of appropriate road drainage measures; (ii) the installation of drainage culverts in marshlands and appropriate treatment of embankments (riprap masonry, revegetation and planting of erosion-control vegetation, etc.); (iii) appropriate sizing of water management structures, taking account of peak flow periods; and (iv) better management/design of outlets. During operation of the road, the OdR will ensure the routine cleaning and maintenance of hydraulic and maintenance structures. Emissions of greenhouse gases like CO₂ are expected to rise mainly due to the increased traffic. However, the net contribution to greenhouse gas emissions on this segment will remain negligible. Furthermore, traffic fluidity relative to the current situation, street-tree planting and the scheduled landscaping, will help to curb these emissions.

Gender and Specific Activities for Women

3.2.7 Available data from the Household Living Conditions Survey (ECVM-2014) show that women represent over half of Burundi's population (52.4%). Their economic participation remains limited, due to a set of socio-cultural constraints that prevent them from participating actively in economic activities. They represent nearly 85% of the workforce in the agricultural sector, which is characterized by subsistence farming. Their participation in politics is enshrined in the Constitution, which recommends that 30% of elective posts be reserved for women. The gender strategy seeks to promote gender equality and extend the 30% rate to non-elective posts.

3.2.8 In the area of human development, although progress has been achieved at the primary school level with a parity index that is close to one (1), the same does not apply to secondary and higher education where this index is below 0.5. Extremely low gender parity indices are more prevalent in the science and technology disciplines.
3.2.9 The lessons learned from Phase I show a gradual change of mentality, with women increasingly accepting to work in the construction sector, handling tasks that were previously the preserve of men. The project has set the objective of reserving 30% of the jobs created for women. The income from these jobs will grant them access to means of production and enable them to engage in income-generating activities. Rehabilitation of the drinking water pipe linking several localities along the road will alleviate the hardship of women and girls who travel long distances in search of drinking water. Furthermore, the project will contribute to women’s empowerment as it plans to reserve at least 50% of the spaces in the future modern market for women. It is worth noting that over 500 traders, 80% of which women, operate at the old market.

3.2.10 The support provided to higher education institutions will enable female students to join global platforms and networks of women leaders. Lastly, the construction of classrooms and toilets for boys and girls, as well as the supply of water and electricity to Kibiri primary school will increase the girl/boy parity in the school.

Social Issues and Poverty

3.2.11 The results of the ECVMB 2014 survey reveal that a huge segment of the Burundian populations lives in precarious circumstances, with 64.7% of them below the monetary poverty line estimated at approximately one US dollar per day. Construction of the road will provide direct and indirect jobs, open up access to rural areas, facilitate access to markets and contribute to strengthening social cohesion. This will translate into an improvement in community living conditions in the PAI (see paragraph 3.2.5 for the socio-economic impacts of the project on the PAI).

3.2.12 Like the country, the PAI has a high proportion of unemployed youth. Hence, project implementation creates temporary employment opportunities for such youth, and could enhance the security situation in the area. Furthermore, project support in upgrading Kibiri School will improve learning conditions for children. Similarly, the integration of ten young engineering interns (including five women) into the control mission and the works company will enhance the employability and skills of these youth.

3.2.13 Lastly, the increased flow of goods and passengers generated by the upgrade and asphaltling of RN18 will fuel the creation of new income-generating activities in the PA, and potentially improve community wellbeing. For example, since the stevia and tea companies established in the province plan to entrust collection of the green leaves gradually to farmers’ organizations, the improvement of transport conditions will have a positive impact on the reduction of transport costs, and thus increase farmers’ income.

3.2.14 Implementation of the project could have a negative impact on the spread of HIV/AIDS, due to the influx of workers from various backgrounds. Consequently, project activities will include awareness-raising campaigns on the prevention of HIV/AIDS and STIs. In addition to these themes, family planning awareness activities will be conducted to raise the contraceptive prevalence rate in the PAI.

Monitoring of ESMP Implementation

3.2.15 The environment and standards service (SEN) of the OdR has expertise in monitoring ESMP implementation, thanks to experience obtained from previous road projects. Furthermore, SEN will work in collaboration with the environmentalist from the control mission. Furthermore, the Directorate-General for the Environment in the Ministry of the Environment will provide external monitoring. The project team will ensure the effective implementation of the ESMP and RAP. To monitor the ESMP and the RAP, OdR will Provide
as works advance and, in any event, prior to the start of works on a given area, evidence of compensation of project affected persons in such area, and or evidence of the resettlement of such persons, in accordance with the Resettlement Action Plan (RAP), the Environmental and Social Management Plan (ESMP) and the relevant Bank/Fund Rules of Procedure, especially its Involuntary Population Displacement Policy and Integrated Safeguards System (*Other Conditions* Ci).

**Regional Integration**

3.2.16 Burundi’s geo-strategic position, which makes it a potential sub-regional corridor and commercial hub between the East, South and Centre regions of Africa, is one of its major strengths and promises significant opportunities in terms of trade and labour force mobility. Accordingly, the development of RN 18 is crucial to Burundi’s integration into the sub-region.

**Road Safety**

3.2.17 Road safety is ensured by four institutions: (i) the Burundian Revenue Office (OBR) under the supervision of the Ministry of Finance and Economic Development Planning, as regards vehicle registration; (ii) the Mass Transit Authority (OTRACO) under the supervision of the Ministry of Transport, Public Works and Equipment, which is responsible for vehicle roadworthiness tests; (iii) the Special Traffic Office (BSR) under the supervision of the Ministry of Public Safety, responsible for issuing driver’s licenses and the highway code; and (iv) the Directorate-General for Transport at the Ministry of Transport, responsible for formulating and monitoring sector policy.

3.2.18 All road safety data indicates that the roads in the country are very “accident-prone”. The registered number of accidents is high, although it has been in decline over the last three years from 3,300 in 2012 to 3,150 in 2015. The average number of people killed per year is 80, over a period of 5 years (2010-2015). The main causes of these accidents are: (i) human failure (drunk driving, excessive speed, poor manners, etc.); (ii) the deplorable mechanical condition of the vehicles; and (iii) road infrastructure problems (lack of specific structures, lack of markings and signs, poor maintenance, etc.).

3.2.19 To remedy this state of affairs, the project’s design provides for road safety improvement measures, including: (i) compliance with the regulations and technical standards governing signage, slopes, super-elevations and deviations; (ii) the development of clearance areas for temporarily parked vehicles; (iii) awareness-raising campaigns targeting road users and local communities; and (iv) road safety audits during and at the end of the works.

3.2.20 The project intends to recruit a road safety auditor to ensure the proper definition of the requisite road safety actions to be adopted and their effective implementation, which will be proposed in the roadworks terms of reference. A technical auditor will also be recruited to enforce norms, standards and quality.

**Involuntary Displacement**

3.2.21 The abbreviated Resettlement Action Plan was finalized in accordance with Bank rules and procedures as well as the laws applicable in Burundi; 175 persons will be affected by the loss of homes and/or economic activities (7 houses, 2 ha of farms, and 27 shops for commercial activities). Provision has been made for a global budget estimate of BIF 185 million covering: (i) compensation for property affected by works to vacate the right-of-way; (ii) assistance to vulnerable persons; and (iii) the operating costs of the Compensation Commission and the cost of monitoring the implementation of the Abbreviated Resettlement Plan.
3.2.22 The cost of the plan will be defrayed by the Government of Burundi. All project-affected persons (PAPs) must be compensated prior to works commencement and the destruction of their property. This will be one of the conditions precedent to first disbursement (Condition B.ii).

3.2.23 To step up support to the communities and assist the most vulnerable, the RAP has, in addition to the rehabilitative measures found in the ESMP, included the development of a sand collection platform for vulnerable PAPs within the association of the Batwa, the development of a rural market for women to help them sell their agricultural produce and the rehabilitation of rural roads to give PAPs access to farming areas, schools and health centres. The implementation cost of these facilities was estimated at BIF 1,667,500,000 and included in the general ESMP budget to be funded by the project.

4. IMPLEMENTATION

4.1 Implementation Arrangements

Executing Organ

4.1.1 The project executing agency is the Highways Authority (OdR) of the Ministry of Transport, Public Works and Infrastructure (MTTPE). The OdR has acquired substantial experience in managing Bank-funded projects and produced satisfactory results. However, for routine monitoring of project activities, the project management team (PMT) within the Projects Implementation Unit (PIU) will rely on institutional mechanisms established under ongoing Bank-funded projects.

4.1.2 The PMT is under the authority of the OdR General Manager (GM) and the technical supervision of the OdR Director of Road Works. This team will be tasked with the technical, administrative, accounting and financial management of the project and will comprise: (i) the project manager (civil engineer); (ii) an environmentalist from the OdR “Environment and Standards” Service; (iii) a monitoring/evaluation officer; (iv) a procurement specialist; and (v) an accountant. These officials, already recruited under RN 13 Phase I and RN 18 Phase I, have been reappointed to ensure greater efficiency in procurements and monitoring/evaluation. For annual performance evaluation purposes, a performance contract will be signed between the project manager and the OdR GM. The PIU operating costs are included in the counterpart contribution.

Procurement Arrangements for Goods, Works and Services

4.1.3 Goods (including services other than those of consultants), works and consultancy services, financed by the Bank under the project will be procured in accordance with the "Procurement Policy for Bank Group-Funded Operations" of October 2015 and in accordance with the provisions set out in the financing agreement. Specifically, procurements will be made according to:

- **The Borrower's Procurement System (PS):** The procurement methods and procedures (PMP) under the Borrower's procurement system comprise its laws and implementing decrees [Law No. 1/01 of 4 February 2008 on the Public Procurement Code and public service delegations, and subsequent texts]. Procurements wholly funded with the counterpart contribution will be executed according to national procedures, using national bidding documents.
• **Bank Procurement Methods and Procedures (PMP):** All procurements financed wholly or partly by the Bank will be subject to AfDB procurement methods and procedures, using the relevant standard bidding documents (SBDs).

• **Assessment and Rating of Procurement Risks and Capacity:** The assessment of country, sector and project risks and of the Executing Agency’s procurement capacity was conducted and its results guided the decision on the selection of the procurement system (borrower and Bank) used for given activities or a set of similar activities under the project. This assessment yielded the key findings detailed in the technical annexes (C5).

**Financial Management**

4.1.4 The direct disbursement method will be used for all components financed with ADF resources. Components financed with the counterpart contribution will be paid from the special account opened for that purpose. The special account opened at the Bank of the Republic of Burundi under the first phase of the project will also host the counterpart funds for the second phase.

4.1.5 The evaluation mission is of the view that the financial management systems existing at the OdR are quite satisfactory overall, with average fiduciary risk (see Annex C.3). To enhance the performance of existing systems, it is recommended, among others, to quickly: (i) finalize updating of the project’s administrative, financial and accounting procedures and submit them to the Bank for validation; and (ii) establish a fixed assets register and monitoring statements for fuel, maintenance/repairs and staff missions. Furthermore, at the beginning of each year, the PIU must establish a budget, a schedule of activities, and a projected cash flow plan, and also include interim financial statements in the half-yearly progress report. Details of the financial management systems assessment are found in Annex C.4.

**Disbursements**

4.1.6 All project payments on Bank resources (ADF and TSF) will be disbursed through the direct payment method. OdR will also establish an appropriate mechanism for processing, accounting and archiving direct payment requests. However, the reimbursement method may be considered in cases of reimbursement of eligible expenditure pre-financed by the country with the Bank’s prior agreement. The letters of disbursement, attached to each financing agreement, shall stipulate the disbursement terms and conditions. Executing agency staff will benefit from capacity building in the Bank’s disbursement methods and procedures at the time the project is launched. Counterpart fund disbursements appropriated in the Budget Act will be made in quarterly tranches in accordance with the project work plan and annual budget as prepared and approved by the OdR Board of Directors.

**Financial and Accounting Audit**

4.1.7 The project will be the subject of an annual financial and accounting audit by an independent firm selected on a competitive basis by the Project Coordination Team, six months after project launch. The audit will focus on all project resources (grants and counterpart funds) and expenditure. The audit terms of reference shall be approved beforehand by the Bank. The audit contract will be concluded for a maximum period of three (3) years, and Bank approval of the audit reports of the first fiscal year will determine continuation of the auditor’s services. Audit fees will be paid through the direct payment method, after approval of the reports by the
Bank. Lastly, the audit reports will be forwarded to the Bank latest 6 months after the end of the fiscal year.

**Implementation and Supervision Schedule**

4.1.8 The implementation schedule for project components is summarized at the beginning of this report. It takes particular account of the executing agency’s relevant experience in the field of management, the timeframes for completing the work, and the Bank’s experience in processing documents of similar previous projects.

4.1.9 Based on the schedule, project activities are to commence upon approval of the grant in December 2016 and to end in December 2020, for all components. The closing date for the grant is 31 December 2020. At the Bank, activities scheduled immediately after project approval will be closely monitored.

**4.2 Monitoring/Evaluation**

4.2.1 Monitoring/evaluation will comprise the Bank’s launch and supervision missions, the final evaluation, including works and project completion reports. OdR shall provide the Bank with periodic and specific reports on the project status. These will be monthly and quarterly reports on aspects relating to the physical and financial status, as well as implementation of the ESMP. Moreover, these reports will provide information on the progress of awareness-raising campaigns, while highlighting the results obtained. These reports shall reach the Bank latest forty-five (45) days after the prescribed period.

4.2.2 Plans have been made to set up a monitoring/evaluation mechanism under the project to: (i) collect and manage information on the status of various project components; (ii) establish the baseline situation for monitoring the project’s impact; and (iii) conduct an impact assessment at project completion, using the same methodology adopted to establish the baseline situation. A consulting firm will be recruited to provide monitoring/evaluation services for the project. It is worth noting that an OdR expert, appointed under RN 18 Phase I, will work in collaboration with the consultant on aspects relating to monitoring/evaluation. Moreover, the Bank plans to conduct at least two supervision missions on the ground per year. At the end of the project, OdR will organize vehicle count campaigns to verify traffic data, within six months following works completion.

**4.3 Governance**

4.3.1 The public expenditure and financial accountability (PEFA) review conducted in 2014 highlighted changes in the internal and external control mechanism as well as accountability. The internal control mechanism comprises: (i) the Court of Auditors; (i) the General State Inspectorate (IGE); and (iii) the Anti-Corruption Brigade. Although the technical capacity of the Court of Auditors and the IGE have substantially improved, these structures do not have sufficient resources and authority to improve accountability. The same level of progress was also achieved as regards regular transmission of reports. The Ministry of Finance made up for the delays recorded in transmitting the Audited Budgets. Accordingly, the Audited Budgets for 2012 and 2013 were forwarded on time (6 months) after closure of the fiscal year.

4.3.2 Despite the progress achieved from the institutional standpoint and in the regular transmission of reports, the 2015 Transparency International report highlighted weaknesses in accountability and public sector transparency with a score of 40.2/100. Control institutions are not vested with full powers to control the executive and the Court of Auditors was entrusted with its judicial function by a decision of the Supreme Court. These weak powers held by control institutions are reflected in the World Economic Forum Report 2016-2017, which
shows relatively low scores on audits and financial information. Burundi is ranked 115th out of 138 countries surveyed, with a score of 3.8 on 7.

4.3.3 The public procurement legal and institutional framework is globally operational and consistent with the provisions of the new Public Procurement Code. The 2015 annual report of the Public Procurement Regulatory Authority (ARMP) provides some results and recommendations, namely: (i) organize regular training courses for the various public procurement stakeholders; (ii) issue reminder circular letters to the various public procurement stakeholders; (iii) issue circular letters to public procurement stakeholders to clarify certain provisions of the law and ensure a common interpretation; and (iv) formulate and implement an action plan to address the various weaknesses highlighted by the auditor.

4.3.4 OdR still harbours some weaknesses likely to undermine the efficiency of procurement mechanisms. The assessment of procurement processes for Bank-funded projects confirms these weaknesses, which mainly stem from the poor quality of document preparation/processing. The recruitment of a procurement expert is underway as part of RN 13 implementation. This expert will support OdR in the areas of procurement and contract management. To remedy these weaknesses, plans have also been made to conduct an accounting and financial audit for the three financial years, corresponding to the project’s duration, with a view to strengthening its financial management.

4.4 Sustainability

4.4.1 Sustainability of the roads depends on the following main factors: (i) the quality of preliminary technical studies; (ii) the quality of works executed; (iii) operation of the infrastructure; and (iv) the level and quality of maintenance. It is worth noting that the road sub-sector in Burundi is structured around the Highways Authority, responsible for the preparation and execution of programming, procurements and monitoring of road works; and the Road Fund responsible for collecting long-term resources to fund road maintenance. The national road network (RRN) comprises 4,474 km, of which 1,674 km paved. Of the paved section, 34.2% is in very good condition, 8.9% in good condition, 43.6% in average condition and 13.3% in poor condition. Concerning unpaved national roads, 304.9 km (79.7%) are in bad condition, 8.1% in average condition, and only 12.2% in good condition. To enable the Bank to assess the maintenance system established within OdR, provision of the annual maintenance programme/budget and the annual execution report is another grant condition (Condition C. iii).

4.4.2 To guarantee the quality of the infrastructure, OdR updated the preliminary technical studies in September 2016. The Bank deemed the technical solutions adopted as satisfactory.

4.4.3 The construction company will be selected through open invitations to bid published internationally, based on bidding documents validated by the Bank. The technical terms of reference will provide all the technical specifications for the materials to be used and the infrastructure acceptance criteria. The selected company shall then prepare works execution records to be submitted to the control mission and the contracting authority for approval. To ensure compliance with quality standards during the construction phase, works control and supervision will be ensured by a consultancy firm chosen among the most qualified and familiar with similar projects, in accordance with applicable Bank rules and procedures. Moreover, technical audit and road safety missions will be conducted by a consultant recruited within the project framework. Lastly, project supervision by the Bank will contribute to a better technical monitoring of works execution and mitigate all risks of faulty work.

4.4.4 Regarding operation of the infrastructure, especially the roadway and its related structures, Burundi has legislative and regulatory instruments that contribute to the protection
of its road network. Others are in the process of adoption. These include the draft decree on “Axle Load Regulations”. The Bank’s supervision missions will ensure the effective enforcement of applicable laws and gradually curb overloading on the classified road network. In any event, the Government will take all appropriate measures to implement the financial sanctions provided for by the laws in force and offload trucks that are in violation.

4.4.5 However, the sustainability of investments in Burundi’s transport sector is a recurrent issue that should be tackled with adequate measures. The financial resources mobilized by the National Road Fund (FRN) for maintenance of the classified road network, have been increasing steadily since 2007 despite a sudden drop in 2015 due to the prevailing crisis. To ensure optimal routine and periodic maintenance of the network, the FRN had already raised BIF 13 billion as of 31 August 2016, out of a projected target of BIF 20 billion and with an estimated financing requirement of nearly BIF 30 billion. The annual financing gap of approximately BIF 10 billion is more or less compromised by Government’s decision to cap FRN access to collected resources. Moreover, operation of the Gitega heavy vehicles parking lot developed as part of RN 15 (Gitega-Ngozi) with AfDB financing, is likely to diversify FRN sources of financing. Lastly, cognizant of the budgetary constraints stemming from the country’s current political and economic context, the Bank has initiated dialogue with the authorities on the risks associated with insufficient allocation of funds for proper maintenance of the road network that continues to deteriorate.

4.5 Risk Management

4.5.1 The main risks identified at this stage of the project appraisal are of three types and summarized in the table below.

<table>
<thead>
<tr>
<th>Risks</th>
<th>Level</th>
<th>Mitigation Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political instability and fragility of the peace are major risks to project implementation.</td>
<td>High</td>
<td>Efforts by the international community to restore the inter-Burundian dialogue could help to overcome these risks. Moreover, despite the country’s fragile situation, sites in which the project investments are planned remain accessible, from the security viewpoint.</td>
</tr>
<tr>
<td>The capping of FRN resources has an impact on the maintenance and sustainability of road infrastructure.</td>
<td>High</td>
<td>This risk will be mitigated by the conclusion of the ongoing consultations between the Bank and Burundian authorities.</td>
</tr>
<tr>
<td>Project implementation risks relate to: (i) an increase in the cost of works; and (ii) late mobilization of counterpart funds.</td>
<td>Medium</td>
<td>These risks will be mitigated through: (a) adoption of competitive bidding procedures for works and realistic cost assessment based on current unit market prices, and a provision for contingencies; and (b) evidence of transfer of counterpart funding to the counterpart account in accordance with the expenditure schedule, is another grant condition (Grant condition C-ii).</td>
</tr>
<tr>
<td>Risks related to the realization of project impacts are: (i) early deterioration due to a failure to comply with axle-load limits; (ii) failure to maintain roads due to a lack of resources.</td>
<td>Medium</td>
<td>These risks will be mitigated through: (a) the institution of axle-load controls with the application of penalties for overloading and the off-loading of defaulting trucks; and (b) a substantial increase in road fund revenue, mainly through diversification of sources, to cover routine maintenance needs.</td>
</tr>
</tbody>
</table>

A. Knowledge Building

4.5.2 The infrastructure projects contribute to women's empowerment through a change of mentality. Women are increasingly taking more jobs on construction sites (30%) that used to
be the exclusive preserve of men. In most cases, the income from this activity will be used as seed capital for income-generating activities if ever initiatives are implemented for women’s groups under the project.

4.5.3 The project will confirm knowledge on transport sector contribution to the consolidation of integration and improvement of living conditions for the project’s beneficiary communities. It will also improve youth employability through the promotion of internships for young engineers in the construction companies as well as the control and supervision firms. More generally, it will inspire mechanisms and strategies for strengthening the contribution of transport projects to job creation.

4.5.4 The project impact monitoring/evaluation mechanism will be used to consolidate knowledge for the design of future projects. Knowledge will be disseminated through the Bank's communication platforms (website, workshops, etc.).

5. **LEGAL FRAMEWORK**

5.1 Financing Instrument

5.1.1 To contribute to financing this project, the Bank will award two grants: and ADF-13 grant of UA 9.72 million and a TSF grant of UA 4.08 million. The Bank's contribution accounts for 89.96% of the total project cost. The Government will fund the project with a counterpart contribution of UA 1.54 million, or 10.04% of the total cost.

5.2 Conditions for the Bank's Involvement

A. Conditions Precedent to Effectiveness of the Grant Protocol Agreement

5.2.1 The ADF and TSF Grant Protocol Agreements shall become effective subject to their signature by both parties.

B. Conditions Precedent to First Disbursement

5.2.2 First disbursement of the resources of each ADF and TSF grant shall be subject to effectiveness of the Protocol Agreement of the corresponding grant.

C. Other Conditions

5.2.3 In addition to the above conditions, the Donee shall, to the Bank’s satisfaction:

(i) Provide as works advance and, in any event, prior to the start of works on a given area, evidence of compensation of project-affected persons in such area, and or evidence of the resettlement of such persons, in accordance with the Resettlement Action Plan (RAP), the Environmental and Social Management Plan (ESMP) and the relevant Bank/Fund Rules of Procedure, especially its Involuntary Population Displacement Policy and Integrated Safeguards System (par. 3.2.15)

(ii) Provide latest 31st March of each year, evidence of payment of counterpart resources into the counterpart account for the year concerned, in accordance with the expenditure schedule (par. 4.5.1); and

(iii) Provide the Fund: (a) latest 31st March of each year, with the routine and periodic road maintenance annual budget and programme approved by the OdR
Board of Directors; and (b) latest 30th June of each year, with the annual programme and budget execution report; (par. 4.4.1).

D. Commitments

5.2.4 The Donee undertakes to:

(i) Execute the Project, ESMP and RAP, and ensure their execution by its contractors, in accordance with national law and the recommendations, requirements and procedures contained in the ESMP, as well as the relevant Fund rules and procedures;

(ii) Not start works on a given area without fully compensating and/or resettling project-affected persons in such area; and

(iii) Provide the Bank/Fund with the quarterly RAP and ESMP implementation reports, and corrective action undertaken or to be undertaken.

5.3 Compliance with Bank Policies

5.3.1 The project complies with all applicable Bank policies.

6. CONCLUSION AND RECOMMENDATION

6.1 Conclusion

The upgrade and asphalting of RN 18, to be executed in two phases, will free up traffic on RN 1 (Bujumbura–Kayanza), which bears the heaviest traffic on the North Corridor (from/to Mombassa Port in Kenya), the Central Corridor (from/to the Dar es Salaam Port in Tanzania) and the national traffic from the country’s Centre, North and East provinces. Hence, the constructed road will serve as the main route of the Central Corridor via RN 12: Muyinga – Gitega. Its paving will boost trade between the West, Centre and Eastern parts of the country. The project is economically viable and shows an 18.44% general economic rate of return for the entire operation.

6.2 Recommendations

Management recommends that: (i) the Fund Board of Directors approves the award of a UA 9.72 million grant, and (ii) Bank and Fund Boards of Directors approve the award of a UA 4.08 million TSF grant; to the Republic of Burundi to finance the Nyakararo-Mwaro-Gitega Road (RN 18) Upgrade and Asphalting Project / Phase II – Kibumbu-Gitega Segment (Mweya) (24 km), subject to the conditions and modalities set out in this report.
ANNEX I: Comparative Socio-Economic Indicators of Burundi

Burundi

COMPARATIVE SOCIO-ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th>Year</th>
<th>Burundi</th>
<th>Africa</th>
<th>Developing Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Basic Indicators**

- **Area (1000 Km²)**
  - 2016: 28
  - 2010-2015: 30.067
- **Total Population (millions)**
  - 2016: 11.6
  - 2010-2015: 121.44
- **Urban Population (% of Total)**
  - 2016: 11.9
  - 2010-2015: 40.1
- **Population Density (per Km²)**
  - 2016: 449.9
  - 2010-2015: 41.3
- **GNI per Capita (US $)**
  - 2014: 270
  - 2010-2015: 2.045
- **Labor Force Participation - Total (%)**
  - 2016: 83.7
  - 2010-2015: 65.6
- **Labor Force Participation - Female (%)**
  - 2016: 64.6
  - 2010-2015: 55.6
- **Gender-Related Development Index - Value**
  - 2007-2013: 75.9
  - 2010-2015: 0.801
- **Human Developm. Index - Rank among 187 countries**
  - 2014: 184
  - 2010-2015: 0.895
- **Popul. Living Below $1.90 a Day (% of Population)**
  - 2008-2013: 77.7
  - 2010-2015: 42.7

**Demographic Indicators**

- **Population Growth Rate - Total (%)**
  - 2016: 3.3
  - 2010-2015: 2.5
- **Population Growth Rate - Urban (%)**
  - 2016: 5.7
  - 2010-2015: 3.6
- **Population >15 years (%)**
  - 2016: 45.0
  - 2010-2015: 40.9
- **Population >= 65 years (%)**
  - 2016: 2.5
  - 2010-2015: 3.5
- **Dependency Ratio (%)**
  - 2016: 90.5
  - 2010-2015: 79.9
- **Sex Ratio (per 100 female)**
  - 2016: 97.7
  - 2010-2015: 100.2
- **Female Population 15-49 years (% of total population)**
  - 2016: 23.4
  - 2010-2015: 24.0
- **Life Expectancy at Birth - Total (years)**
  - 2016: 57.5
  - 2010-2015: 61.5
- **Life Expectancy at Birth - Female (years)**
  - 2016: 59.6
  - 2010-2015: 63.0
- **Crude Birth Rate (per 1,000)**
  - 2016: 43.0
  - 2010-2015: 34.4
- **Crude Death Rate (per 1,000)**
  - 2016: 10.8
  - 2010-2015: 9.1
- **Infant Mortality Rate (per 1,000)**
  - 2015: 54.1
  - 2010-2015: 52.2
- **Child Mortality Rate (per 1,000)**
  - 2015: 81.7
  - 2010-2015: 75.5
- **Total Fertility Rate (per woman)**
  - 2016: 5.8
  - 2010-2015: 4.5
- **Maternal Mortality Rate (per 100,000)**
  - 2015: 712.0
  - 2010-2015: 495.0
- **Women Using Contraception (%)**
  - 2016: 28.7
  - 2010-2015: 31.0

**Health & Nutrition Indicators**

- **Physicians (per 100,000 people)**
  - 2004-2013: 2.8
- **Nurses and midwives (per 100,000 people)**
  - 2004-2013: 19.1
- **Births attended by Trained Health Personnel (%)**
  - 2010-2015: 60.3
- **Access to Safe Water (% of Population)**
  - 2010-2015: 75.9
- **Healthy life expectancy at birth (years)**
  - 2013: 52.2
- **Access to Sanitation (% of Population)**
  - 2015: 45.0
- **Percent of Adults (aged 15-49) Living with HIV/AIDS**
  - 2014: 1.1
- **Incidence of Tuberculosis (per 100,000)**
  - 2014: 120.0
- **Child Immunization Against Measles (%)**
  - 2014: 94.0
- **Child Immunization Against Tuberculosis (%)**
  - 2014: 92.0
- **Under-five Children (% of children under 5 years)**
  - 2010-2014: 29.1
- **Daily Calorie Supply per Capita**
  - 2011: 29.2
- **Public Expenditure on Health (% of GDP)**
  - 2013: 4.0

**Education Indicators**

- **Gross Enrolment Ratio (%)**
  - Primary School - Total: 2010-2015: 127.6
  - Primary School - Female: 2010-2015: 128.4
  - Secondary School - Total: 2010-2015: 37.9
  - Secondary School - Female: 2010-2015: 34.8
  - Primary School Female Teaching Staff (% of Total): 2010-2015: 52.4
  - Adult Literacy Rate - Total (%): 2010-2015: 85.5
  - Adult Literacy Rate - Male (%): 2010-2015: 89.2
  - Adult Literacy Rate - Female (%): 2010-2015: 82.9
  - Percentage of GDP Spent on Education: 2010-2014: 5.4

**Environmental Indicators**

- **Land Use (Agriculture as % of Total Land Area)**
  - 2013: 46.7
- **Agricultural Land (as % of land area)**
  - 2013: 79.2
- **Per Capita CO2 Emissions (metric tons)**
  - 2012: 0.0

Sources: AfDB Statistics Department Databases; World Bank: World Development Indicators;
UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.
Note: **: Labor force participation rate; total (% of total population aged 15+)**
**: Labor force participation rate, female (% of female population ages 15+)**

last update: August 2016
## ANNEX II: Portfolio of Bank Projects Underway in Burundi

<table>
<thead>
<tr>
<th>Sector</th>
<th>Project Name</th>
<th>Date Approval</th>
<th>Closing Date</th>
<th>Net Commitments (UA million)</th>
<th>Disbursements (%)</th>
<th>Perf.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural development</td>
<td>River Basin Development and Climate Resilience Improvement Project (PABVARC) -</td>
<td>22 Apr. 13</td>
<td>30 June 18</td>
<td>8.41</td>
<td>64.58%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bugesera Rural Development Project (Regional)</td>
<td>25 September 2009</td>
<td>31 Dec. 17</td>
<td>15.02</td>
<td>74.00%</td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td></td>
<td></td>
<td></td>
<td>23.43</td>
<td>70.62%</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>NELSAP Interconnection Project (Regional)</td>
<td>27 Nov. 08</td>
<td>30 Apr-17</td>
<td>15.15</td>
<td>16.77%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jiji Mulembwe Hydropower</td>
<td>23 June 14</td>
<td>31 Dec. 19</td>
<td>14.34</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electricity Production, Transmission and Distribution Master Plan Project</td>
<td>30 Apr. 14</td>
<td>30 June 18</td>
<td>0.86</td>
<td>0.60%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rusumo Hydropower (Regional)</td>
<td>27 Nov. 13</td>
<td>31 Aug. 19</td>
<td>26.90</td>
<td>1.00%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ruzizi Hydropower (Regional)</td>
<td>16 Dec. 15</td>
<td>31 Dec. 22</td>
<td>21.00</td>
<td>0.00%</td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td></td>
<td></td>
<td></td>
<td>78.25</td>
<td>3.60%</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>Gitega-Ngozi - RN 15 Project - Phase 2</td>
<td>29 June 11</td>
<td>30 Nov. 17</td>
<td>42.00</td>
<td>72.38%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Road Upgrade Project (Mugina-Mahanda-Nyanza Lac and Rubavu-Gisiza) - RN 3 -</td>
<td>27 June 12</td>
<td>31 Dec. 17</td>
<td>27.50</td>
<td>35.00%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Regional)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nyamitanga-Ruhwa- Ntendezi-Mwityazo Road Project - RN 5 - (Regional)</td>
<td>16 Dec. 08</td>
<td>31 Dec. 17</td>
<td>49.38</td>
<td>93.30%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Makebuko - Ruyigi Road Project - RN 13</td>
<td>18 Dec. 13</td>
<td>31 Dec. 17</td>
<td>8.94</td>
<td>38.00%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RN18 Nyakararo-Mwaro Road Upgrade and Asphalting Project</td>
<td>24 Aug. 14</td>
<td>30 June 18</td>
<td>19.42</td>
<td>16.00%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Port Bujumbura Development Study (Burundi/Zambia) - (Regional)</td>
<td>14 Oct. 13</td>
<td>30 Nov. 16</td>
<td>0.83</td>
<td>34.57%</td>
<td></td>
</tr>
<tr>
<td>Sub-Total</td>
<td></td>
<td></td>
<td></td>
<td>148.07</td>
<td>62.63%</td>
<td></td>
</tr>
<tr>
<td>Water-Sanitation</td>
<td>Lake Victoria Water and Sanitation Programme (Regional)</td>
<td>17 Dec. 10</td>
<td>31 Dec. 16</td>
<td>14.10</td>
<td>38.00%</td>
<td></td>
</tr>
<tr>
<td>Multi-sector</td>
<td>TA and Capacity-Building to ICGLR</td>
<td>15 Jul. 13</td>
<td>31 March 17</td>
<td>1.49</td>
<td>99.00%</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td></td>
<td></td>
<td></td>
<td>265.34</td>
<td>44.49%</td>
<td></td>
</tr>
</tbody>
</table>
Annex III: Taking Fragility into Account

The Bank through ORTS closely monitors developments in Burundi and regularly prepares fragility assessment notes to inform senior management. The assessment of the fragility of Burundi was successively carried out through: (i) CSP 2012-16 mid-term review in March 2014, (ii) regional study of fragility in the Great Lakes in the first quarter of 2015, (iii) internal quarterly notes prepared in the year 2015, (iv) appraisal mission of Ruzizi III project in the third quarter of 2015 (v) conflict analysis study and prospects for peace in the Great Lakes carried out in March 2016, and (vi) extension CSP 2012-16 report combined with the Country performance portfolio review in the third quarter of 2016.

A. Political and Economic Context

The weak political and social cohesion, resulting from a history of recurrent political crises, the latest of which occurred during the 2015 elections, has gradually led the country into an excessively fragile situation. The 2015 elections plunged it into a severe socio-political crisis. Those elections, held in June-July 2015 and boycotted by the Opposition and Civil Society, led to the re-election of the current President of the Republic. The political crisis culminated in a failed coup d'état orchestrated by a group of army officers on 13 May 2015 and attacks on two military camps on 11 December 2015, which intensified the wave of violence, rape, torture, and killings. The toll has been very heavy with over 500 dead and some 260,000 refugees in neighbouring countries. Unlike previous armed conflicts strongly marked by ethnic divisions, the current strife has so far remained essentially political. Nevertheless, the international community has continually warned of the risk of escalation to ethnocentric violence if the crisis persists.

At regional level, the Heads of State of the sub-region entrusted mediation of the crisis to the President of Uganda (in June 2015) and the former President of Tanzania, Benjamin Mkapa (in March 2016) to revive inter-Burundian dialogue. The first session of that dialogue was organized in May 2016, without the participation of CNARED, the main coalition of Burundian Opposition parties that the Government rejects. The second session of the dialogue, which still excluded CNARED, made no progress on substantive issues concerning the crisis, the status and implementation of the Arusha Peace and Reconciliation Agreement for Burundi, the Constitution, the security situation, politics and democracy and the state of the economy. Moreover, the last summit of Heads of State, held in September 2016, validated the proposal of the Mediator that inclusive dialogue be initiated within six months.

The international community is increasingly worried by the deepening crisis, which could spread to the entire sub-region. This risk is all the more real because the Government of Burundi and some international observers accuse Rwanda of sheltering rebels. Rwandan authorities have formally denied these accusations. The proposal to deploy an African Union force in Burundi was rejected by the Government. On 1 April 2016, the Security Council unanimously adopted Resolution 2279 (2016), requesting the Secretary-General to enhance the United Nations engagement in Burundi by strengthening the team of his Special Adviser for conflict prevention.

On the economic front, economic activity has slowed considerably since April 2015, interrupting the growth momentum that began in 2005. The real GDP growth rate was estimated at -4.1% in 2015, compared with 4.7% in 2014. Projections of GDP growth rates, which are in the order of 1% in 2016. The risk of debt distress in Burundi remains high due to the structural trade imbalance and the socio-political crisis. The reform program implemented
under the Extended Credit Facility (concluded in 2012) with the IMF has experienced slippages related to the political context. In addition, the European Union (Burundi’s first donor for the period 2015-20) followed Belgium, the Netherlands, Germany and the United States by suspending its direct aid to Burundi on 14 March 2016, including budget support.

**At the social level, the country is one of the poorest countries with an estimated poverty rate of 64.6% in 2014 (67.1% in 2006).** The latest UNDP Human Development Report for 2015 places Burundi in 184th position (out of 188 countries and territories). The country is also facing high unemployment, especially among young people estimated to be over 50%. In addition, the impact of the political crisis combined with the freezing of external support increased further in 2016 due to dramatic budget cuts for the health sector (54%), agriculture (14%), Education (27%).

**The governance situation has hardly improved, despite Government efforts to combat economic malfeasance.** This situation has been confirmed by the 2015 Transparency International report, which ranks Burundi 150th out of 167 countries classified under its Corruption Perception Index. The 2015-16 Global Competitiveness Report also indicates that out of the sixteen (16) criteria deemed to be problematic for business in Burundi, corruption ranks first (26%), followed by access to funding (21%) and political instability (19%). Furthermore, the 2015 Ibrahim Index of African Governance (IIAG) had already highlighted the deterioration of the personal safety situation between 2013 and 2014, ranking Burundi 38th out of the 54 countries assessed.

### B. Opportunities, Challenges and Fragility Factors

**Apart from deterioration of the political situation, the country’s challenges and structural development opportunities have essentially remained unchanged since 2012.** Burundi has several strengths/opportunities (see Box 1) which can be tapped to make a real impact on growth and job creation. However, the main challenges/constraints to its development stem from its fragile situation and cyclical political crises

**Burundi’s persistent fragility points to the existence of certain critical factors of State fragility,** namely: overly cautious leaders, lack of political cohesion, limited capacity, limited commitment to building economic institutions and implementing

### Box 1: Opportunities and Challenges

#### Main Opportunities

- Mining potential (underexploited) with enormous mineral reserves (nickel, coltan, vanadium, phosphates, carbonatites, peat, limestone, etc.). Burundi holds the second largest nickel reserve in the world (6% of the world’s nickel reserves or almost 200 million tonnes).
- Hydroelectricity potential of 1300 MW of electricity, whereas less than 40 MW is effectively tapped currently.
- The development of Lake Tanganyika, which is 650 km long, has approximately 10 ports and can be transformed into an interregional trade hub. In this regard, renovation of Bujumbura Port will boost trade, especially for goods transit between countries of the sub-region (Rwanda, Uganda, Tanzania, DRC, Zambia, etc.).

#### Main Challenges

- Low level of infrastructure development (road and energy), which is a major obstacle to national development.
- Weak institutional capacity characteristic of a fragile country and which translates into difficulties and delays in the coordination and implementation of economic policies.
- An economy vulnerable to external shocks with a limited revenue collection capacity, mainly due to the narrowness of the economic base and persistent weaknesses in financial and economic governance.
- An underdeveloped private sector whose competitiveness is undermined by high production costs (electricity, telecommunications, transport, etc.) as well as the low skills level of the workforce.
- Despite its potential, the agricultural sector is dominated by subsistence farming and characterized by very low productivity that cannot guarantee food security.
policies and reforms that fuel growth, and inability to generate or properly use fiscal space. The main factors of fragility are numerous, complex and interrelated: recurrent since the early years of independence (1962) or the recent conflict (cf. Annex 7). Burundi’s current situation has become complex and its fragility has increased as a result of the prevailing crisis.

i. *The first fragility factor is the limited commitment of the parties that adhered to various political and social pacts* in a context of persistent and multifarious social divisions at various levels.

ii. *The second is a combination of land tenure problems, environmental degradation, population problems, and the return of 1.2 million war victims, displaced people or refugees:* (i) population problems, aggravated by high density, threaten food security and exacerbate land disputes in a context of land shortage; (ii) land fragmentation and land tenure insecurity adversely affect agricultural production and living standards in rural areas; land disputes managed poorly, and sometimes arbitrarily, are a potential source of instability; and (iii) repatriation of some 500,000 Burundian refugees from neighbouring countries between 2006 and 2013, thousands of Burundians still living in those countries, as well as the over 260,000 people driven into exile by the recent 2015 crisis, have all compounded the complexity of the crisis in the short, medium and long terms.

iii. *The third is the combined effect of population growth and youth unemployment.* The very little attention paid to youths and the non-existence of a youth employment strategy constitute a threat to national security and economic development.

iv. *The fourth is the weak human capacity of the public administration, as well as very limited diversification of the Burundian economy, which is consequently dependent on foreign aid and vulnerable to exogenous shocks.* This situation, coupled with weak infrastructure development, has slowed down private sector development.

v. *The fifth factor has a cross-border dimension.* The overlap, interdependence and complexity of conflicts that break out in the Great Lakes sub-region are a constant threat to political stability in Burundi.

C. **Fragility aspects addressed by the Project**

Development and asphalting project (NR18 - Phase II) deals directly with the weakness of infrastructures as a factor of fragility in the country. Indirectly, the project will also have an effect on other fragility factors such as the weakness of the private sector and economic diversification as well as the weakness of economic opportunities and employment especially for young people.

<table>
<thead>
<tr>
<th>Factors of fragility</th>
<th>How the project will contribute to the reduction of fragility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak infrastructure</td>
<td>The project will contribute to the reinforcement of the road infrastructure through the development and asphalting of the Kibumbu-Gitega (Mweya - 24 km) and related facilities including the rehabilitation of 15 km of rural roads as well as the rehabilitation Basic socio-economic infrastructure. The NR18 is part of the economic and strategic link between the capital Bujumbura and the central, northern and eastern regions of the country.</td>
</tr>
</tbody>
</table>
Weakness of the private sector and economic diversification

The increased flows of goods and people generated by the development and tanning of the RN18 will encourage the creation of new income-generating activities in the project area, which will contribute to improving the well-being of the population. Some companies such as stevia and tea in the province plan to entrust the collection of green leaf gradually to farmers’ organizations, while improving transport conditions will have a positive impact on reducing transport costs. Which will increase income for the producer. In this way, the project should contribute to the promotion of the private sector and economic diversification.

Weakness of economic and employment opportunities especially for young people

The project foresees related activities in particular the rehabilitation of basic socio-economic infrastructures. Among these infrastructures is the basic school of Kibiri, whose rehabilitation will help improve the learning conditions of young people. Accordingly, the project envisaged the integration of ten young trainee engineers (including five women) into the control mission and the company will strengthen the employability skills of these young people. Moreover, the project will have positive effects on the growth of trade and trade flows and, through this, on increasing economic opportunities and employment especially for young people.

D. Country Dialogue

In accordance with its Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019), the Bank will strengthen its leadership role in policy dialogue, partnerships, and advocacy on issues of fragility in the coming years. Although the Bank does not intervene directly in political matters, it could use TSF Pillar III resources and the trust funds to be mobilized to contribute to the peace and reconstruction negotiations, by providing the necessary expertise through technical assistance targeting economic, financial and advocacy issues. The Bank will also explore the possibilities of supporting training for political stakeholders in targeted areas relating to social and political cohesion. Analytical studies on the sources of fragility and its regional implications will be conducted to deepen understanding of the situation in Burundi. This would enable the Bank to play a key role, together with the other TFPs, in reflecting on specific solutions to the crisis by focusing on areas where it has a comparative advantage. Lastly, the IDEV report on CSPs between 2004 and 2015 makes proposals that should also guide dialogue with the various stakeholders, and identify key challenges for the Bank’s future strategy in Burundi).
ANNEX III: Map of the Project Area

(This map has been provided by the staff of the African Development Bank (ADB) Group exclusively for the use of the readers of the report to which it is attached. The names used and the borders shown do not imply on the part of the ADB Group and its members any judgment concerning the legal status of a territory nor any approval or acceptance of these borders.)