1. Project Data:

- **OEDID**: C1889
- **Project ID**: P000197
- **Project Name**: Small Enterprise Apex Project
- **Country**: Burundi
- **Sector**: Other Industry
- **L/C Number**: C1889
- **Partners involved**:
  - **Prepared by**: Farrokh Najmabadi, OEDCR
  - **Reviewed by**: P. G. Grasso, OEDPK
  - **Group Manager**: Ruben Lamdany, OEDCR
- **Date Posted**: 06/05/1998

2. Project Objectives, Financing, Costs and Components:
   The project was to complement the Government’s 1986 comprehensive reform program which was assisted by the IMF and by two IDA Structural Adjustment Credits. The objectives of this project were to:
   (i) support the development of small scale enterprises (SSEs) through the provision of term resources and technical assistance;
   (ii) increase the participation of financial intermediaries in financing productive investments;
   (iii) help improve the efficiency of the financial sector and the SSE policy framework;
   (iv) strengthen the SSE appraisal/supervision capabilities of Burundi’s financial intermediaries; and
   (v) generate new employment opportunities.

   The credit had two components: an investment component of US$7.2 million equivalent to finance SSEs; and a technical assistance component of US$0.8 million equivalent to help small entrepreneurs to prepare and manage their projects and to strengthen the capacity of the participating financial intermediaries to appraise and supervise investment projects.

3. Achievement of Relevant Objectives:
   Through amendment of the Credit Agreement permitting an increase in the sub-project eligibility limit from US$0.3 million to US$0.5 million, disbursement picked up from 1991. But throughout the implementation period, this project suffered from the availability of soft loans from some bilateral donors as well as the unwillingness of the participating financial institutions (PFIs) to apply criteria and standards set by the Bank in appraising such projects.

4. Significant Achievements:
   Even under adverse conditions, 39 sub-projects were financed under the line of credit, benefiting 34 SMEs. 26 of the 39 loans, representing about 85 percent of commitments are being repaid on time.

5. Significant Shortcomings:
   Some of the major objectives of the project such as job creation (one quarter of the number of jobs anticipated at appraisal were created), improved efficiency of financial operations and technical assistance to entrepreneurs in project operations have not been achieved.

6. Ratings:

<table>
<thead>
<tr>
<th>Outcome</th>
<th>ICR</th>
<th>OED Review</th>
<th>Reason for Disagreement/Comments</th>
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<tbody>
<tr>
<td><strong>Outcome</strong></td>
<td>Satisfactory</td>
<td>Marginally Unsatisfactory</td>
<td>The Region has actually rated the project as marginally satisfactory, even though the ICR Guidelines do not provide such an option. Given the failure to achieve some important objectives and the uncertainty surrounding the performance and the future of beneficiary enterprises, OED has rated the outcome as marginally unsatisfactory.</td>
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<tr>
<td>Institutional Dev.:</td>
<td>Negligible</td>
<td>Negligible</td>
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<tr>
<td>Sustainability</td>
<td>Unlikely</td>
<td>Unlikely</td>
<td></td>
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<tr>
<td>Bank Performance</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
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<tr>
<td>Borrower Perf.</td>
<td>Deficient</td>
<td>Unsatisfactory</td>
<td></td>
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<tr>
<td>Quality of ICR</td>
<td>Satisfactory</td>
<td></td>
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</tbody>
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**7. Lessons of Broad Applicability:**
The key lesson of this project is that a realistic appraisal is indispensible to satisfactory implementation. Moreover, when designing such projects, the Bank should take into account potentially competing sources of 'soft' fundings. A second lesson is that the technical and supervising capacity of the Apex agency is a critical determinant of project success and that the designs of lines of credit to commercial banks should be kept simple, avoiding excessive layers of review and approval.

**5. Audit Recommended?**  ○ Yes  ● No

**5. Comments on Quality of ICR:**
Despite serious security problems in the country, the Region made a concerted effort after the issuance of the ICR in October, 1997, to provide more information on the performance of the beneficiary enterprises.