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STAFF APPRAISAL REPORT

BURUNDI

SMALL ENTERPRISE APEX PROJECT

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**Industry and Energy Operations Division
South-Central and Indian Ocean Department
Africa Region**

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CURRENCY EQUIVALENTS

Currency Unit	=	Burundi Franc (FBU)
US\$1.00	=	FBu 125 (June 1987)
US\$1.00	=	FBu 114 (Annual Average 1986)
US\$1.00	=	FBu 105 (June 1985)

GLOSSARY OF ABBREVIATIONS

AGCD	-	Administration Générale de la Coopération au Développement
BANCOBU	-	Banque Commerciale du Burundi
BBA	-	Banque Belgo-Africaine
BCB	-	Banque de Crédit de Bujumbura
BNDE	-	Banque Nationale de Développement Economique
BRB	-	Banque de la République du Burundi
CADEBU	-	Caisse d'Epargne de Burundi
CAMOFI	-	Caisse de Mobilisation et de Financement
CCCE	-	Caisse Centrale de Coopération Economique
CCI	-	Chambre de Commerce et de l'Industrie du Burundi
CCP	-	Office des Chèques Postaux
CCPF	-	Centre de Perfectionnement et de Formation
CFTB	-	Centre de Formation Technique Bancaire du Burundi
COOPEC	-	Cooperatives d'Epargne et de Crédit
CPI	-	Chambre de Promotion Industriel
DEG	-	Deutsche Entwicklungsgesellschaft
EIB	-	European Investment Bank
FNG	-	Fonds National de Garantie
SBF	-	Société Burundaise de Financement
SIP	-	Société Immobilière Publique
SOCABU	-	Société d'Assurances du Burundi
Société Holding	-	Société Holding Arabe Libyen Burundais
UNDP	-	United Nations Development Program
UNIDO	-	United Nations Industrial Development Organization
USAID	-	United States Agency for International Development

GOVERNMENT OF BURUNDI FISCAL YEAR

January 1 - December 31

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This report is based on the findings of an appraisal mission to Burundi in June-July 1987. The mission was composed of Messrs. Christian Schmidt and Andres Jaime of AF3IE and of Messrs. Jacob Levitsky and Roman Semkow, Consultants.

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BURUNDI

SMALL ENTERPRISE APEX PROJECT
CREDIT AND PROJECT SUMMARY

- Borrower: Republic of Burundi
- Beneficiaries: Banque de la République du Burundi (BRB), participating financial intermediaries, Chamber of Commerce and Industry, and small enterprises.
- Amount: SDR 5.7 million, equivalent to US\$8 million.
- Terms: Standard IDA terms.
- Relending Terms: The Borrower would pass on US\$7.2 million equivalent to BRB at 7.0 percent p.a. minus an administrative fee of 0.5 percent (to cover the operating cost of a Project Unit within BRB) for 30 years, including a grace period of 10 years. BRB would onlend the funds to qualified participating financial intermediaries at 7.0 percent (or at the treasury bond rate to be established following the introduction of a treasury bonds auction), with a flexible amortization schedule reflecting the aggregate maturity of subloans extended by intermediaries. The onlending rates would be revised annually. Interest rates charged by participating intermediaries to beneficiary SSEs would be, initially, 11 percent for subloans of up to seven years and 12 percent for subloans beyond seven years. Following the introduction of a market-oriented rediscount rate, interest rates would be variable and market-determined. The foreign exchange risk would be borne by the Government. The Borrower would use the remaining US\$0.8 million to (i) provide training and technical assistance to participating intermediaries and beneficiary SSEs and, (ii) establish an SSE promotion unit in the Chamber of Commerce and Industry.
- Benefits: In the past, Burundi has not had a practical and effective approach towards SSE development. With the mandate recently given to the Chamber of Commerce and Industry to take the lead in SSE promotion, the proposed project would help nurture this development, which is expected to generate new job opportunities at a relatively low capital cost. It is expected that the credit component would help create 2,500 new jobs at an average cost of US\$4,000 per job. The impact of the project is expected to be appropriately dispersed both geographically and among various groups with benefits reaching subborrowers in the secondary cities and microenterprises.

Risks: Being the first apex operation in Burundi, the project involves institutional arrangements that are new to the Central Bank and to the participating intermediaries. Initial delay in subloan processing may occur as BRB will need to familiarize itself with the system and as participating intermediaries develop further their appraisal and supervision capacity. This risk would be considerably reduced by the swift implementation of the technical assistance component and by close IDA supervision during the initial project execution phase.

<u>Estimated Cost:</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	-----US\$ million-----		
Investments	3.0	7.0	10.0
Technical Assistance and Training	0.4	0.6	1.0
SSE Bureau	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>
	3.5	7.7	11.2

Financing Plan:

SSE Subborrowers	1.5	-	1.5
Participating Financial Intermediaries	1.5	-	1.5
Government	0.2	-	0.2
IDA	<u>0.3</u>	<u>7.7</u>	<u>8.0</u>
	3.5	7.7	11.2

Estimated Disbursements:

<u>IDA FY</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Annual	0.7	1.1	1.8	2.4	1.6	0.4
Cumulative	0.7	1.8	3.6	6.0	7.6	8.0

Economic Rate of Return: N.A.

Map: No. 20663.

BURUNDI

STAFF APPRAISAL REPORT

SMALL ENTERPRISE APEX PROJECT

I. THE SECTORAL ENVIRONMENT

A. The Economic Setting

1.01 Burundi is a small, densely populated and land-locked country with over 4.5 million inhabitants and an estimated GNP per capita of US\$250 in 1986. The population is overwhelmingly rural (93 percent) and derives its livelihood from subsistence agriculture and coffee cultivation. Despite the predominance of the rural economy (60 percent of GDP), Burundi has a relatively developed services sector and a small but active manufacturing sector which the Government is eager to promote as agricultural development is constrained by land availability and increasing demographic pressures.

1.02 Following a period of growth due to the coffee boom in the mid-70s, Burundi's economy started encountering serious financial and economic difficulties in 1981. Terms of trade deteriorated and oil prices surged. A rapid increase in domestic demand and expansionary fiscal and monetary policies led to a deterioration in the balance of payments and large budget deficits. Between 1978 and 1983, the current account deficit increased from 5 percent of GDP to 12 percent, and the budget deficit from 6 percent to 11 percent. Inflation, which was running at a high rate of 15 percent p.a. led to a rapid appreciation of the Burundi franc in the absence of corrective adjustments. To control the increasing deficit in the balance of payments, administrative controls were imposed on imports and on foreign exchange. In addition, price controls were imposed for imported and domestic goods. These control measures led to distorted prices, high rents accruing to monopolist importers, lack of interest in productive sector investments and to a general slowdown of economic activity.

1.03 Towards the end of 1983, the Government launched a program of initial adjustment measures. These included the depreciation of the Burundi franc by 30 percent versus the US dollar, an increase of producer prices of main export crops (ranging from 6 to 50 percent) and the raising of some taxes. In addition, public wages were frozen, and an effort was made to control both capital and recurrent public expenditures. But while Government revenues initially increased significantly due to higher coffee revenues, continued import restrictions on intermediate goods hampered the output of the modern sector. Furthermore, a prolonged drought in 1984 led to a reduction in agricultural value added of about 6 percent, and thus to a 1 percent decline in real GDP.

1.04 Starting in 1985 the economic situation recovered somewhat. GDP growth reached 4.2 percent due to a substantial recovery in agricultural value added (a result of higher world coffee prices), and expansion of existing manufacturing units. The balance of payments improved as well. With IMF and IDA assistance, preparation for the first Structural Adjustment Program --currently being implemented--began in May 1985 with the objective of restoring financial equilibrium in the short-term and initiating a medium- term restructuring of the economy.

1.05 Main short term adjustment measures included: the adoption of a realistic and flexible exchange rate policy, the correction of the appreciation of the real effective exchange rate which had occurred during the previous years, progressive liberalization of exchange controls and prudent financial policies compatible with the objective of (i) reducing the budget deficit, (ii) maintaining a sustainable balance of payments position, (iii) containing inflation to about 5-6 percent, and (iv) increasing credit to the private sector.

1.06 The medium term adjustment program included the rationalization of the incentive system through further decontrol and liberalization of the economy, and the improvement of the efficiency in resource allocation through major changes in trade and industrial policies. The Government has also taken important steps to strengthen public expenditure management and to rehabilitate the public enterprise sector.

1.07 The above measures have already produced important changes in the economic environment. Faced with increased competition, firms are now looking for cheaper sources of imports (notably in the regional and non-traditional markets) and export markets are being explored. Manufactured exports increased by 60 percent in nominal value in 1986 (80 percent of which in the form of processed coffee), and export contracts for beer, glass, soap, tobacco and textiles have increased substantially. Moreover, the depreciation of the FBu (23 percent in terms of SDR, between July and December 1986), offset the impact that import liberalization might otherwise have had on increased demand for imports. The policy environment for industry has, as a result, improved substantially. The second tranche of IDA's first structural adjustment credit was released on April 21, 1987. Another SAC carrying the adjustment process further is currently being prepared, and SAF discussions are being finalized.

B. The Small-Scale Enterprise Sector

Importance and Characteristics

1.08 Small-scale enterprises (SSEs) in Burundi are a non-homogeneous and relatively small group, varying significantly in complexity and sophistication as well as by size and activity. SSEs with the same number of employees or comparable sales volume often differ in management style, organization and ability to maintain records, depending on the nature of their activity or the background and capacity of the owner-manager. Partly because of this diversity, and partly because of the absence of a clear official definition of small--and in the Burundian context also medium--enterprises, reliable data on Burundi's SSEs are scarce. In the absence of

comprehensive statistics, the characterization below draws on several sources, including the National Studies and Statistics Service, various Ministries (Commerce and Industry, Labor, Justice), and the Chamber of Commerce and Industry, all of which focus on different aspects of SSE activity, such as employment, taxes, licensing, permits, etc.

1.09 The SSE sector is marked by very limited donor support. Except for past UNIDO assistance to the industrial promotion center (para. 1.31) and two SSE credit lines to one of the development banks, most donor assistance has concentrated so far on selected artisan activities in the provinces.

1.10 Officially, all SSE establishments belong to one of four categories, namely the formal and informal industrial sector and the modern and traditional artisan sector. The formal industrial sector includes, besides registered SSE establishments, the 7 larger manufacturing companies in Burundi, among which are the beer and bottle factories. Activities in all four categories are geared towards meeting domestic demand for basic goods. As in other countries of comparable stage of industrial development, food processing (excluding coffee and tea) dominates manufacturing the sector. Other activities are linked to shelter (basically construction materials), clothing, (weaving, spinning, etc.), furniture making, wire drawing and gem cutting. Overall, all four SSE sector categories contribute one third to the total manufacturing sector which, in this predominantly agricultural country, accounts for about 10 percent of GDP and which grew at an average annual rate of 4 percent in real terms between 1978 and 1986.

1.11 The formal SSE sector comprises all officially registered firms in Burundi except for the 7 large manufacturing firms mentioned above and employs about 20,000 people. Its activities are monitored by the National Studies and Statistics Service, which has a roster of 557 registered companies. Of these, 69 percent are in the commercial and services sector and 20 percent in manufacturing. The majority (60 percent) are concentrated in the metropolitan region of Bujumbura. While relatively few companies employ a large labor force, 66 percent employ less than 50 persons each in the agro-industry, mining and manufacturing subsector. In the remaining sectors, the majority of companies employ less than 25 persons each.

1.12 Capital investments of the formal SSE sector are concentrated in the manufacturing sector. The average investment for the sector is US\$40,000 per enterprise. Basic financial ratios of the sector indicate that long-term credit has so far not played a significant role in the fixed capital formation of formal manufacturing enterprises. Over half of the assets are self-financed by company owners. As a result, debt servicing represents only 3 percent of total operating expenses for the sector. At the same time, 25 percent of companies carry no debt at all.

1.13 The informal SSE sector, defined as all non-registered SSE activities in Bujumbura and the larger provincial towns, especially in Ngozi and Gitega consists of an estimated total of 950 companies employing less than 25 persons each. The best available estimates indicate that about 65 percent of these companies are active in the commercial and

services sector. Most of them exist and manage to operate outside the official legal framework, hence reliable information on their activities is scarce. Compared to the country's predominant agricultural sector, informal industrial establishments do not require assets such as land, nor do they require large amounts of capital. The labor force generally is made up primarily of the owners plus a few family members and apprentices. A special 1987 Bank survey of the informal sector in Bujumbura, which represents the most developed market, reveals that activities are concentrated mainly in retail trade, construction, manufacturing, electrical and mechanical repair and transport. Trade constitutes 66 percent of the total output of the sector, while manufacturing activities constitute less than 20 percent, and construction less than 3 percent. In the latter two subsectors, it is the formal sector which dominates. Other informal SSE activities include pottery, carpentry, tailoring, and basket making. Metal fabrication is also a significant, more rural manufacturing activity, but it is concentrated in the provinces of Ruyigi and Bubanza.

1.14 Most SSEs in Burundi's formal and informal sector are owned, managed and operated by nationals, unlike the few large companies which often have foreign interest and management. Less than 2 percent of the staff of all SSEs are foreign. Available data also suggest that SSEs are more labor intensive and less dependent on imported inputs than larger enterprises.

1.15 Between 1973 and 1986, the net increase in the number of registered SSEs amounted to 421, which resulted from 4,142 start-ups and 3,721 closures. While the number of start-ups indicates that there is no lack of entrepreneurial spirit in Burundi, the amount of closures demonstrates simultaneously that the SSE sector faces problems as well as it tends to base new activities on inadequate feasibility studies, overrates the market potential and underestimates operating costs.

1.16 SSEs in Burundi encounter a number of constraints, brought to the attention of the appraisal mission in all main provinces: (i) The access to bank credit, both for fixed assets and working capital is still difficult with banks being concerned more about collateral quality than financial viability of the project; (ii) SSEs are characterized by their lack of well established management structure and organization, and by rudimentary accounting systems. Basic practices such as quality, production and inventory controls are virtually unknown. The resulting excess costs are integrated in the product cost structure and passed on to the consumer disregarding price and demand elasticity; (iii) Market limitations represent a lesser, but still relevant problem. The expenditure pattern of rural households which represent 92 percent of total households indicates that purchases are limited to basic consumer needs: food, clothing, housing, medicine and household goods of first necessity. As a result, SSEs face a local market the growth of which is restricted by the modest purchasing power of its predominantly rural population; (iv) Being landlocked, another difficulty for economic operators in Burundi is the access to appropriate technology and imported raw materials. Transit of goods is unreliable and very costly. Only large companies can afford adequate inventories to safeguard against stock outs. In addition, imports of second-hand equipment are currently prohibited, resulting in low capacity utilization and high investment costs per job. It is expected,

however, that under SAC II, this restriction will be lifted; (v) Finally, local distribution channels are in disarray and suffer from collusive practices. Since Burundi's independence in 1962, over 190 commercial trading centers have ceased operation. SSEs unable to develop costly private distribution channels encounter serious marketing problems in commercializing and selling their products.

1.17 Successful SSEs in Burundi have been built up by individual initiative and have developed by reinvestment of surpluses. In the past several years, few new SSEs have been established. This can be attributed mainly to the economic slow down until 1985 (para. 1.02). Since SSEs have generally found it difficult to obtain professional assistance in the past to prepare bankable feasibility reports and in getting banks interested in their project proposals, few of them had access to funds other than the equity investments of the owner or his immediate or extended family, although some SSEs have in rare cases operated on suppliers' credits. Those that have had access to bank credit have been mainly financed by BNDE and, more recently, by SBF for machinery and equipment imports. The appraisal mission survey (para. 1.16) showed that new SSEs are being established again and this will result in increased credit demands. Improved assistance and increased regional coverage to meet financing needs will substantiate this additional credit demand.

1.18 The Artisan Sector. The modern as well as the traditional artisan sectors are made up of a large number of establishments, most of which are unregistered and do not keep any records of their activities. Despite these shortcomings, the artisan sector is an important generator of employment. Traditional artisan activities are carried out by approximately 100,000 farmers, predominantly in the rural areas. These activities, which range from basket weaving to brick making represent a part-time occupation providing additional income. Skills are transmitted from one generation to the next. More "modern" artisan activity implies, by local definition, that the craftsmen, received either formal training at a specialized institution or church mission or underwent apprenticeship training, or both. Whereas the traditional craftsman operates as an individual in his spare time, modern craftsmen exercise their profession on a full-time basis and usually have employees assisting them. Approximately 40,000 craftsmen conduct activities in metropolitan Bujumbura and in smaller townships. According to a 1987 study of the artisan sector by a foreign consulting company, modern artisans are increasingly in competition with each other due to the often homogeneous products and have to survive on very small profit margins.

1.19 Burundi's artisan sector received considerable donor assistance from both official bilateral and NGO sources. This assistance is mostly granted in the form of expert advice and is scattered among various, in some instances quite distant provinces.

Government Policies affecting SSEs

1.20 Although the Government of the Third Republic, formed in September of 1987, has reemphasized the importance of SSE development, there are no regulations for SSEs separate from those for large enterprises. However, after a period of emphasizing large public sector projects as an instrument

for industrial growth, the Government now recognizes that further industrial development appropriate to the country's scale and needs should largely involve privately owned small- and medium-scale enterprises. In the past, the growth of the sector was partly hindered by policies such as price controls and import restrictions, but also by cultural values which gave higher social status to administrative and military positions compared to trade and industrial activities. This environment has changed. Starting in 1984, numerous public appeals have been made by highly placed Government officials for national talents to concentrate on economic productive activities, start their own business and rely on their own capacity to be economically successful.

1.21 The new macroeconomic environment, together with the need to promote the participation of Burundian entrepreneurs in the country's investment and growth process, has thus accorded a high priority to private sector enterprises and to improving the policy and institutional framework for their development. In the process, the Government has implemented major changes in trade and industrial policies. While they do not affect SSEs exclusively, they do have the same results for them as for other economic agents. The main steps towards deregulation of the economy were in the areas of import licensing, price determination, production incentives and tariff reform.

1.22 Import Licensing: At present, most import licenses are granted automatically, except for a limited number of luxury goods, and for 3 groups of locally manufactured goods, subject to temporary quantitative restrictions. Previous regulations which had led to monopolization of the trader profession have been abolished.

1.23 Price Decontrol: Most price controls have been removed, after they had been fixed for most manufactured goods at the producer, wholesale and retail levels until 1985/86. This policy was applied to producer prices through a fixed 20 percent profit margin (cost plus) on production cost. For some strategic products (salt, cement, sugar), prices can still be subject to a ceiling (for no longer than four months), to offset possible speculation caused by acute shortages or temporary import difficulties. The new pricing policy applies to public enterprises as well.

1.24 Production Incentives: The above measures were complemented by a set of incentives designed to stimulate investment and production in the productive sectors. The Investment Code was revised (para. 1.26) to provide automatic incentives to all investors (Burundian and foreign) who meet specific criteria related to utilization of labor and adequate rates of return. Other incentives include elimination of all export taxes on manufactured goods and the reactivation of the draw-back system.

1.25 Tariff Reform: With a view to reducing high rates of effective protection the Government restructured import tariffs and provided a basic rate of protection for the production of intermediate goods based on domestic resources. To this end, the number of duty rates was reduced from 57 to 5, a minimum duty of 20 percent was established on all imports and the maximum duty was reduced to 100 percent, applied essentially to luxury goods. Non-luxury goods are now taxed in the 20-50 percent range, to be

narrowed to 20-40 percent in 1989. For a few cases in which higher rates might be imposed to protect infant industries, the Government has introduced formal procedures to grant selected enterprises a temporary relief in form of an import surcharge (with a maximum rate of 30 percent) levied for a maximum period of three years. This import surcharge rate would be gradually reduced during the three-year period.

1.26 A new Investment Code was promulgated in March 1987. The new Code, which was revised under the Structural Adjustment Credit, provides automatic incentives to all investors (Burundian and foreign) who meet specified criteria, namely having an economic rate of return of at least 10 percent for the project and an investment cost per job of less than US\$20,000. This increases the access of SSEs to the Code as provisions contained in the previous Code encouraged investments only if they reached a minimum size, i.e., FBu 15 million (US\$125,000) for new projects and FBu 10 million (US\$85,000) for extensions. Other changes in the new code include (i) lifting the protection against competing imports and no longer prohibiting the establishment of new enterprises even if they compete with existing activities; (ii) eliminating the exemption of import duties on equipment and industrial imports; and (iii) reducing the review process (including final approval or rejection) to a maximum of three months. The Code's benefits now consist essentially of a profit tax exemption for a fixed period of five years and seven years for industries located outside Bujumbura.

1.27 The National Guarantee Fund. In July 1987, a decree was approved setting up the Fonds National de Garantie (FNG)-- a National Guarantee Fund--the purpose of which is to provide additional guarantees to the banks for a substantial part of the loans to SSE when the latter cannot furnish sufficient collateral. The appraisal mission advised the Government in the form and procedures of the FNG. It is envisaged that the guarantee scheme, if operated efficiently, will help remove one of the major obstacles to increase lending by the commercial banks to SSEs, namely the lack of adequate collateral of such borrowers.

1.28 The FNG would guarantee up to 70 percent of a loan for a 1 percent annual fee on the guaranteed portion to a maximum of FBu 10 millions for fixed assets loans. The FNG would also guarantee 60 percent of working capital loans up to a maximum of FBu 5 million for each borrower. Eligibility for guarantees would be limited to enterprises with fixed assets not greater than FBu 30 million (US\$240,000 equivalent).

Promotion and Training Institutions

1.29 The principal institutions charged with promoting the development of Burundi's SSE sector are the Ministry of Commerce & Industry (MCI), the National Development Bank (BNDE), the Industrial Promotion Center (CPI), and more recently, the Chamber of Commerce and Industry (CCI). With the exception of 3 foreign experts (not specifically focused on SSE issues) in BNDE, there is no other donor assistance for SSEs. The main training institution is the Government Staff College (CPF). Even though a major objective of the technical assistance component of this project is to help the Chamber of Commerce and Industry meet its new promotion role, the other institutions might also render useful services to potential SSEs.

1.30 The Ministry of Commerce and Industry (MCI) has a General Directorate with two departments for industry and artisanal sector. Both departments report being understaffed. At this point, the MCI does not have any units directly concerned with policy formulation and preparation of legislation to promote the SSE sector.

1.31 The Industrial Promotion Center (Centre de Promotion Industrielle, CPI) was created in 1981 to help promote and develop Burundian industry through provision of assistance to industrial enterprises. CPI is a parastatal agency under direct control of the Ministry of Commerce and Industry. The 1986 operating budget was FBu 56.6 million (US\$450,000 equivalent), provided by Government resources and foreign donor grants. Main activities have included the preparation of project feasibility studies and, since 1985, the provision of technical assistance to firms in technological choice, management, and training. In the past, CPI's role has been limited by frequent changes in management as well as by difficulties in gaining acceptance by the private sector. Furthermore, the local staff of 22 have inadequate backgrounds and some are working only part-time. Under the new Government, CPI is redefining its role to become a study unit and shift all assistance functions to the Chamber of Commerce and Industry.

1.32 The Chamber of Commerce and Industry (CCI) represented in the past a relatively small segment of the commercial and industrial community, mainly the larger enterprises based in Bujumbura. Starting in 1987, the Government has given the mandate to the CCI to expand its activities and play a more aggressive role in representing the business community throughout the country. This initiative came about by realizing that a private organization was more suited to effectively reach the private sector and channel the assistance needs. As a consequence, CCI's structure has been modified significantly and its budget increased considerably. Under the project, CCI is to play a leading role in implementing the technical assistance program. Following a membership drive after its mandate was increased, CCI currently has over 2,000 associate members, and the number is still increasing. The General Secretary is a dynamic and knowledgeable executive and former Dean of the Faculty of Economics and Administration at the University of Burundi.

1.33 CCI's budget is entirely financed from membership dues which range from FBu 2,000 to FBu 100,000 p.a., depending on the size and equity strength of the member company. In parallel to its membership drive, CCI is expanding its services, and it has already established 4 representations outside Bujumbura to better attend members' needs in the provinces. Recently two Directors have been recruited. One has responsibility for domestic affairs covering information, communication training, assistance and coordination with the regional chapters of the chamber. The other director oversees international affairs, including import/export, relations with regional trade zones such as CEPGL, PTA, foreign chambers of commerce, etc.

1.34 The 1987/1988 program of the CCI focuses on the launching of training programs both in the capital city and throughout the most important provinces. This shows that the Chamber does not perceive itself only as a lobbying group but that it responds to the needs of its members,

who concluded that governmental agencies did not generate the practical, private sector oriented programs required. Despite its relatively fresh start in Burundi's business promotion, the CCI, through its enthusiastic staff, has shown its willingness to assume a leading role in assisting enterprises. Therefore, CCI was chosen as the best suited institution in the country to take charge of the project's TA program.

1.35 The Government Staff College. The Government Staff College (Centre de Perfectionnement et de Formation en cours d'emploi, CPF) is a parastatal agency primarily sponsored by UNDP. It started operations in 1979, has a total of 40 local staff, and 3 foreign experts. Revenue sources comprise mostly Government subsidies and foreign donor grants. The center focuses its overall attention on civil servants even though private sector participants are allowed to participate in the courses. The center organizes management seminars and workshops, conducts research on management and training issues, publishes its own monographs and studies and maintains an audio-visual library. However, the few workshops and seminars oriented towards the private sector tend to concentrate on scientific management suitable for big corporations only.

C. The Financial Sector

Institutional Structure

1.36 The financial sector in Burundi consists of: (i) the Central Bank (BRB); (ii) three commercial banks: Banque de Crédit de Bujumbura (BCB), Banque Commerciale de Burundi (BANCOBU) and Banque Belgo-Africaine Burundi (BBAB); (iii) three other deposit-taking institutions: Caisse d'Epargne du Burundi (CADEBU), Caisse Centrale de Mobilisation et de Financement (CAMOFI) and Comptes Courants Postaux (CCP); (iv) two other lending institutions: Holding Arabe Libyen Burundais (HALB) and Fonds de Promotion Economique (FPE); and (v) two development banks: Banque Nationale de Développement Economique (BNDE), a mixed institution with 40 percent Government participation, and Société Burundaise de Financement (SBF), controlled (54 percent) by the Government but with sizeable (31 percent) local private shareholding.

1.37 The Government, directly or through two fully Government owned financial institutions (BRB and FPE) holds a controlling interest in all financial institutions but the commercial banks. With other public sector enterprises, Government holds close to 50 percent of the capital of the commercial banks but needs the Burundian private shareholders to marshal a majority. Foreign shareholding is limited to the commercial banks (49 percent in two banks and soon a similar or lower proportion in the third) and to BNDE. The Burundi private sector holds shares only in the commercial banks and in SBF.

1.38 In addition to these institutions there is an array of savings cooperatives (COOPECs) started with French assistance in 1984 which are not yet accredited by the Central Bank (para 1.60). There are also quasi-financial institutions which comprise: the Institut National de la Sécurité Sociale (INSS), a Government agency which collects contributions from employers and employees, and manages the national pension plan; the Société d'Assurance du Burundi (SOCABU), a mixed sector insurance company which

used to have a monopoly in the insurance business in the country but has now a competitor (UCAR), recently established with foreign participation; the Office des Cultures Industrielles du Burundi (OCIBU) which collects, processes and partly finances the coffee crop; and the Coffee Equalization Fund. The relative importance of the various institutions in terms of their lending to the economy is shown in the table below and in Annex XI. Total credit outstanding by the financial institutions at the end of 1986 amounted to FBu 16.1 billion (US\$129 million).

DISTRIBUTION OF CREDITS TO THE ECONOMY

(Annual averages in percent)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Central Bank	7.6	4.4	3.2	2.5	2.2
Commercial Banks	65.1	62.0	53.3	50.1	53.0
Development Banks	12.5	16.5	25.2	27.8	26.7
CAMOFI	6.6	8.9	9.7	10.5	10.3
CADEBU	6.4	6.6	7.2	8.0	7.0
Other	<u>1.8</u>	<u>1.6</u>	<u>1.4</u>	<u>1.1</u>	<u>0.8</u>
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: BRB

1.39 There is a certain measure of competition within Burundi's financial system. The commercial banks compete among each other and with BRB, CADEBU, CAMOFI and CCP for public sector deposits, and with CADEBU and CCP for private sector deposits. On the credit side, development institutions participate in short-term credit, namely coffee financing, while commercial banks are required to allocate a portion of their resources to term credit.

1.40 The financial institutions participating in the project (the Central Bank, and the commercial and development banks), as well as the COOPECs, are described in more detail in the paragraphs below.

1.41 The Central Bank (BRB) regulates financial institutions in Burundi and defines and administers national monetary and credit policies. The latter function is performed by BRB's three-person Executive Committee (the Governor, Vice-Governor and the Administrator) and approved, when not actually directed by the Minister of Finance. Between October 1986 and October 1987, BRB was without a Governor and the Executive Committee was virtually inactive. This weakened the Central Bank and led to the Minister of Finance increasingly assuming the task of formulating monetary and credit policies. As Burundi's central financial institution, BRB issues the currency, manages the foreign exchange reserves, and acts as the Government banker and the lender of last resort to the financial system. It also accepts deposits from and grants credit to a number of public sector enterprises, and manages a Credit Bureau (Centrale des Risques) which collects from the financial institutions monthly information on the

amount and nature of loans outstanding to any given borrower and advises each financial institution of the total loans extended to each of their customers.

1.42 The Central Bank's regulation of financial institutions mainly focuses on three aspects: (i) interest rate regulation - BRB currently still fixes the minimum deposit and maximum lending rates, thus predetermining the financial spread available to financial institutions; (ii) prior approval for bank credit exceeding a certain amount (currently FBu 10 million or US\$80,000); and (iii) classification of credits as "rediscountable" or "non-rediscountable" and the related operating ratios that banks have to maintain. BRB does not establish reserve requirements and commercial banks are financially regulated mainly through the operating ratios.

1.43 BRB's past supervision of the management and operation of financial institutions has been weak, especially as regards inspection. BRB relies exclusively on information and data provided monthly by the financial institution, and undertakes no thorough inspection of the banks other than occasional brief on-the-spot checks. Despite the past lax control, banking institutions are generally well managed and financially sound. They have their own provisions policies and adequate appraisal and disbursement procedures.

1.44 BRB has a total staff of 418, including its Bujumbura headquarters and one branch each in the 2 largest provinces. The fact that in the past year BRB has been without a Governor accounts in part for its managerial weakness. With the recent appointment of a new Governor, this situation is expected to change. BRB's organization structure appears in Annex IX.

1.45 The three commercial banks were until 1985 fully foreign-owned. In 1985 the foreign parent companies of the two larger banks sold 51 percent of their shares to Burundian interests, mainly to the Government and public sector enterprises. The transfer to local shareholders of up to 80 percent of the capital of the third bank (BBAB) is currently being negotiated. The former parent companies have retained the management of BCB and BANCOBU until the end of 1987 under a management contract agreed upon at the time of the sale of their shares. The authorities have recently made known their intention to extend the management contracts. Furthermore, the Minister of Labour has agreed to reconfirm, prior to negotiations of the project, the employment status of non-Burundian staff in the banks (and all other private firms). The three banks are still closely linked to their European shareholders and their policies, procedures, and management practices reflect those of the parent companies. BCB and BANCOBU are the dominant institutions, with 43 percent and 37 percent respectively of the total loan portfolio of commercial banks. They have a branch network in the country (six branches for BANCOBU, five branches for BCB) which would allow the project to reach SME clients outside of Bujumbura more directly. The third bank is only active in the capital and has a more limited range of services.

1.46 The commercial banks extend mainly short-term credit with a large proportion of loans financing export and import operations. Other short-term credits are extended through overdrafts. Banks do not engage in more

sophisticated types of operations such as leasing. Coffee financing constitutes another central part of the lending business. Until recently commercial banks were the only institutions engaged in this very profitable and virtually risk free activity, but lately, with the help of the authorities, other financial institutions have become involved in coffee financing (development banks and OCIBU).

1.47 Following Central Bank instructions to commercial banks (para. 1.71) to hold at least eight percent of their outstanding portfolio in the medium-term (2-7 years) and long-term (over 7 years), the banks are becoming familiar with term credit but so far, in the absence of a functioning guarantee fund (para. 1.27), term loans are granted mostly to well-known clients. The capacity of commercial banks to appraise loans is generally adequate. Credit analysis, although emphasizing the personality of the borrower, also covers such aspects as evaluation of market potential, sales forecast, projected cash flow, pro-forma financial statements, quality of the management, and includes direct visits to the company. The appraisal capabilities of commercial banks' staff will be further strengthened under the TA component of the project. (para. 3.29 iii).

1.48 Procurement and disbursement procedures vary from bank to bank, but appear generally satisfactory. For large, well-known clients, disbursement is made directly to the beneficiary. For smaller or less well-known clients and for foreign goods, funds are directly disbursed to the supplier or contractor, and other disbursement and procurement conditions are more thoroughly checked. Under the proposed project, participating institutions would be required to receive quotations from three suppliers and to disburse directly to the supplier, except for small payments of less than US\$5,000.

1.49 Practically all bank lending is backed by some form of collateral (mortgages, floating charges on stocks or other assets, personal guarantees, overseas guarantees, etc.) even though the enforceability of some of these guarantees is legally difficult and time-consuming. The collateral requirement is a particularly important problem for SSEs and limits their access to institutional credit. (para. 1.27 on Guarantee Fund and para. 1.75 on Code Foncière).

1.50 All commercial banks seem to have a fairly sound portfolio condition and the impact of the non-performing loans is manageable. The exact situation, however, is difficult to assess because of differences in the policies followed by individual banks, as the Central Bank provides no guidance on the treatment of doubtful and contentious loans. Commercial banks generally apply the standard provisions policies of their parent companies.

1.51 Banks are reasonably leveraged, with an average debt-equity ratio as of December 1986 of 9.8:1 and a range varying between 8.5:1 and 18.6:1 (Annex XIV). Banking profits are moderate. Net profits represented about 12 percent of the capital funds in 1986 but were inflated in one bank by an exceptional profit of FBu 94 million. The net profits on assets represented slightly over 1 percent of the average total assets in 1986 and 1.5 percent of the average loan portfolio but fell to 0.3 percent and 0.5 percent respectively if non-recurrent profits are excluded.

1.52 The Development Banks. Burundi has two development banks, BNDE and SBF. The Banque Nationale de Développement Economique (BNDE), Burundi's first and principal development finance institution, was established in 1967 as a limited liability company with a share capital of Fbu 60 million (US\$ 0.7 million), subscribed 75 percent by Government and public institutions and 25 percent by Burundi's three local commercial banks. BNDE's objectives at its inception were to provide term loan and equity funds to agricultural, industrial and tourism enterprises and to finance housing. The institution received strong support from the international community (the French Caisse Centrale de Coopération Economique - CCCE - provided the general management of the bank until 1970) and its equity base was expanded four times between 1969 and 1983 to allow international development assistance organizations (DEG, CCCE, EIB, etc.) to participate in its shareholding. BNDE's Fbu 740 million (US\$5.9 million) capital at the end of 1986 is subscribed 40 percent by the Government and BRB, 46 percent by the EIB, CCCE, DEG and AGCD and 14 percent by the commercial banks and other local public sector institutions, thus rendering majority ownership to the Government. Although BNDE has earned reasonable profits (Fbu 50.6 million in 1986 but much less in the previous years), it has preferred to build up its reserves and equity base rather than pay dividends.

1.53 The strong international support has allowed BNDE to establish itself as an important institution for development financing in Burundi. In addition to a DFC-type credit (Cr. 731-BU for US\$3.4 million) which IDA provided to BNDE in 1977, significant institutional and financial support came from KfW, CCCE, EIB and the African Development Bank. Over the years, BNDE's project appraisal and supervision capacity was gradually strengthened and adequate procedures and policies were instituted. The number of staff was kept at appropriate levels (as of December 31, 1986 BNDE employed 49 people, 22 of whom were professionals) and staff quality improved with the assistance of foreign donors and IDA, who funded experts for the positions of Chief Financial Officer, Economist/Financial Analyst and Engineer, and provided training. A Burundi national successfully assumed the General Manager position in 1979, but the institution will continue to need the support of some three expatriate assistants until their counterparts become fully capable of replacing them.

1.54 No Project Performance Audit Report (PPAR) has been issued on the IDA credit to BNDE. A Project Completion Report (PCR) of January 1987, however, noted that the two main objectives of the IDA credit - to provide financing on appropriate terms to well conceived and viable industrial projects and to strengthen BNDE's project appraisal capabilities and internal organization - were only partly met at the time. The PCR pointed out that despite intense political pressure and weaknesses in the legal system, BNDE did succeed in improving its internal organization and procedures and in maintaining a relatively sound portfolio. Since its establishment, BNDE has financed over 4,400 loan operations for about Fbu 3.9 billion (US\$40 million) and five equity participations for Fbu 56.5 million. BNDE's operations have always been sectorally diverse and cover agriculture, manufacturing, mining, handicraft and housing. About two-thirds of all loans were to enterprises in the capital Bujumbura with the remainder distributed throughout the provinces. About 82 percent of all BNDE loans were medium/long term and went to private (36 percent), public

(38 percent) or mixed-sector projects. Over the past 3 years, BNDE's lending (excluding coffee financing) increased from FBu 480.0 million in 1984 to FBu 826.0 million (US\$7.0 million equivalent) in 1986.

1.55 As of December 31, 1986, BNDE had an outstanding portfolio of FBu 3.0 billion (US\$25 million equivalent) two thirds of which in medium- and long-term and counted with US\$14 million in foreign exchange resources for new approvals. About 85 percent of these resources are for specific operations or have special conditions regarding procurement or type of projects. This limits BNDE's financing flexibility, especially as far as origin and used equipment are concerned. BNDE's foreign exchange resources come mainly from the European Investment Bank, the Caisse Centrale and the African Development Bank. The Government has also from time to time allocated funds to BNDE for specific purposes.

1.56 Since the somewhat unsatisfactory experience with BNDE during implementation of IDA's Cr. 731-BU (para. 3.03), which was closed in 1983, the institution has significantly improved its internal procedures with respect to loan administration and project supervision. BNDE seems to be the only financial institution which strictly applies clearly defined policies with regard to non-performing loans. Loans are classified as overdue as soon as a repayment installment has been missed, an action that immediately triggers a review of the borrower's situation and may lead to classification of the loan as doubtful. Doubtful loans become automatically contentious once the file is sent to BNDE's lawyers. As of December 31, 1986, BNDE's doubtful and contentious loans were 9.7 percent of the portfolio and are classified below. BNDE balance sheet is presented in Annex XVa.

BNDE: Doubtful and contentious loans by sector at the end of 1986
(BuF million and in percentage of total loans to each sector)

	<u>Doubtful</u>		<u>Contentious</u>		<u>Total</u>	
Housing	0.7	(0.1)	7.4	(0.8)	8.1	(0.9)
Trade and artisanat	9.9	(3.4)	45.6	(15.8)	55.5	(19.2)
Industry	114.0	(18.8)	10.9	(1.8)	124.9	(20.6)
Tourism	11.2	(6.0)	12.7	(6.8)	23.9	(12.7)
Agriculture	18.6	(4.7)	12.7	(3.2)	31.3	(7.9)
Small equipment	11.7	(4.9)	-	-	11.7	(4.9)
Total	166.1	(6.3)	89.3	(3.4)	255.4	(9.7)

Source: BNDE

BNDE is expected to be one of the largest users of the proceeds of the proposed project.

1.57 Burundi's other development finance institution, the Société Burundaise de Financement (SBF), started operations in 1982, and is the

country's only financial institution with a sizeable local private shareholding (34 percent). The rest of its shares are held by the state (16 percent), the state-owned Fund for Economic Promotion FPE (40 percent), and SOCABU (10 percent). SBF provides medium- and long-term loans for housing, commercial and transport equipment and to a lesser extent agriculture, mainly coffee financing. Total medium- and long-term loans at the end of December 1986 amounted to FBu 754 million (US\$6 million) and together with coffee financing made up 87 percent of the institution's total credit. Over the past 3 years, SBF's lending (excluding coffee financing) increase from FBu 234.0 million in 1984 to FBu 1.1 billion (US\$9.0 million equivalent) in 1986. All of SBF's term resources are local and come mainly from the FPE and the Institut National de Sécurité Sociale (INSS) (FBu 223.8 and 100 million respectively). SBF balance sheet is shown in Annex XVb.

1.58 Although SBF is young it has a small but competent staff of 21, including 10 professionals, and has established itself as a quality institution with appropriate policies and procedures. Its previous Managing Director was a former Central Bank Governor and he was replaced in October 1987 by the former Minister of Plan. The nine-member Board of Directors approves all loans exceeding FBu 50 million, a Board subcommittee (the Conseil de Direction) is authorized to approve loans of between FBu 10 to 50 million while the Management Committee, comprising the Managing Director and two delegate-administrators, has approval authority for loans below FBu 10 million. SBF has three departments - administration, finance and projects - which are well suited to its size and functions.

1.59 The Savings and Credit Cooperatives (COOPECs). The most recent addition to the range of financial institutions have been the COOPECs (Cooperatives d'Épargne et de Crédit) established with French assistance in 1984. By May 1987 the COOPECs comprised a network of 31 cooperatives in the central rural areas of the country with over 33,000 members, deposits of almost BuF 70 million (US\$500,000 approximately) and outstanding credits of about BuF 16 million (US\$128,000). The COOPECs are growing at a fast rate and their operations may be expected to double in volume by mid-1988.

1.60 The COOPECs represent an important development in being the first financial institutions to operate within these rural areas but are not yet accredited by the BRB. Their lending volume is small and mostly for consumption loans. Thus, they have no need at present for additional financial resources nor for technical assistance which they receive from the French Credit Mutuel. (See Annex XVIII for further details).

Interest Rates and Resource Mobilization

1.61 Interest rates are regulated by BRB, which determines the maximum rates (including commissions) the commercial banks and other financial institutions can charge on their loans and, since 1981, the minimum interest rates they must pay on deposits, thus setting a ceiling on the gross spread of deposit taking financial institutions. In October 1981 the maximum interest rates on deposits were changed to minimum rates and the rate level raised by 2 to 3.25 percent while lending and rediscounting rates were also increased significantly. In August 1986 the general level of interest rates was raised again and financial institutions were also required to pay a 3 percent interest on demand deposit balances in excess of FBu 100,000

(US\$800). The August 1986 change also simplified and unified the structure. The number of posted rates went down from 94 to 57 and special deposit and lending rates for non-bank financial institutions were abolished, all financial institutions being subjected to the same interest rate structure. On May 1, 1987 the scale was further simplified and some of the anomalies in the previous scale removed. The scale presently in force still has 37 posted rates, but unified agriculture and industry lending rates and treats all financial institutions alike. Interest rates for non-rediscountable loans range now between 10 and 16 percent, while rates on rediscountable loans range between 6 and 13 percent (10-12 percent for term loans), with the corresponding discount rates set between 5.0 and 9.5 percent (7.5-9.5 for term discount).

1.62 Real interest rates were negative from 1981 to 1984 and turned significantly positive since then. The increase in 1986 seems to have been a delayed reaction to the surge in the inflation rate in 1984 which had by then reached 14 percent but declined since. Inflation is currently about 5 percent. Such a delayed reaction might have occurred again in May 1987 when the rates were lowered at a time when preliminary indications pointed to an increase in the inflation rate. The latest change kept real interest rates on deposits marginally positive.

1.63 Despite encouraging improvements, the new interest rate scale still provides insufficient margin for certain types of operations especially in the medium term field. Similarly the spread between term lending and rediscounting rates may be too narrow. Margins are more comfortable for non-rediscountable credits but the liquid assets ratio (para. 1.72) and the medium-term credit requirement (para. 1.71) severely limit the freedom of the banks in that area. To make the financial sector efficient, the Central Bank is currently considering, and should be encouraged, to let the financial institutions and market forces determine freely their deposit and lending rates. As a minimum, rates on non-rediscountable credit and on demand deposits should be deregulated and other rates linked to a central rediscount or reference rate. Once the auction market for treasury bills is established (para. 1.65) the resulting rate in this market should be used as the reference rate.

1.64 Interest rates on Government securities held by financial and quasi-financial institutions are determined by agreement between the Ministry of Finance and the purchaser. These securities have been issued to a few selected institutions at different negotiated interest rates which seem to bear no relation with the maturity of the securities or the conditions of the market. Rates on Treasury bills range from 4 to 8 percent (tax free and not negotiable). Investment bonds with a seven-year maturity bear interest rates which vary between 4.7 percent to 8.5 percent.

1.65 The above system of setting interest rates on Government securities represents a major obstacle to fair competition in the financial field and a costly way of subsidizing specific institutions. Moreover, its cost to the Treasury is substantial in terms of high interest payments and losses of tax revenues. There is a clear need for reform in this area and the Government should replace the presently arbitrary arrangements by an open auction system. As part of the financial sector component of the proposed second Structural Adjustment Credit, currently under preparation, treasury bills

(3-6 months maturity) would be sold at monthly auctions open to all financial institutions, would be negotiable and would be granted no tax advantages. Investment bonds would be sold at a unified interest rate and would be subject to taxation. The issue of bonds could be enlarged to the general public, and the commercial banks should be given the option to purchase the bonds to meet their medium-term credit obligation.

1.66 Financial institutions lend their excess funds to each other on an informal call money market. BRB does not participate in the market and requests no information on the transactions including the interest rates. Operations on the market are of the overnight nature and the transaction is automatically extended for another day if neither the borrower nor the lender signals the other party its intention to clear up the operation. According to the participants the rates on the market have ranged between 4 and 4.5 percent during the last year.

1.67 Mobilization of resources from the public in Burundi consists only of deposit taking. While total deposits more than doubled in nominal terms between 1981-86 (Annex XIV) most of this growth took place during 1982-86 in a period of rapid monetary expansion. The relatively more rapid growth in sight deposits enabled these deposits to increase their share of total deposits from 60 percent at the end of 1981 to 74 percent at the end of 1986. The compulsory interest rate on demand deposits may explain the high preference for that kind of deposits, as the additional return of time deposits represents only a marginal benefit to the depositors which does not compensate them for their preference for highly liquid placement. Given the inflation rates over the past several years (1982: 5.7; 1983: 8.3; 1984: 14.4; 1985: 3.6 and 1986: 1.8 percent), the above expansion of deposits in nominal terms was also positive in real terms. The main depositors are public sector institutions (46 percent) and individuals (37 percent). Deposits of public enterprises are due to lack of acceptable alternatives such as a competitive market for Treasury bills. Should this be established, a significant portion of deposits would be transferred as cash rich PEs would shift their liquidity to the central budget through the purchase of Treasury bills.

1.68 COOPECs have allowed resource mobilization to start in the rural environment. Although the magnitude of the resources mobilized is still limited, there is significant potential for COOPECs playing an important role in financial intermediation in the future.

Credit Policy

1.69 Monetary and credit policies include limitations on credit to the Government and on outstanding credit to the economy. In addition to the interest rate regulation, policy instruments include (i) a system of a priori authorization for new loans for clients whose individual credit has exceeded a certain amount and the classification of rediscountable credits; (ii) a rediscountable medium-term credit requirement; and (iii) a liquid assets ratio.

1.70 The Central Bank, through its Credit Department, must approve in advance any credit extended to any borrower which will bring the total amount of the loans outstanding to that borrower above FBu 10 million

(US\$80,000). Financial institutions keep track of their customer's total indebtedness through the Risk Bureau (Centrale des Risques) managed by the Central Bank. In giving prior authorization, BRB also decides whether the loan can be classified as rediscountable, an important factor in computing liquid asset ratios and medium term credit requirements. The prior authorization and classification system is cumbersome, slow and open to arbitrary judgements. Under the forthcoming liberalization program, it is proposed that, at least for short term credit, prior review be eliminated with all credits in principle discountable, subject to general rules, with bank discount quotas, variation of the discount rate and, if needed, credit ceilings to exercise monetary control. Until now, the easy access to discount facilities has not posed much danger, as commercial banks have utilized them only to back up seasonal coffee financing (the cheapest source of BRB financing for banks is the coffee credit discount rate, currently 5 percent). Instituting a cash reserve/marginal reserve requirement for banks may also facilitate monetary control.

1.71 Banks are required to maintain a portfolio of rediscountable medium- and long-term credit equivalent to 8 percent of the average of their resources and their non-rediscountable credits, a rather unusual combination. It aims not only to compel the banks to extend term rediscountable credits but also to deter them from extending non-rediscountable loans.

1.72 The liquid assets requirement forces banks to maintain at least an 80 to 100 relationship between certain types of assets and liabilities. The ratio has been set too high and should be lowered. Banks at present have no choice once they have exhausted their credit opportunities, but to deposit in a non-interest bearing account with BRB any additional deposit they may receive.

1.73 Banks which do not comply with either of the ratios are penalized for it. Banks have had difficulties in complying with the ratios in the last few years.

1.74 The main recipients of credit are the trade sector (including coffee financing), construction (mainly housing loans) and industry, with 42 percent, 24 percent and 16 percent respectively of the total credit outstanding. The remaining eighteen percent goes to agriculture, transport and other miscellaneous activities. There is no information about geographical distribution of credit, but most of the medium and large loans are approved and granted in Bujumbura.

1.75 An additional factor affecting the availability of term credit has been the system of guarantees introduced in January 1987 which discourages the commercial banks to finance development projects. Under the revised Code Foncier, in effect since January 1987, the Government would have a prior claim on all guaranteed property (most guarantees in Burundi being based on mortgages), even when the state had not previously laid claim to the mortgage. Under this system, a bank may have held a mortgage as a guarantee on a loan for 10 years, but if the debtor had financial problems with both the bank and the Government, the Treasury automatically had the prior claim, with no ceiling. Before 1987, the Treasury's right to preempt the guarantee was limited to debts towards the state accumulated over a relatively brief period of time so that, although a guarantee's value was affected by this right, the banks could still count on a significant portion

of the mortgage. The new system introduced in 1987 had a negative impact on bank lending, since the banks considered the new situation to be equivalent to lending without a guarantee. Early resolution of this problem was needed for the successful implementation of the project. Prior to negotiations, Government had agreed to revert the system, and by negotiations had already completed revision of the Code Foncier.

Term Lending and SSEs: Need for the Proposed Credit

1.76 Term lending in Burundi, which only a few years ago was almost the exclusive domain of BNDE, has experienced some diversification with the creation of SBF and the commercial banks showing more interest in this type of lending as a result of both the improved macro-economic environment (para. 1.04) and, to a lesser extent, the BRB regulations (para. 1.71).

1.77 This development merits to be supported. At present, commercial banks only extend term loans with relatively short maturities to larger companies in Bujumbura, leaving the financing of SSEs to BNDE. Despite BNDE's commendable efforts (80-85 percent of BNDE's approvals by number and 50-55 percent by value are for small and medium enterprises) one institution alone cannot satisfy the need of small enterprises, particularly those in the regions. In addition to the demand assessment based on the mission's field visits, all 3 commercial banks confirmed their interest in lending a portion of the US\$7.2 million subloan amount over a three year commitment period.

1.78 While the banks expressed their willingness to participate in the credit, they need incentives to do so. First, their capacity to provide term loans is limited and they prefer to finance large operations capable of generating attractive ancillary business. Second, their credit analysis expertise is not fully adequate, and is mainly concentrated in Bujumbura, while a considerable number of SSEs are in the regions. Financing SSEs would thus require strengthening the credit analysis capacity and improving coordination between headquarters and branch offices, both of which add extra cost and make this type of lending less attractive. On the SSE side, many firms would not be able to meet the commercial banks' guarantee requirements, nor would be attracted by the conditions of their loans, which are not adapted to SSE investment projects, given the relatively short maturities (two to three years) and high cost (17 percent on average, when commissions and the transaction tax are included).

1.79 The proposed project has been designed to ease some of these constraints and to provide incentives to commercial banks to engage in SSE financing because:

- (1) The government and the IMF agreed that credits extended to SSEs and financed under the IDA Credit would be outside the IMF overall ceiling as they are backed by adequate foreign resources and would be counted towards meeting the medium-term requirements. The proposed project would thus bring to participating banks a new business without limiting their traditional short-term activities;

- (ii) Subloans under the proposed project would not have to receive the Central Bank's prior authorization in order to accelerate the approval process by the Project Management Unit (PMU);
- (iii) Technical assistance would be provided under the project to participating banks to strengthen their capacity to appraise and supervise SSE projects both at headquarters and at the branch level, as well as to small entrepreneurs;
- (iv) Credits extended to SSEs under the project would be made in local currency. The foreign exchange risk would be borne by the Government; and
- (v) In parallel to the project the establishment of the Guarantee Fund would be finalized to ease the access to bank credits.

II. BANK GROUP SECTOR LENDING STRATEGY

2.01 The Bank Group's recent objectives in Burundi have been to support adjustment policies in areas such as trade reform, management of public expenditure, rehabilitation of public enterprises and institutional strengthening. To follow up and consolidate the measures already taken, additional action would be needed to help the diversification of the economy and the acceleration of growth. In this regard, the Bank has identified the following priority areas: export promotion, agriculture, employment, financial sector and SSEs. Prior involvement of the Bank Group in the industrial and financial sectors included a standard DFC-type US\$5.0 million credit to BNDE to promote the development of the private sector in 1979. IFC made a loan and capital subscription in 1983 to a glass container factory, totalling US\$5.6 million. The latest Bank Group intervention in the sector was through a local construction industry pilot project of US\$3.3 million in 1982.

2.02 The 1986 macro-economic reforms and Government's determination to liberalize the economy through policy reforms have created a more suitable environment for new interventions in the industrial sector. The macro-economic reforms have been supported by a Structural Adjustment Credit (US\$50 million), an IMF Structural Adjustment Facility Arrangement (SDR 20.1 million) and a stand-by arrangement (SDR 21.0 million), approved by the Boards of IDA and IMF in May and August of 1986 respectively. A second Structural Adjustment Credit is under preparation.

2.03 Given the new Government's overall commitment to assist private sector development, the proposed operation would support this strategy by making available the foreign exchange required for the importation of equipment (new and used) and spare parts for investment projects to be financed through BNDE, SBF and the commercial banks.

III. THE PROJECT

Project Objectives and Justification

3.01 The main objectives of the proposed operation are to (i) support the development of SSEs in Burundi through the provision of term resources and technical assistance; (ii) increase the participation of financial intermediaries in the financing of productive investments, including areas outside Bujumbura and, hence, contribute modestly to the decentralization of economic activity; (iii) help, in coordination with SAC II conditionality, to 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.

3.02 The rationale for IDA's involvement in the project is to assist the Burundi Government in its effort to stimulate growth and increase employment. Contributing to this objective is particularly timely as potential SSEs will benefit from the policy reforms under the adjustment process of the ongoing SAC I. Term financing to be provided by the project would help support SSEs, a sector that has substantial employment generation potential and could become a breeding ground for developing an entrepreneurial class. Despite the existence of two small credit lines to BNDE as part of bilateral assistance (KfW and CCCE), there is still a shortage of term resources to finance SSE projects because these foreign term resources are channeled through one development bank only and because most of these resources have restrictive conditions regarding procurement, nationality of the beneficiary, size, type and geographical location of projects. IDA's country assistance strategy is in full agreement with the Government's intention to develop the sector. IDA's main role will be to support a country-wide technical assistance program in cooperation with the Chamber of Commerce and Industry and other donors (para. 3.04). IDA's involvement can be regarded as essential in helping the Government both in changing the design of technical assistance to potential as well as existing entrepreneurs and in encouraging a full range of financial institutions to have access to IDA foreign exchange term resources.

Lessons Learned from Previous SSE Assistance Efforts

3.03 While IDA has not had an exclusive SSE credit to Burundi in the past, two previous projects were related to SSE activity. The first credit line to BNDE (paras. 1.54 and 1.56) covered investments for projects of all sizes. While the bulk of the financing went to a few large companies, experience from the eighteen SSE projects which also benefitted from financing shows that lack of direct and appropriate technical assistance contributed to the non-success of projects, several of which had to close down. The importance of technical assistance was also brought to light in IDA's recently completed local Construction Industry Pilot Project, through which private construction companies benefitted substantially from expert advice and training and as a result fared very well. In addition, a review of general Bank/IDA experience with SSE lending indicates that SSE assistance programs have often been less than successful mainly because of

(i) the bias against SSEs in many countries' trade and pricing policies; (ii) the SSEs' difficult access to the benefits accorded under national investment codes; (iii) the over-reliance on single intermediaries for channeling financial assistance, thus limiting the chances of reaching small enterprises in remote regions of the country; and (iv) the lack of working capital funds for SSEs. In Burundi where the policy reforms undertaken by the Government have removed many discriminations against SSEs, the proposed project will build on these lessons to improve the chances of developing a viable SSE sector.

Project Description

3.04 The project would involve an IDA credit to the Government of Burundi of US\$8.0 million (SDR 5.7 million). It would have the following components:

- (i) an investment component of US\$7.2 million equivalent to finance development projects promoted by SSEs. The investment component would be coordinated and monitored by a Project Management Unit located in the Central Bank; and
- (ii) a technical assistance and training component of US\$0.8 million equivalent to: (a) help small entrepreneurs to prepare and manage their projects and (b) strengthen the participating financial intermediaries' capacity to appraise and supervise investment projects. The technical assistance and training component would be executed by the SSE Bureau in the Chamber of Commerce and Industry. The cost of this Bureau and its activities would be financed in part by the 0.8 million equivalent of IDA assistance and further by UNIDO and USAID financial assistance to pay for part of staff salaries (foreign and local), equipment and operating charges to cover a five year period. Expenditures for the Bureau establishment up to US\$50,000 incurred between post-appraisal (October 1987) and credit signing would be financed through a PPF, (which is being processed).

Credit Component

3.05 Size of the Credit Component. Based on the SSE project pipelines of BNDE and SBF and indications given by commercial banks, a credit component for commitment over three years of US\$7.2 million has been agreed upon. About 60 percent of this amount (US\$4.2 million, or US\$1.4 million/year) would probably be used by the two development banks. The remaining US\$3.2 million would be utilized by the commercial banks. This distribution is indicative as no preestablished allocations among participating institutions would be set.

3.06 Institutional Arrangements. The credit component would be made available under an apex arrangement to all sound financial institutions accredited by the Central Bank (para. 3.08). Funds under the Credit would be channelled through the Central Bank to the commercial banks and development banks, which would in turn grant loans to the final beneficiaries of the project, the small-scale enterprises. The apex arrangement would be the most suitable for financing numerous SSE projects,

due to the number of financial institutions that would participate, and would provide Burundian SSEs better accessibility to term credit.

3.07 The Central Bank, through a Project Management Unit (PMU) (para. 3.36) located in the Credit Department, would act as the apex institution and administer the line of credit for the Government. The signing of a Management Agreement between the Government and the Central Bank defining the functions and responsibilities of the latter, under terms and conditions satisfactory to IDA, would be a condition of credit effectiveness.

3.08 Eligible Intermediaries. Any financial intermediary accredited by the Central Bank which complies with the laws and regulations governing banking operations in Burundi, and has its financial statements audited starting with CY 1989, with no qualifications, by independent auditors acceptable to IDA, would be eligible for participating under the line of credit.

3.09 Currently, all commercial and specialized banks would satisfy the eligibility criteria described in the previous paragraph, except for the audited financial statements for which special action will be taken under the project (para. 3.29 iv). An eligible financial intermediary would be able to participate in the project provided it has entered into a participating agreement with BRB. This agreement would, inter alia, specify that the participants should:

- (i) designate qualified staff to manage the credits financed by the project;
- (ii) perform satisfactory subproject appraisals and submit required appraisal reports to the PMU;
- (iii) ensure that resources are used by the final borrowers for the purposes intended;
- (iv) supervise subprojects according to required schedule and provide the PMU with periodical reports on the status of subprojects;
- (v) help identify and provide input to the SSE Bureau of the Chamber of Commerce and Industry about technical assistance needs of SSEs;
- (vi) adhere to terms of lending and repayment of loans; and
- (vii) provide the PMU and IDA with such information as they would reasonably request.

3.10 A draft participating agreement has already been discussed with the interested parties and appears as Annex I. All of the banks have stated that they would be prepared and able to comply with these conditions as needed. Receipt by IDA of at least one satisfactory signed agreement between BRB and a participating intermediary would be a condition of effectiveness, the signing of the remaining agreements would be a condition of disbursement for each respective remaining intermediary.

3.11 The principal participating institutions are likely to be the two development banks, BNDE and SBF, which would finance SSEs of all sizes while the commercial banks would tend to concentrate more on relatively larger SSEs (closer to the US\$300,000 ceiling, para. 3.13).

3.12 An important second group of potential intermediaries is constituted by the savings cooperatives, which would be the key future intermediaries to reach microenterprises and artisans. However, at present these cooperatives do not need IDA financial support as they are highly liquid. In addition, they are not eligible to participate in the project as they are still relatively new and not yet accredited by the Central Bank. Also, their financial management is not yet supervised or controlled by a Government institution. To prepare the savings cooperatives' eventual participation in a follow-up project, the project would finance an action program to help BRB prepare legislation regulating savings cooperatives in Burundi. A dated covenant (June 30, 1990) to that effect is included in the Project Agreement. It is likely that at some future time the COOPECs will have exhausted their excess liquidity and will start to have customers who would require importation of equipment, machinery and spare parts. In the meantime, the COOPECs are receiving institutional assistance from the Crédit Mutuel of France, including credit procedures and appraisal techniques which should help over time to employ the excess resources.

3.13 Eligible Beneficiaries and Subprojects. Beneficiary SSEs would be enterprises with net total assets before the project of up to US\$300,000. In the case of a new enterprise, the total investment cost would also not exceed the equivalent of US\$300,000.

3.14 All productive activities, transport, trade and all other services which contribute to the economic development of Burundi would be eligible for financing. The only exception would be the financing of land and housing construction, which would not be eligible. The line of credit would finance (i) fixed assets and associated permanent working capital for new operations, extensions and rehabilitations; and (ii) free-standing working capital for viable existing SSEs in the productive sectors. However, given that the major objective of the project is to finance investment, the total amount of subloans financing free-standing working capital would be limited to a maximum of 25 percent of the credit component (US\$1.8 million).

3.15 The enterprises and their subprojects to be financed would have to meet the following conditions:

- (i) They would be required to demonstrate viability both financially and economically (based on indicators such as foreign exchange savings, job creation, investment cost per job etc.); subloans of over US\$80,000 would be specifically required to have an expected financial rate of return of at least 10 percent on total subproject investment;
- (ii) The projected debt servicing capacity should be no less than 1.5 over the life of the subproject and the debt to equity ratio should be no more than 2.33:1.0, (except for temporary, special

arrangements, para. 3.22), with the ratios calculated on the basis of the enterprise's total debts, inclusive of those to be incurred under the subproject; and

- (iii) Total subproject cost should not exceed the equivalent of US\$300,000.

3.16 Terms and Conditions of Financing. The IDA credit would be made to the Government, which would relend the Credit component (US\$7.2 million) in local currency through the Central Bank to financial institutions which in turn would relend it to beneficiary SSEs. The foreign exchange risk would be borne by the Government which has agreed to do so. The onlending rate to financial intermediaries would be, initially, one half of one percent below the discount rate for industrial lending (at present 7.0%), but would be equal to the treasury bill market rate once this market will be established. The onlending rate would be reviewed annually (para. 3.21).

3.17 The Government would pass on the funds to the BRB at the rate of 7 percent minus an administrative fee of one half of one percent p.a. that would accrue to BRB to compensate it for costs incurred and services rendered for the adequate operation of the project through its project management unit.

3.18 The Central Bank would receive the funds for a period of 30 years starting on the date of credit effectiveness. BRB would return the funds to the Government in twenty equal annual installments starting ten years after the effectiveness date of the credit, so as to allow recycling back of the funds, in the same terms, to financial intermediaries. BRB would relend these funds, through a rediscount mechanism, to the participating intermediaries.

3.19 Funds onlent under the Credit component to participating intermediaries would be in local currency, with the same maturities as the individual subloans to final beneficiaries. Subloans to beneficiaries would range from a minimum of two to a maximum of ten (twelve for agricultural projects specially authorized by the PMU) years, inclusive of grace periods of up to three years (up to six years for special agricultural projects with proven long gestation periods).

3.20 The participating intermediaries would be free to set their own final rates to SSEs subject to the maximum spreads agreed between IDA and the Central Bank. Under the present interest rate structure the maximum spread would be 4 percentage points for medium term loans (2-7 years) and 5 percentage points for long term loans (7 years and above). It is expected that during project implementation and in parallel to establishing the Treasury bill market, lending interest rates would be liberalized in Burundi. Once this liberalization has taken place, participating intermediaries would no longer be subject to the ceilings on the spreads they can charge on SSE loans refinanced under the line of credit. A covenant to that effect is included in the Project Agreement.

3.21 The Government and Central Bank onlending rates, as well as the maximum spreads chargeable by participating intermediaries, would be

reviewed at least every 12 months, and modified by agreement between IDA and the Government as necessary to ensure that they continue to adequately compensate the Government for assuming the foreign exchange risk and reflect the cost of resources for financial intermediaries and SSEs.

3.22 Subloans granted under the line of credit could finance up to 80 percent of the total project cost for extension/rehabilitation subprojects, and up to 70 percent for new subprojects to limit the debt to equity ratio of new projects to 2.33:1.0. The maximum size of a subloan would therefore be US\$240,000 for extensions and US\$210,000 for new projects. Promoters would be required to finance a minimum of 20 percent of subproject cost for extensions and 30 percent of subproject cost for new projects. However, in exceptional cases, and only if participating intermediaries agree, the 30 percent minimum participation for new projects could be temporarily reduced down to 10 percent at the beginning of a project if all generated profits are applied to reach the 30 percent as quickly as possible. In addition, to encourage co-financing by participating intermediaries with their own resources, agreement has been sought from BRB that such co-financing be exempted from the Central Bank's prior approval. However, to minimize the impact on credit ceilings, co-financing by participating intermediaries would be limited to 20 percent of subproject cost.

3.23 Subloan Processing and Administration. Subloan processing under the project would be coordinated and centralized by the PMU, which would serve as the principal link between IDA, the participating intermediaries and the beneficiaries for the project's investment component (para. 3.36 to 3.39). The PMU would send subprojects for approval to IDA.

3.24 Subprojects would be prepared by the beneficiaries, with, if needed, assistance from the SSE Bureau of the Chamber of Commerce (SEB), and presented to the intermediaries. The financial intermediaries would review the subprojects in accordance with their own loan analysis procedures and internal operating requirements which have been found satisfactory by the appraisal mission. Thereafter, intermediaries would prepare a simple appraisal report for presenting the subproject to refinancing under the line of credit. This appraisal report would be in the standard format prescribed by the PMU (Annex II), which would vary in depth and sophistication depending on the size and nature of subprojects. The report would cover all relevant information about the enterprise and the proposed investment, including details about its technical soundness, financial viability and economic efficiency. Financial rate of return calculations would be required for all subloans over US\$80,000. The PMU would review the appraisal reports to verify that all eligibility conditions (including, inter alia, those specified in paras. 3.13 and 3.15) are adequately met. This review would be carried out in the form of a check-list approach for projects below the free limit (within 5 working days) and through a more in-depth review for project above the free limit (within 10 working days). If the subproject is eligible for financing, the PMU will authorize the intermediary to present the loan documents for rediscount at the Credit Department of the Central Bank.

3.25 In view of the involvement of untested financial intermediaries, the first five subprojects from each intermediary would be subject to prior IDA review and approval. Thereafter, assuming satisfactory standards and

given the small size of subloans (maximum US\$240,000), IDA would review a sample of subprojects on an ex-post basis during supervision missions.

3.26 The Central Bank will serve as disbursement and collection agent for the financing granted to intermediaries. The Credit Department, which is currently responsible for rediscount operations, would execute rediscount and collection operations upon approval by the PMU. On the basis of the PMU's instructions and authorizations, the Credit Department of BRB would debit or credit the appropriate financial intermediary's account without further intervention in the approval process.

3.27 Financial intermediaries would be responsible for making supervision visits to SSEs receiving IDA funds, for maintaining records adequate to monitor the evolution of subprojects, and for reporting to the PMU on the progress of each subproject and the status of the corresponding subloan. Supervision reports, in a standard format prescribed by the PMU, would be required from the intermediaries at least once a year until the loans are repaid. These intermediaries' supervision responsibilities are specified in the participating agreement which intermediaries would sign with BRB.

3.28 In addition, the PMU would conduct its own selective supervision of SSE subprojects in order to monitor the performance of intermediaries' supervision activities.

Assistance and Training Component

3.29 Design and Special Features. The technical assistance and training component (US\$0.8 million) has been designed to build up, together with the future input of other donors such as UNIDO and USAID, a dynamic and effective SSE department (Small Enterprise Bureau, SEB) within the Chamber of Commerce and Industry with a view to create an effective system of technical assistance to SSEs in Burundi.

- (1) Entrepreneurship Development Program. The program, which would be carried out by the CCI together with a foreign consulting firm and local counterparts, would introduce in Burundi an integrated program for entrepreneurship development based on successful experiences in other countries and adapted to the special circumstances of the Burundi culture and economy. Participants in the program will be about 30-50 individuals, who have the potential to expand existing enterprises or start new businesses. As a pilot program, the objectives would also include to test the feasibility and impact of the proposed approach and to initiate the process of transferring to local individuals at the CCI the capacity to sustain and expand the program over time. Elements of the program include: (a) a set of selection instruments for assessing entrepreneurial potential; (b) an 80-hour behavioral training program; and (c) a scheme which assists participants to prepare business plans for submission to participating financial intermediaries under the project and to other potential equity investors in the country. Given the pilot nature, the program will build on a small research effort to identify unique characteristics of successful Burundi entrepreneurs, develop a

materials development component to create case studies and other training materials specifically tailored to the local context and train future trainers who could implement repeater operations if proven successful.

- (ii) General SSE Assistance. Building on the above, the general SSE assistance would be provided over several years by the Small Enterprise Bureau (SEB) of the CCI together with foreign consultants and local counterparts. It would focus on project preparation and execution, including advice on technical matters such as plant lay-out, selection of equipment, etc., project management, marketing assistance, basic accounting and other matters as needed. To implement the assistance, the CCI's SEB would hire consultants who would help, together with local counterparts, build up a direct and client needs-oriented service, with seminars tailored to actual needs. SEB staff would also undertake promotional missions to each of the 15 provinces with concentration on those provinces where participating banks have regional branches, to inform potential investors of the existence of the IDA line of credit, explain to them the commercial banks' and development banks' procedures and requirements for obtaining term loans, and advise them on the availability of SEB's assistance for their projects and bank loan applications. To this end, SEB staff are available to advise SSEs, assist them in discussions and negotiations with banks and help them prepare feasibility studies.
- (iii) Training for Banks. Under the project, training would be provided to staff of the commercial banks, the two development banks and the PMU of the Central Bank. Training would be in project analysis and risk evaluation to ensure that SSE projects would not only be reviewed based upon their soundness and their meeting the established requirements, but also that this be done fast and efficiently.
- (iv) Bank Audits. Starting in 1989, the project would also finance the audits of the participating financial intermediaries for 3 years, financing 50 percent in each year.
- (v) COOPEC Central Bank accreditation. To bring the COOPECs under the supervision of the Central Bank, the project would finance the services of a legal consultant who would prepare appropriate legislation governing credit cooperative activities.

3.30 A first entrepreneurship development program would be executed starting February 1988 and would be financed by USAID's Human Resources Development project (# 695-0121). If successful, program repetition would later on be financed under the project. Also, the general SSE assistance to be provided through CCI's SEB would start, prior to credit effectiveness, with UNIDO's funding contribution for this purpose, which in principle has been agreed upon. As a result, specific subprojects could be ready for submission to IDA for its review soon after effectiveness of the proposed credit, expected to be May 1988. Draft terms of reference for the general SSE assistance and content of the course for bankers appear as Annex VI (a) and (b).

3.31 Both the entrepreneurship development program and the general long-term technical assistance are expected to use foreign experts with appropriate local counterparts to be selected. While the two foreign entrepreneurship development experts would only be present in Burundi for relatively short intervals each time a program is held or repeated, the general technical assistance would last at least three consecutive years, thus requiring the foreign experts' local presence for those three years.

3.32 To carry out the training for banks' staff the SEB would invite bids for the services of a well qualified training institution.

3.33 The Chamber of Commerce and Industry is in the process of building a network of representations throughout the provinces, through which SSEs can be reached. Within the next two years, all 15 provinces will have an office with staff and basic services. Five of these offices exist already in the important provinces. The local CCI representations would serve as the logistic centers in the regions to collect and channel information on clients' needs and at the same time disseminate information about the available assistance services of the Chamber's Small Enterprise Bureau.

3.34 Estimated Cost. The technical assistance component would provide for one repeater module of the entrepreneurship development program (pilot module to be financed prior to credit effectiveness by USAID) for a total maximum cost of US\$80,000; 72 man-months of foreign consultant services for the general three-year assistance to CCI's SEB; and one month (two modules of two weeks each) of banks' staff training; for 50 percent of bank audits cost for three years starting in 1989; and for legal services to prepare appropriate legislation governing credit cooperatives. The cost of the various programs, including part of SEB's expenditures, is estimated as follows over a period of three years.

	<u>US\$</u>
General SSE Assistance (72 man-months), including the Bank's staff training and Entrepreneurship Development Program (repeat)	600,000
Support to SEB (material, equipment, salary supplements)	130,000
Bank audits	50,000
Establishment of COOPEC legislation	3,000
Unallocated	<u>17,000</u>
Total	800,000

3.35 Terms and Conditions. Funds allocated for the technical assistance component would be passed on as a grant from Government to CCI's SEB and would be available for commitment until December 31, 1991. The component would be managed by the CCI on behalf of the Government. The PMU at the Central Bank would review requests for financing before submitting them to IDA for approval along with a brief justification and qualification of the experts. The PMU would also process disbursement requests.

Project Management Unit

3.36 To help manage the investment component of the project, it is proposed to establish a Project Management Unit (PMU) which would be located at the Central Bank and would report to BRB's Administrateur General (Vice-Governor). The PMU activities would be governed by a Management Agreement (Annex Va) to be signed, as a condition of effectiveness, between the Central Bank and the Government. The Central Bank has agreed to provide offices for the PMU, which would be autonomous, with own staff, operating policies and procedures.

3.37 The staff of the PMU would consist of a qualified, senior level, project analyst who would be the unit chief, an accountant/financial analyst and support staff. The identification of personnel has already started but is not yet completed. The recruitment of the unit chief was carried out prior to negotiation of the project. All positions would be filled by local staff from the inception of the Unit, which is a condition of effectiveness.

3.38 The PMU would receive a spread of one half of one percent p.a. on the outstanding amount of subloans to cover its administrative expenses. Even though this spread might not be fully sufficient to cover the expenses during the first year or two (cost expected to be in the order of US\$25,000 p.a.) in which the outstanding volume will be small, the Central Bank has agreed to absorb any possible cost overruns.

3.39 The functions of the PMU would be as follows:

- (i) ensure adherence of participating intermediaries to established procedures in selecting eligible subprojects and ensure application of appropriate standards for subloan appraisals;
- (ii) review the eligibility and authorize financing under the line of credit for subprojects submitted by participating intermediaries. For subloans of less than US\$80,000 equivalent, the PMU would only insure that the requests meet the eligibility criteria (paras. 3.13 and 3.15) and would give its approval within three working days from submission. For subloans above US\$80,000 equivalent, the PMU would review, within a maximum period of seven working days, the requests in more detail, would give its comments on the quality of the appraisal to the participating intermediary and would insure that the eligibility criteria are met;
- (iii) administer the Project Special Account (para. 3.48), ensure proper disbursements of funds (including those for the TA component implemented by the SEB) and supervise and centralize the collection and forwarding of supporting documentation;
- (iv) supervise the participating intermediaries' compliance with the various obligations (para. 3.09) under the project;
- (v) supervise, on a sample basis, SSE subprojects; and
- (vi) ensure liaison between IDA and the participating intermediaries on matters related to SSE subprojects.

Small Enterprise Bureau

3.40 To help implement the technical assistance component of the project, the CCI has created, in addition to its two existing departments (para. 1.33) a special Small Enterprise Bureau (SEB), which is headed by a director who was recruited locally in January 1988. The SEB staff would further consist of two additional analysts and have its own small secretariat. Its annual operating budget would amount to about US\$300,000 equivalent, two thirds of which would consist of salaries of two foreign experts who would become regular staff of the Bureau. The SEB activities would be governed by a Cooperation Agreement (Annex Vb) to be signed, as a condition of effectiveness, between the CCI and the Government. The establishment of the fully operating unit is also a condition of effectiveness.

3.41 The SEB would, in addition to IDA funding, receive grant funds from UNIDO and USAID (para. 3.30) to cover other expenditures such as the trial run of the experimental entrepreneurship development program (USAID), and short-term consulting assignments as needed (UNIDO). Also, other operating costs for necessary vehicles and office equipment will be financed from these sources. In addition to the 72 man-months of long-term expert advice, IDA would finance up to a total of US\$50,000 of directly imported office equipment (up to 100 percent of the c.i.f. price) and locally purchased materials and supplies (up to 90 percent), and up to a total of US\$70,000 for salaries and operating costs of the SEB (up to 80 percent).

3.42 In managing IDA's TA assistance, the SEB would:

- (i) provide guidance to potential beneficiaries for the preparation of subprojects to be financed under the line of credit;
- (ii) implement the general SSE assistance program as per the draft cooperation agreement between the Government and the CCIB and the terms of reference for SSE assistance; and
- (iii) organize the seminars for bank staff.

3.43 Project Cost and Financing

Total project cost is estimated at US\$11.2 million equivalent, of which US\$7.7 million equivalent (69 percent) would be in foreign exchange. A summary of the project cost and its expected financing are given in the table below:

ESTIMATED COSTS AND FINANCING PLAN

	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>%</u>
	--US\$ million equivalent--			
<u>Estimated Cost:</u>				
Investments	3.0	7.0	10.0	89.3
Technical Assistance and Training	0.4	0.6	1.0	8.9
SSE Bureau	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>1.8</u>
TOTAL	3.5	7.7	11.2	100.0

Financing Plan:

SSE Subborrowers	1.5	-	1.5	13.4
Participating Financial Intermediaries	1.5	-	1.5	13.4
SSE Bureau	0.2	-	0.2	1.8
Proposed IDA Credit	<u>0.3</u>	<u>7.7</u>	<u>8.0</u>	<u>71.4</u>
TOTAL	3.5	7.7	11.2	100.0

Project Implementation

3.44 Project Management. The Central Bank, through the Project Management Unit (paras. 3.36-3.39), would be the implementing agency for the credit component and the SEB at the Chamber of Commerce and Industry would be the implementing agency for the technical assistance component.

3.45 Procurement and Disbursement. Procurement for subprojects financed under the investment component of the Credit would be made on the basis of current procurement procedures of the participating financial institutions. These procedures, which require quotations from three different suppliers, have been reviewed and found acceptable to IDA. Procurement of equipment and goods for the SEB would be made on the basis of at least 3 quotations from reputable suppliers. A statement to that effect will be included in the Cooperation Agreement between the Government and the Chamber of Commerce and Industry. Selection of consultants would be made in accordance with Bank Group Guidelines. The table below summarizes the procurement methods.

BURUNDI
SMALL ENTERPRISE APEX PROJECT
PROCUREMENT METHOD AND DISBURSEMENTS

<u>Procurement Element</u>	<u>Procurement Method</u>		
	<u>ICB</u>	<u>LCB</u>	<u>Other</u>
	----- (US\$ million) -----		
Subloans	-	-	10.0 ^{a/} (7.2)
Equipment/Vehicles	-	-	0.2 (0.2) ^{b/}
Consultant Services and Technical Assistance	=	=	1.0 (0.6) ^{c/}
TOTAL	-	-	11.2 (8.0)

- a/ Standard commercial practice.
b/ 3 quotations.
c/ In accordance with IDA procedures.

3.46 The proceeds of the proposed credit would be disbursed as follows:

SSE subloans: 100 percent of expenditures up to 70 percent of total subproject cost for new operations;
: 100 percent of expenditures up to 80 percent of total cost of subprojects for extensions.

Technical Assistance and training component: 100 percent of the cost of consultants, assistance and training.

SSE Bureau: 100 percent of the c.i.f. cost of goods directly imported, 90 percent of the local cost for materials and supplies, 80 percent for salaries and operating expenditures.

Bank Audits: 50 percent of audit expenditures of participating financial intermediaries in all three years.

COOPEC Central Bank Accreditation: 100 percent of the cost of the consultant preparing appropriate legislation governing credit cooperative activities.

3.47 The project disbursement schedule is based on the disbursement profile for IDF projects in Eastern and Southern Africa. It is expected that the investment component would be disbursed in six years and the technical assistance component over three years. Funds under the credit

component would be available for commitment until December 31, 1991. Disbursements would be completed by December 31, 1994.

3.48 Special Account: To expedite disbursement of funds, a special account would be set up in a credit institution acceptable to IDA into which IDA would make an initial deposit in US dollars for SDR 300,000 equivalent from the proposed credit immediately after credit effectiveness. This amount represents an estimated average disbursement of funds over a four-month period. Applications for replenishment of the Special Accounts for a minimum of US\$100,000 would be submitted on a monthly basis. The Special Account would be audited annually by independent auditors and the audit reports would be submitted to IDA within six months of the end of the fiscal year. Disbursements for expenditures for contracts under US\$40,000 would be made on the basis of Statements of Expenditures (SOEs). The documentation for withdrawals made under SOEs would be retained by the Project Unit for ten years and would be reviewed by supervision missions and audited annually. All other disbursements would be made on the basis of fully documented applications.

3.49 Auditing and Reporting: The PMU will have its accounts, as well as the Special Account and SOEs (para. 3.48) audited annually by independent auditors acceptable to IDA and will furnish to IDA certified copies of its audited accounts together with the corresponding management letter within six months of the end of the fiscal year. The PMU will also submit to IDA quarterly an annual progress reports on the investment component. Furthermore, the PMU will review the annual audits of participating financial intermediaries. The PMU and the SSE Bureau together will prepare the required Project Completion Report within 6 months after the closing date of the project. The SSE Bureau will submit to IDA quarterly and annual progress reports on the technical assistance component.

Project Benefits and Risks

3.50 Benefits: By supporting the growth of SSEs, the proposed project will help develop a Burundian entrepreneurial class and generate new job opportunities at a relatively low capital cost. It is expected that the US\$7.2 million investment component would support investments totalling about US\$10 million and create 2,500 new jobs at an average cost of US\$4,000 per job. The impact of the project is also expected to be appropriately dispersed both geographically and among various groups with benefits reaching subborrowers in the secondary cities and micro-enterprises.

3.51 In addition to providing term finance to SSEs, the project will also play an important role in building up an effective capacity for financing and assisting small enterprises in Burundi. The entrepreneurship development program, the technical assistance and the training components would be a cost effective way to develop within the commercial banking sector an expertise in appraisal and supervision of development projects and to strengthen the capacity of the Chamber of Commerce and Industry to provide assistance to SSEs.

3.52 Risks: As the first apex operation in Burundi, the project involves institutional arrangements that are new to intermediaries and the Central Bank in Burundi. Some initial delays in subloan processing may occur as the Central Bank needs to familiarize itself with the system and as participating intermediaries develop their capacity to appraise and supervise SSE projects. This risk would be considerably reduced by the rapid implementation of the technical assistance component. In addition, the banking system in Burundi is relatively developed. Finally, IDA would closely supervise the initial phase of project implementation.

IV. AGREEMENTS REACHED AND RECOMMENDATIONS

4.01 Prior to negotiations, the Government has (i) reconfirmed its policy concerning the employment status of non-Burundian staff in the private sector (para. 1.45) and (ii) has completed the revision of the Code Foncier (para. 1.75).

4.02 During negotiations, the following agreements and understandings were reached with the Government and the Central Bank:

- (i) on lending rates and conditions for the Government, the Central Bank, the participating intermediaries and the beneficiary SSEs (paras. 3.16 to 3.20 and 3.22);
- (ii) use of the Treasury bill market rate as a basis for replacing the base rate in (i) above after such market rate is established (para. 3.16);
- (iii) annual review of the Government onlending rate (para. 3.21) and further disbursements under the project, subject to agreement between IDA and the Government in the case of changes in either the currently agreed or the future market-determined interest rate system (para. 3.21);
- (iv) content of the Participating Agreement between financial intermediaries and the Central Bank (para 3.09);
- (v) appraisal and supervision procedures to be followed by participating intermediaries (paras. 3.24 and 3.27);
- (vi) obligations of and terms of reference for the Small Enterprise Bureau of the Chamber of Commerce and Industry (paras. 3.29 to 3.31);
- (vii) content of the courses and seminars to be given by a consultant to staff of banks and the Chamber of Commerce and Industry (Annex VIb);
- (viii) establishment of a Special Account at the Central Bank to facilitate disbursements of the credit funds (para. 3.48); and
- (ix) agreement with IDA on an action program aimed at bringing the COOPECs into the formal financial system by June 30, 1990 (para. 3.29 v).

4.03 Conditions of Board Presentation: Recruitment of the PMU director (para. 3.37) and of the SEB director (para. 3.40). These conditions were met on January 16, 1988.

4.04 Conditions of Effectiveness: Signing of a Management Agreement, satisfactory to IDA, between the Government and the Central Bank as well as full establishment of the PMU (para. 3.36), signing of a Cooperation Agreement, satisfactory to IDA, between the Government and the Chamber of Commerce as well as full establishment of the SEB (para. 3.40) and signing of at least one participating agreement between a financial intermediary and BRB (para. 3.10).

4.05 Conditions of Disbursement: Signing of the Participating Agreement between the Central Bank and financial intermediaries is a condition of disbursement for each intermediary (para. 3.10), except for the one which signed the Agreement first (para. 4.04).

4.06 Subject to the above assurances and conditions the project constitutes a suitable basis for an IDA Credit of US\$8.0 million equivalent to the Republic of Burundi.

FORMULAIRE
ACCORD DE PARTICIPATION
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BURUNDI

PROJET DE DEVELOPPEMENT DE PETITES
ET MOYENNES ENTREPRISES

ACCORD DE PARTICIPATION AU PROJET DE DEVELOPPEMENT
DES PETITES ET MOYENNES ENTREPRISES

Dans le cadre de l'Accord de Crédit (Projet de Développement des Petites et Moyennes Entreprises) en date du _____ (ci-après dénommé l'Accord de Crédit) entre l'Association Internationale de Développement (ci-après dénommée l'IDA) et la République du Burundi (ci-après dénommée le Burundi) représentée par la Banque de la République du Burundi (ci-après dénommée BRB), l'IDA a mis à la disposition du Burundi une ligne de crédit (ci-après dénommée Ligne de Crédit IDA) destinée à promouvoir la création, l'expansion et la modernisation de petites et moyennes entreprises.

Cette Ligne de Crédit sera gérée par le Bureau du Projet de Développement des Petites et Moyennes Entreprises (ci-après dénommé BDPME) auprès de la BRB et servira à refinancer des crédits à terme en francs burundais octroyés par les institutions financières participantes en faveur de petites et moyennes entreprises destinés à financer des investissements (à l'exception des terrains, et de la construction des logements) y compris les fonds de roulement permanents.

Afin de permettre l'accès de (nom de l'IFP) en qualité d'Institution Financière participante (ci-après dénommée IFP) au réescompte financé par la Ligne de Crédit IDA, la BRB, représentée par _____ en qualité de _____, et l'IFP représentée par _____ en qualité de _____, sont convenus de ce qui suit :

1. La BRB prend les engagements suivants :

a) La BRB escomptera, sur présentation des pièces justificatives, tel qu'indiqué au paragraphe 2 (g) ci-dessous, les crédits à terme accordés par l'IFP pour financer les projets des petites et moyennes entreprises qui remplissent les conditions prévues à cet effet dans le présent Accord, dans les Normes opérationnelles et procédures et dans les instructions et circulaires de la BRB adoptées pendant l'administration du programme.

b) Les crédits escomptés au titre du présent Accord seront en dehors de tous les plafonds éventuel de crédit établis par la BRB et seront comptés pour le calcul du ratio d'emplois à moyen et long terme mobilisables.

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ACCORD DE PARTICIPATION
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c) Les crédits escomptés au titre du présent Accord ne seront soumis à aucune autre forme d'autorisation de la BRB que celle qui résulte de l'analyse faite par le Bureau du Projet.

d) La BRB donnera à l'IFP l'accès aux devises nécessaires pour les importations relatives aux crédits escomptés selon le présent Accord, sans qu'une autorisation particulière soit nécessaire.

2. L'IFP s'engage pour sa part à :

a) Octroyer des crédits à moyen ou long terme ayant une échéance de deux à dix ans (jusqu'à douze ans pour les projets agricoles de longue durée qui auraient été autorisés spécialement par le BP) aux petites et moyennes entreprises, et ne rappeler ces crédits que dans le cas où le Bénéficiaire Final (ci-après dénommé BF) ne respecte pas les conditions du crédit. Les frais financiers comprendront seulement l'intérêt sur l'encours à l'exclusion de toutes autres commissions, frais et charges.

b) Soumettre lesdites opérations aux conditions stipulées dans le présent Accord, dans les Normes opérationnelles et procédures et dans les instructions et circulaires adoptées par la BRB pour la Ligne de Crédit IDA, notamment fixer les taux applicables aux BF dont la marge maximum sur les taux indiqués au paragraphe m du présent article sera de quatre (4) points de pourcentage pour les prêts de deux à sept ans et de cinq (5) points de pourcentage pour les prêts de plus de sept ans. Une fois qu'un marché de Titre d'Etat sera établi au Burundi, les taux appliqués ne seront plus soumis à aucune marge maximum.

c) Désigner au moins un cadre qualifié au sein du Bureau du projet, qui coordonnera les opérations de l'IFP avec le BDPME et avec les BF, et tiendra en outre un relevé exact de chacune des opérations effectuées et de la documentation y afférent.

d) Promouvoir activement l'utilisation de la ligne de crédit IDA, en particulier dans les régions.

e) Donner des conseils aux BF pour la préparation des demandes de crédit, conformément aux conditions requises par la BDPME.

f) Evaluer les projets d'investissement qui lui sont présentés pour s'assurer que seuls ceux qui sont viables financièrement soient approuvés et ensuite présentés au BDPME pour être refinancés par l'intermédiaire de la Ligne de Crédit IDA.

g) Veiller et s'assurer que les fonds du crédit soient utilisés par les BF conformément aux conditions auxquelles ils ont été approuvés. A cette fin, la IFP procédera au décaissement des financements sur présentation des pièces justificatives par le BF.

FORMULAIRE
ACCORD DE PARTICIPATION
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h) Aider à l'identification des situations ou problèmes qui permettent notamment de déterminer les besoins d'assistance technique et pour les petites et moyennes entreprises et pour les IFP.

i) Assumer entièrement le risque lié aux crédits octroyés et escomptés par la BRB.

j) Fournir au BDPME tous les renseignements sur les opérations réalisées dans le cadre de la ligne de crédit IDA qui seront raisonnablement demandés par BDPME et l'IDA.

k) Soumettre au BDPME ses états financiers annuels dûment audités par des auditeurs acceptés par l'IDA et la BRB.

l) Autoriser irrévocablement la BRB tant qu'il existe des obligations de paiement en faveur de la BRB liées à l'application du présent Accord, à effectuer les décaissements et remboursements à son compte et à sa charge, suivant le système de débit et de crédit automatique prévu dans les Normes opérationnelles et procédures.

m) Payer à la BRB sur le montant du crédit déboursé, les taux suivants:

(i) s'il n'existe pas de marché des Titres d'Etat au Burundi, un demi pourcent (Z 0,5) de moins que le taux de mobilization appliqué par la BRB au crédit industriel à moyen terme;

(ii) si un tel marché des Titres d'Etat existe, le taux d'intérêt payable sur les Titres d'Etat émis dont l'échéance est la plus longue.

n) Rembourser à la BRB le montant du crédit déboursé sur la Ligne de Crédit IDA selon le même plan d'amortissement du client applicable au crédit octroyé au BF, même si l'IFP n'a pas reçu en temps voulu les sommes correspondantes de la part du BP.

o) Régler immédiatement à la BRB la valeur correspondant à tout paiement anticipé effectué par le BF à l'IFP.

p) Effectuer des visites de supervision chez les BF, établir et tenir à jour une comptabilité et des documents de contrôle suffisants pour suivre l'exécution des opérations réalisées et rendre compte au BDPME de l'avancement de chaque opération réalisée et de la situation du crédit correspondant. Les rapports de supervision, conformes aux modèles prescrits par la BRB, devront être établis par les IFP au moins une fois par an, jusqu'à ce que les crédits soient remboursés.

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3. Si l'IFP manque à l'une quelconque des obligations qui lui incombent en vertu du présent Accord, la BRB pourra suspendre temporairement ou définitivement la participation de l'IFP aux opérations de la Ligne de Crédit IDA.

4. Le BDPME pourra, indépendamment ou conjointement avec l'IFP et/ou l'IDA, superviser l'exécution et la marche des sousprojets et, s'il constate que le bénéficiaire final n'a pas utilisé les fonds comme convenu, l'IFP devra considérer l'obligation comme annulée et procéder au recouvrement immédiat, en restituant à la BRB les sommes correspondantes. Ce pouvoir devra être stipulé dans l'accord qui sera conclu entre l'IFP et le BF au moment de l'octroi du crédit.

5. Au cas où les parties décideraient d'apporter des modifications au présent Accord, il en sera rendu compte par écrit, par un échange de lettres, ou éventuellement, il sera conclu un avenant.

6. Le présent Accord restera en vigueur jusqu'à ce que l'une quelconque des parties ait manifesté, expressément ou par écrit, sa volonté d'y mettre fin. Néanmoins, les obligations qui ont été contractées avec la BRB en application du présent Accord resteront pleinement en vigueur jusqu'à ce qu'elles aient été entièrement exécutées.

En foi de quoi les parties au présent Accord, agissant par l'intermédiaire de leurs représentants dûment autorisés à cet effet, ont fait signer le présent Accord et, en tant que partie intégrante dudit Accord, les Normes opérationnelles et procédures, le _____, dans la ville de _____.

Par la Banque de la République
du Burundi (BRB)

Par l'Institution Financière
Participante (IFP)

BURUNDI

PROJET DE DEVELOPPEMENT DE PETITES
ET MOYENNES ENTREPRISES

NORMES OPERATIONNELLES ET PROCEDURES
POUR L'INSTITUTION FINANCIERE PARTICIPANTE

Le présent document fait partie intégrante de l'Accord de participation et fixe les règles générales des opérations réalisées dans le cadre dudit Accord et du Projet de Développement des Petites et Moyennes Entreprises.

1. DEFINITIONS GENERALES ET CRITERES D'ELIGIBILITE

INSTITUTION FINANCIERE PARTICIPANTE (IFP)

Désigne la banque ou la société financière dûment agréée par la BRB qui a signé l'Accord de Participation.

PETITES ET MOYENNES ENTREPRISES

Aux fins du présent programme, sont définies ainsi les personnes physiques et morales dont les actifs, à leur valeur commerciale actuelle, ne dépassent pas l'équivalent de US\$300,000

SOUSPROJET

Désigne un projet d'investissement qui sera mis au point par une petite ou moyenne entreprise, ou des besoins en fonds de roulements d'une petite ou moyenne entreprise, qui seront financés dans le cadre de la Ligne de Crédit IDA. Le montant total du sousprojet ne pourra pas dépasser l'équivalent de US\$300,000.

BENEFICIAIRE FINAL (BF)

Désigne une petite ou moyenne entreprise ayant un sousprojet à financer dans le cadre de la Ligne de Crédit IDA.

CREDIT

Désigne le montant des fonds que l'IFP octroie au BF et réescompte auprès de la BRB dans le cadre de la Ligne de Crédit IDA. Ce montant ne pourra pas dépasser 90% de la valeur totale d'un nouveau projet ou 80% de la valeur totale d'un projet d'extension.

SECTEURS

Toutes les activités de production, de transport et de services en général qui contribuent au développement économique du Burundi sont éligibles pour financement.

II. PROCEDURE A SUIVRE

En ce qui concerne les demandes de crédit des petites et moyennes entreprises à être financées par la Ligne de Crédit IDA, les démarches à suivre seront les suivantes :

1. Le BF présentera la demande de crédit à l'IFP de son choix, sous la forme établie par celle-ci.
2. L'IFP examinera la demande et l'évaluera selon les techniques d'évaluation des projets généralement utilisées et conformément aux normes et procédures établies à cet effet.
3. Une fois que la demande sera approuvée par l'IFP, celle-ci présentera au BDPME :
 - (a) Une fiche d'information selon le format établi par le BDPME si le crédit est l'équivalent de US\$80,000.
 - (b) Un rapport d'évaluation du sousprojet selon le format établi par la BDPME si le crédit est supérieur à l'équivalent de US\$80,000.
4. Le BDPME vérifiera l'éligibilité du sousprojet présenté, et le cas échéant, donnera son visa dans les délais suivants :
 - (a) Cinq jours ouvrables pour les crédits d'un montant inférieur à l'équivalent de US\$80,000.
 - (b) Dix jours ouvrables pour les crédits d'un montant supérieur à l'équivalent de US\$80,000.

Dans le cas des crédits mentionnés dans l'alinéa 4(b), le Bureau du Projet donnera son opinion sur la qualité du rapport d'évaluation du sousprojet.

5. Les trois premiers sousprojets présentés par chaque IFP au BDPME devront être autorisés par l'IDA. Dans ce but l'IFP soumettra au BDPME le dossier de l'évaluation du sousprojet, qui sera aussi complet que possible. Ce dossier sera envoyé par le BDPME à l'IDA qui l'étudiera pour approbation.

6. Une fois que le BDPME, et le cas échéant l'IDA, auront autorisé le sousprojet, l'IFP procédera aux décaissements en faveur du BF sur présentation des pièces justificatives. A la suite l'IFP devra présenter les effets de commerce correspondants au Crédit au réescompte irrévocable de la BRB avec les pièces justificatives soumises par le BF dans un délai maximum de 30 jours à partir de la date de création de chaque effet.

III. SUPERVISION ET CONTROLE DES SOUSPROJETS

Les IFP effectueront la supervision et le contrôle des sousprojets financés sur les ressources de la Ligne de Crédit IDA et devront notamment:

1. Contrôler l'exécution du sousprojet jusqu'à ce qu'il soit totalement achevé, en vérifiant l'apport en fonds propres que doit effectuer le bénéficiaire final.

2. Vérifier que les fonds sont dûment utilisés et adopter les mesures qui s'imposent afin d'atteindre cet objectif.

3. Suivre la situation économique et financière du projet pendant toute la durée du crédit octroyé, et plus particulièrement dans le cas où le BF serait en retard dans ses paiements.

4. Identifier les aspects susceptibles de bénéficier d'une assistance technique dans les divers sousprojets financés et en informer le BDPME en temps voulu afin qu'il puisse en tenir compte dans le cadre des programmes d'assistance technique accordés aux petites et moyennes entreprises avec la collaboration de la Chambre de Commerce et de l'Industrie.

5. Informer le BDPME au moins une fois par an par le moyen de la Fiche de Suivie de Projet de la situation générale de chacun des sousprojets financés par l'IP et bénéficiant de refinancement sous la ligne de crédit IDA; en outre, présenter une évaluation générale du fonctionnement du programme une fois par an.

En général, les IFP pourront faire tous les contrôles qu'ils jugeront appropriés, mais ceux-ci seront effectués au moins une fois dans les six mois suivants le premier déboursement et une fois dès que le projet sera en opération, pour vérifier que les investissements ont été effectués comme convenus et que le projet est en fonctionnement.

IV. SITUATIONS SPECIALES

1. Informer immédiatement le BDPME de toute situation qui risque sérieusement d'entraîner l'annulation d'un crédit afin d'adopter de commun accord les mesures les plus appropriées.
2. Demander l'autorisation écrite du BDPME avant d'introduire des modifications substantielles aux opérations approuvées, comme, par exemple, la destination du crédit ou la vente des actifs acquis au moyen du crédit.

BURUNDI

SMALL ENTERPRISE APEX PROJECT

APPRAISAL FORMAT

RAPPORT D'EVALUATION

(Pour des crédits supérieurs à US\$80.000)

1. Données générales

- Nom ou raison sociale du bénéficiaire final:

- SNES:

- Membre CCIB:

- Siège d'exploitation:

Région:

- Siège social:

Région:

- Cadres:

Nom

Position

Expérience

- Déjà en opération?

... Oui, depuis:

... Non, à partir de:

- Activité principale:

- Composition du capital:

- Objectif du projet:

2. Situation financière (seulement pour des entreprises existantes):

- Dernier bilan disponible (préparé selon format à établir, conformément au plan comptable, et exprimé en valeur commerciale actualisée)

- Dernier compte d'exploitation et résultats (mêmes conditions que pour le bilan)

- Commentaire sur les états financiers:

5. Investissements et leur financement

	<u>Présent 1/</u> <u>(date)</u>	<u>Projet</u>	<u>Total</u>
Investissements (nets):			
Terrain			
Bâtiments			
Equipements			
Véhicules			
Autres (préciser)			
Droits de Douane			
Autres impôts			
Fond de roulement (net)	_____	_____	_____
Total			
Equivalent en US\$ au taux de ...			
Financement:			
Crédit ligne IDA proposé			
Autres crédits MT (spécifier)			
Cofinancement de l'IFP			
Autres sources			
Fonds propres			
	_____	_____	_____
Total			
	<u>Présent 2/</u> <u>(date)</u>	<u>Première</u> <u>année</u>	<u>Année</u> <u>normale</u>

6. Fond de roulement

a) Actif circulant

b) Passif circulant

Fond de roulement net (a-b)

1/ Même date que pour les états financiers présentés.
2/ Même date que pour les états financiers présentés.

7. Données du crédit proposé

a) Conditions:

Montant

Terme

Différé

Taux d'intérêt

Commission

b) Déboursement estimé:

Dates

Montant

c) Tableau d'amortissement:

8. Compte d'exploitation et cash-flow prévisionnels

Prévisions annuelles pour toute la durée du projet tant pour l'ensemble de l'entreprise que pour le projet individuellement considéré.

9. Capacité de repaiement et prévisions de trésorerie

Prévisions annuelles pour toute la durée du projet.

10. Autres résultats du projet

Emplois créés

Valeur des matières premières importées

Valeur des matières premières locales

Valeur des exportations

11. Taux interne de rentabilité (TIR)

12. Evaluation

Opinion sur l'entreprise et la gestion actuelle:

Opinion sur la capacité de gérer le projet:

Quels sont les principaux mérites du projet:

Quels sont les principaux risques associés au projet:

Garanties:

Assistance technique reçue par l'IFP ou le BPME de la CCIB pour la préparation du dossier (préciser nature et source):

Besoins futurs d'assistance technique du BF:

Indiquer la/les date(s) de supervision prévue(s) et les raisons du calendrier:

Autres commentaires:

Détail des investissements

<u>Description</u>	<u>Montant</u>	<u>Fournisseur</u>	<u>Origine</u>
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BURUNDI

SMALL ENTERPRISE APEX PROJECT

SIMPLIFIED APPRAISAL FORMAT

FICHE D'INFORMATION

(Pour des crédits inférieurs à l'équivalent de US\$80.000)

1. Données générales

- Nom ou raison sociale du bénéficiaire final:

- SNEs:

- Membre CCIB:

- Siège d'exploitation:

Région:

- Siège social:

Région:

- Responsables:

Non

Position

Expérience

- Déjà en opération?

... Oui, depuis:

... Non, à partir de:

- Activité principale:

- Objectif du projet:

2. Situation financière (seulement pour des entreprises existantes):

- Dernier bilan disponible (préparé selon format à établir, d'accord avec le plan comptable et exprimé en valeur commerciale actualisée)

- Dernier compte d'exploitation et résultats (mêmes conditions que pour le bilan)

3. Investissements et leur financement

	<u>Présent 1/</u> <u>(date)</u>	<u>Projet</u>	<u>Total</u>
Investissements (nets):			
Terrain			
Bâtiments			
Equipements			
Véhicules			
Autres (préciser)			
Droits de Douane			
Autres impôts			
 Fond de roulement (net)	_____	_____	_____
 Total			
Equivalent en US\$ au taux de			
 Financement:			
Crédit ligne IDA proposé			
Autres crédits MT (spécifier)			
Cofinancement de l'IFP			
Autres sources			
Fonds propres	_____	_____	_____
 Total			

	<u>Présent 1/</u> <u>(date)</u>	<u>Première</u> <u>année</u>	<u>Année</u> <u>normale</u>
4. <u>Fond de roulement</u>			
a) Actif circulant			
 b) Passif circulant			
 Fond de roulement net (a-b)			

1/ Même date que pour les états financiers présentés

5. Données du crédit proposé

a) Conditions:

Montant

Terme

Différé

Taux d'intérêt

Commission

b) Déboursement estimé:

Dates

Montant

c) Tableau d'amortissement:

6. Compte d'exploitation et cash-flow prévisionnels et capacité de repaiement

	<u>1ère année</u>	<u>Année normale</u>
Ventes		
- Coût matières premières		
- Coût main d'oeuvre		
- Coût commercialisation		
- Frais généraux		
- Amortissements	_____	_____
Résultat d'exploitation		
- Frais financiers		
- Impôts	_____	_____
Résultat net		
+ Amortissements	_____	_____
Cash Flow		

Remboursement des prêts

- Prêt proposé

- Autres prêts

Excédent

7. Autres résultats du projet

Emplois créés

**Valeur des matières premières
importées**

**Valeur des matières premières
locales**

Valeur des exportations

8. Evaluation

**Opinion sur l'entreprise et les responsables (aspects positifs et
négatifs):**

**Préciser comment le projet proposé répond à un besoin du marché
(expliquer en détail):**

Quels sont les principaux risques associés au projet:

Garanties:

**Assistance technique reçue par l'IFP ou le BPME de la CCIB pour la
préparation du dossier (préciser nature et source):**

Besoins futurs d'assistance technique au bénéficiaire:

Indiquer la/les date(s) de supervision prévue(s) et les raisons de ce calendrier:

Autres commentaires:

Détail des investissements

<u>Description</u>	<u>Montant</u>	<u>Fournisseur</u>	<u>Origine</u>
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BURUNDI

SMALL ENTERPRISE APEX PROJECT

SUPERVISION FORMAT

FICHE DE SUIVIE DE PROJET

1. Informations générales

- Numéro du projet:
- Nom ou raison sociale du bénéficiaire final:
- SNEs:
- Membre CCIB:
- Siège social: Région:
- Activité principale:
- Objectif du projet:
- Date de la dernière visite:

2. Informations sur le crédit

	<u>Originalelement prévues à l'évaluation</u>	<u>Selon dernières informations</u>
Montant du crédit octroyé:
Terme/différé:/...../.....
Déboursement (montant/date):/...../.....
/...../.....
/...../.....
/...../.....
Montant du refinancement IDA:
Date du refinancement IDA:
Montant cofinancement de l'IFP:
Utilisation du crédit:		
- Bâtiments:
- Equipements:
- Véhicules:
- Fonds de roulement:
-
Fonds propres pourvus:

3. Informations sur le projet et l'entreprise

	<u>Originellement prévues à l'évaluation</u>	<u>Selon dernières informations</u>
Investissements du projet:		
Terrains
Bâtiments
Equipements
Véhicules
Fonds de roulement
Autres (préciser)
Droits de Douane
Autres impôts
Opération du projet <u>a/</u>:		
Production physique
Coût mat. premières importées
Coût mat. premières locales
Ventes
Valeur des exportations
Emplois créés:
Situation de remboursement du crédit:		
Assistance technique reçue par l'entreprise:		

4. **Autres commentaires**

a/ Pour ces valeurs préciser la période utilisée (normalement valeurs annuelles).

BURUNDI

SMALL ENTERPRISE APEX PROJECT

Draft Management Agreement for Project Management Unit

PROJET DE PETITES ET MOYENNES ENTREPRISES
BUREAU DU PROJET RATTACHE A LA BRB

PROJET DE MANDAT

La présente circulaire décrit les objectifs assignés au Bureau chargé d'administrer la composante ligne de crédit du Projet de petites et moyennes entreprises (Bureau du Projet) et les principes et méthodes qu'il appliquera pour s'acquitter de ses responsabilités au titre du Crédit de développement (IDA) pour le projet de petites et moyennes entreprises (le Crédit).

A. OBJECTIFS

Le Bureau du projet a pour objectifs :

- a) de contribuer au développement économique du Burundi en fournissant une aide financière aux petites et moyennes entreprises, particulièrement à celles qui utilisent le plus de ressources locales et qui contribuent à la création d'emplois, à la décentralisation de l'activité économique, à la réalisation de recettes en devises ou au remplacement d'importations;
- b) d'aider à la création, l'expansion et la modernisation de petites et moyennes entreprises;
- c) de promouvoir le renforcement des moyens institutionnels nécessaires au développement du secteur de la petite et moyenne entreprise, notamment ceux des intermédiaires financiers.

B. ORGANISATION ET PERSONNEL

(A compléter)

C. PRINCIPES ET METHODES

1. Utilisation des fonds

Les fonds gérés par le Bureau du projet seront utilisés conformément aux conditions de l'Accord de crédit de développement y relatif et de l'Accord de projet en vue de:

- (a) financer la création, l'expansion ou la modernisation d'entreprises privées économiquement viables, via le refinancement de prêts secondaires accordés par les intermédiaires financiers participants. L'éligibilité d'un intermédiaire financier à un refinancement est déterminée conformément à l'Accord de crédit de développement relatif au Projet;
- (b) financer les audits des banques pour 3 années à partir de 1988 (à 100% pour la 1ère année, à 50% pour la 2ème année et à 30% pour la troisième année).

2. Examen des sousprojets

Le Bureau du projet vérifiera l'éligibilité des sousprojets présentés par les intermédiaires participants et en autorisera le financement au titre de la ligne de crédit. Pour les prêts secondaires d'un montant inférieur à l'équivalent de 80.000 dollars, il vérifiera si les demandes répondent aux critères d'éligibilité et donnera son approbation dans un délai de trois jours ouvrables à compter du dépôt de la demande. Pour les prêts secondaires d'un montant supérieur à l'équivalent de 80.000 dollars, il procédera à un examen plus détaillé, communiquera ses observations sur la qualité de l'évaluation à l'intermédiaire participant en cause et vérifiera l'éligibilité de la demande de refinancement dans un délai de sept jours ouvrables.

Après les avoir lui-même examinés et approuvés, le Bureau du projet soumettra à l'examen et à l'approbation de l'IDA les cinq premiers sousprojets présentés par chaque intermédiaire financier participant.

Le Bureau du projet veillera à ce que les intermédiaires participants appliquent systématiquement les normes appropriées à l'évaluation des sousprojets.

3. Supervision et Suivi.

Le Bureau du projet veillera à ce que les intermédiaires participants s'acquittent des obligations auxquelles ils ont souscrits au titre des accords de participation.

Le Bureau du projet veillera à ce que les intermédiaires participants suivent périodiquement les sousprojets conformément aux dispositions des accords de participation et à ce qu'ils soumettent à bonne date les rapports de suivi prévus. Il examinera les rapports de suivi, en tenant compte des rapports d'évaluation initiaux, et prendra, conjointement avec l'intermédiaire concerné, les mesures qu'appellent les sousprojets à problèmes.

4. Décaissement, vérification des comptes et établissement de rapports

Les décaissements du Crédit de l'IDA et des comptes spéciaux ouverts par la Banque de la République du Burundi seront régis par les règles et méthodes définies dans l'Accord de crédit de développement et dans l'Annexe (3) audit Accord décrivant le fonctionnement du Compte spécial.

Le Bureau du projet gérera (conjointement avec le département des opérations bancaires étranger de la Banque de la République du Burundi) deux Comptes spéciaux. Le Compte spécial A qui sera utilisé pour les décaissements pour les sousprojets et le Compte spécial B qui sera utilisé pour les décaissements de la composante assistance technique. Le Bureau du projet veillera à ce que les fonds soient décaissés comme il convient, et supervisera et centralisera la collecte et l'envoi des pièces justificatives.

Le Bureau du projet conservera toutes les écritures relatives aux sousprojets et aux actions de formation et d'assistance technique financés, y compris les pièces justifiant les retraits des comptes spéciaux.

Le Bureau du projet fera vérifier ses comptes, ainsi que les comptes spéciaux et les relevés des dépenses, chaque année par des réviseurs indépendants jugés acceptables par l'IDA et communiquera à l'IDA, dans les six mois suivant la clôture de chaque exercice, des copies certifiées de ses comptes vérifiés et de la note que lui auront adressée lesdits réviseurs.

Le Bureau du projet établira chaque trimestre et chaque année, des rapports sur l'avancement de la composante ligne de crédit et en transmettra des copies à l'IDA.

Lorsque le projet touchera à sa fin, le Bureau du projet établira un rapport d'achèvement.

D. AMENDEMENTS ET ECLAIRCISSEMENTS

La Banque de la République du Burundi et l'IDA pourront, par échange de lettres, amender le présent mandat d'un commun accord.

BURUNDI

SMALL ENTERPRISE APEX PROJECT

Draft Cooperation Agreement for Chamber of Commerce

PROJET DE PETITES ET MOYENNES ENTREPRISES
CELLULE DES PME A LA CHAMBRE DE COMMERCE ET DE L'INDUSTRIE

PROJET DE MANDAT.

La présente circulaire décrit les objectifs assignés à la cellule des PME chargée d'administrer la composante assistance technique du Projet de petites et moyennes entreprises et les principes et méthodes qu'il appliquera pour s'acquitter de ses responsabilités au titre du Crédit de développement accordé par l'Association Internationale de Développement (IDA) pour le projet de petites et moyennes entreprises (le Crédit).

A. OBJECTIFS.

La cellule des PME à la Chambre de Commerce et de l'Industrie a pour objectifs:

- a) de contribuer au développement économique du Burundi en fournissant une assistance technique aux petites et moyennes entreprises, particulièrement à celles qui utilisent le plus de ressources locales et qui contribuent à la création d'emplois, à la décentralisation de l'activité économique, à la réalisation de recettes en devises ou au remplacement d'importations et ;
- b) aider à la création, l'expansion et la modernisation de petites et moyennes entreprises;

B. ORGANISATION ET PERSONNEL

La cellule des PME sera dirigée par un Directeur rattaché à la Chambre de Commerce et de l'Industrie à Bujumbura. La cellule emploiera en outre un ou deux experts étrangers spécialisés dans la promotion de la petite et moyenne entreprise et deux homologues locaux, et le personnel auxiliaire approprié.

La nomination du Directeur de la cellule et, le cas échéant, de son successeur sera examinée avec l'IDA et soumise à son approbation. Le choix du personnel du Bureau relèvera exclusivement du Directeur de la cellule, qui consultera l'IDA sur ses projets de recrutement.

C. PRINCIPES ET METHODES

1. Utilisation des fonds

Les fonds reçus pour l'assistance technique par la cellule seront utilisés conformément aux conditions de l'Accord de Crédit de développement y relatif et de l'Accord de Coopération en vue de :

- a) financer un programme de formation et d'assistance technique à l'intention : (i) des petits et moyens entrepreneurs, et (ii) du personnel des intermédiaires financiers participants pour renforcer leurs capacités d'évaluation et de suivi des projets;
- b) couvrir les frais de démarrage et d'exploitation de la cellule des PME y compris la rémunération de son personnel étranger à 100% et de son personnel local à 80%.

Toutes les dépenses engagées au titre des alinéas (a) et (b) ci-dessus devront être préalablement autorisées par l'IDA.

2. Préparation des sousprojets

La cellule des PME guidera les petites et moyennes entreprises, en vue de la préparation des sousprojets devant être financés au moyen de la ligne de crédit de l'IDA.

Elle guidera aussi les intermédiaires financiers participants dans le choix de sousprojets éligibles et les aidera à se doter des moyens nécessaires pour évaluer l'impact des sousprojets sur l'environnement.

3. Aide à la préparation des sousprojets

La cellule des PME aidera les petits et moyens entrepreneurs avec la préparation des projets et des dossiers en général. En même temps, la cellule des PME veillera à ce que les intermédiaires participants appliquent systématiquement les normes appropriées à l'évaluation des sousprojets. En exécutant ce type d'assistance, la cellule coordonnera son travail avec le Bureau du Projet à la BRB et, le cas échéant, avec le Fonds National de Garantie.

4. Suivi des projets

La cellule suivra directement les sousprojets financés par l'IDA en se basant sur un échantillon et/ou en se concentrant sur les cas difficiles.

5. Composante assistance et formation

La cellule des PME gèrera cette composante du Projet pour le compte du Gouvernement. A cet effet, elle a la responsabilité pour les demandes de financement au titre de cette composante, y compris, notamment, le contenu des cours et séminaires, le cadre de référence des activités de promotion et d'appui aux petites et moyennes entreprises, la justification desdits cours et activités, et les qualifications des experts proposés.

Les demandes approuvées par la cellule des PME seront soumises à l'IDA, pour examen et approbation définitive. A cet effet, la cellule des PME communiquera à l'avance à l'IDA le programme de formation et d'assistance technique devant être financé au cours du trimestre à venir.

BURUNDI

SMALL ENTERPRISE APEX PROJECT

Draft Terms of Reference for SSE Technical Assistance

A. PROMOTION DES NOUVEAUX PMEs

Dans le cadre économique

- . l'élaboration d'un programme d'études à réaliser et répondre aux demandes d'intervention adressées au CCIB;
- . la recherche des données de base permettant un jugement préliminaire sur la rentabilité des projets;
- . l'élaboration d'une documentation sur les équipements nécessaires et la technologie à utiliser;
- . la recherche des partenaires techniques et promotion des jointes-ventures avec des investisseurs locaux;
- . observation permanente de l'évolution des prix sur le marché mondial pour les produits industriels exportables;
- . l'élaboration des demandes de financement pour les promoteurs et la coopération avec des institutions financières.

Dans le cadre technique

- . assistance à l'élaboration d'un programme d'étude à réaliser et répondre aux demandes d'interventions adressées au CCIB dans:
 - . la recherche des données techniques de base permettant un jugement préliminaire sur les possibilités d'utilisation des techniques adaptées;
 - . la recherche des offres pour des équipements et leur dépouillement;
 - . l'élaboration des analyses sur les technologies proposées afin de déterminer et justifier la proposition la plus adéquate;
 - . l'élaboration des proportions sur le niveau de formation des techniciens nécessaires à engager pour le fonctionnement des projets.

Dans le cadre socio-économique

- . considération, dans le cadre de la préparation des projets, de la protection contre la pollution de l'air et de l'eau;
- . définition d'un plan de la promotion des femmes parmi les entrepreneurs potentiels.

B. SERVICE DE CONSEIL POUR LES PME_s EXISTANTES

- . diagnostic des installations techniques des unités PME_s existantes dans le but de déterminer les goulots d'étranglement dans la production;
- . définition des programmes de restructuration des PME_s existantes et ses exécutions;
- . élaboration des tableaux de bord pour les cadres techniques des petites et moyennes entreprises;
- . assistance dans la résolution des problèmes ponctuels;
- . assistance dans la recherche des équipements adéquats en cas d'une modernisation.

C. FORMATION

- . élaboration et exécution d'un programme de formation pour les cadres du Bureau PME à la Chambre dans les domaines spécifiques de la promotion industrielle;
- . élaboration et exécution d'un programme de perfectionnement en gestion pour les dirigeants des petites et moyennes entreprises industrielles (cours du soir; sujets : comptabilité de base, production, évaluation du marché, etc.).

D. ASSISTANCE POUR LES INTERVENTIONS CAS PAR CAS.

Dans le cadre technique

- . description des produits et du programme de production;
- . définition de la qualité du produit fini, sa standardisation et son emballage exigé sur le marché local et sur le marché mondial;
- . détermination de la capacité à installer et du processus de production à utiliser, avantages du processus de production proposé en comparaison avec d'autres possibilités techniques, liste détaillée des équipements ainsi que considération du choix de l'équipement utilisé;
- . présentation du lieu d'implantation du projet et la superficie du terrain à prévoir;
- . élaboration d'un plan pour la supervision de la construction et l'installation des équipements;
- . évaluation de la période de réalisation du projet en tenant compte des délais pour les travaux de génie civil, l'installation des équipements et la mise en marche de l'équipement.

Dans le cadre des études micro-économiques

- . détermination des coûts des investissements fixes sur base de la conception technique arrêtée;
- . définition de la production en quantité et en qualité sur base des résultats de l'étude du marché et de l'étude technique;
- . évaluation de la disponibilité, des coûts et les conditions d'acquisition de matières premières, de produits intermédiaires, d'énergie, d'eau, de pièces de rechange et de services sur base du programme de production arrêtée;
- . projection des coûts d'entretien et de séparation en relation avec la capacité utilisée;
- . définition de la main d'oeuvre, leur nombre et leur qualification.

BURUNDI

SMALL ENTERPRISE APEX PROJECT

Draft Terms of Reference for Bank Staff Seminar

TITRE : "Evaluation financière et suivi de projets"

PUBLIC : Cadres régionaux des banques commerciales en charge des demandes de crédits d'investissement.

PRE-REQUIS : - Diplôme d'enseignement supérieur (graduat ou licence) en finance, commercial ou administration
- Plus de deux années d'expérience professionnelle.

PROGRAMME DE FORMATION

- Introduction au concept de projet
- Définition et analyse des variantes
Evaluation des coûts d'un projet
- Analyse financière de projets
- Distinction entre l'analyse financière sommaire et l'analyse financière détaillée
- Analyse financière sommaire
 - échéancier de flux financiers
 - analyse de l'échéancier et comparaison d'investissements
 - . techniques qui évitent le recours à l'actualisation
 - . techniques qui utilisent l'actualisation.
 - la prise en compte des risques et incertitudes.
- Analyse financière détaillée
 - tableau des amortissements d'investissements
 - schéma de financement
 - capacité d'autofinancement
 - tableau Emplois-Ressources
 - plan de trésorerie
 - l'analyse
 - . taux de rentabilité interne du projet
 - . taux de rentabilité des capitaux propres.
- Fiscalité des investissements

- Le suivi des projets

- Rapprochement réalisation/prévision
- Analyse des écarts
- Diagnostic des points forts/points faibles
- Evaluation des actions correctives
- Contrôle des actions
- Rapport du suivi.

DUREE DE LA FORMATION : 10 jours : 6 heures de formation par jour.

NOMBRE DE SEMINAIRES : Suivants les cas à déterminer

NOMBRE DE PARTICIPANTS/SEMINAIRE : 15 personnes maximum

OBJECTIFS : améliorer les compétences des agents des banques commerciales dans leur fonction d'évaluation financière de projets.

Ce sont ces cadres qui, en contact permanent avec leurs clients et l'environnement économique régional, sont les mieux placés pour effectuer la première évaluation. Ces dossiers préévalués seraient acheminés éventuellement à Kinshasa pour décisions finales.

ANNEX VII

BURUNDI

SMALL ENTERPRISE APEX PROJECT

Companies and employment in the formal SSE sector in 1986

ISIC Sector	Number of Companies			Employment		
	Metropolitan Area	Provinces	Total	Full-time	Part-time	Total
Agriculture	17	7	24	1,724	4,264	5,988
Mining	2	0	2	172	188	360
Manufacturing	67	6	73	5,006	541	5,547
Public Utilities	1	2	3	775	1,339	2,114
Construction	19	4	23	2,700	4,501	7,201
Commerce	129	64	193	2,172	87	2,259
Transport	29	17	46	1,859	89	1,948
Services	26	15	41	2,691	5,128	7,819
Other	46	106	152	2,860	1,591	4,451
Totals	336	221	557	19,959	17,728	37,687

Source: Cross-referencing of official statistics.

ANNEX VIII

BURUNDI

SMALL ENTERPRISE APEX PROJECT

Stratification of a formal SSE sector sample by employment

Subsector	Number of Companies in Employment Range					
	1-10	11-25	26-50	51-100	101-250	251+
Food processing	-	7	10	8	7	2
Textile and Clothing	5	2	3	1	3	1
Wood Products	-	3	1	3	1	-
Paper products	2	4	2	2	-	-
Chemicals	3	7	5	4	1	-
Glass products	1	1	-	1	-	-
Machinery	8	8	-	1	2	-
Totals	19	32	21	29	14	3
Cumulative	19	51	72	92	106	109
Percentage of total	17%	47%	66%	84%	97%	100%

Source: Mission Research.

ANNEX IX

BURUNDI

SMALL ENTERPRISE APEX PROJECT

Expenditure patterns of rural households

Category of expenditure	Items	Percentage of Total
Food	Condiments and basic staple food that the household cannot grow	54.8
Farm operating expenses	seeds, fertilizers, vaccines, agricultural tools and implements, equipment rental, rental of farmland, agricultural workers' salaries, etc.	18.6
Clothing	garments and shoes	8.4
Education	school fees, books, uniforms, etc.	2.3
Family events	dowries, births, marriages, funerals	2.7
Transport & Communication	public transport, purchases of personal transport, spare parts, fuel	2.3
Housing	light, fuel, construction material, etc.	2.1
Medical	doctor fees, medicine, hospitalization, traditional medicine	1.9
Household items	furniture, household articles, domestic services, etc.	1.3
Leisure	Radios, cassettes, tape recorders	0.3
Other	taxes, fines, otherwise not specified	4.1

Source: Mission Research.

Annual Demand projection for selected basic consumer goods of the total market

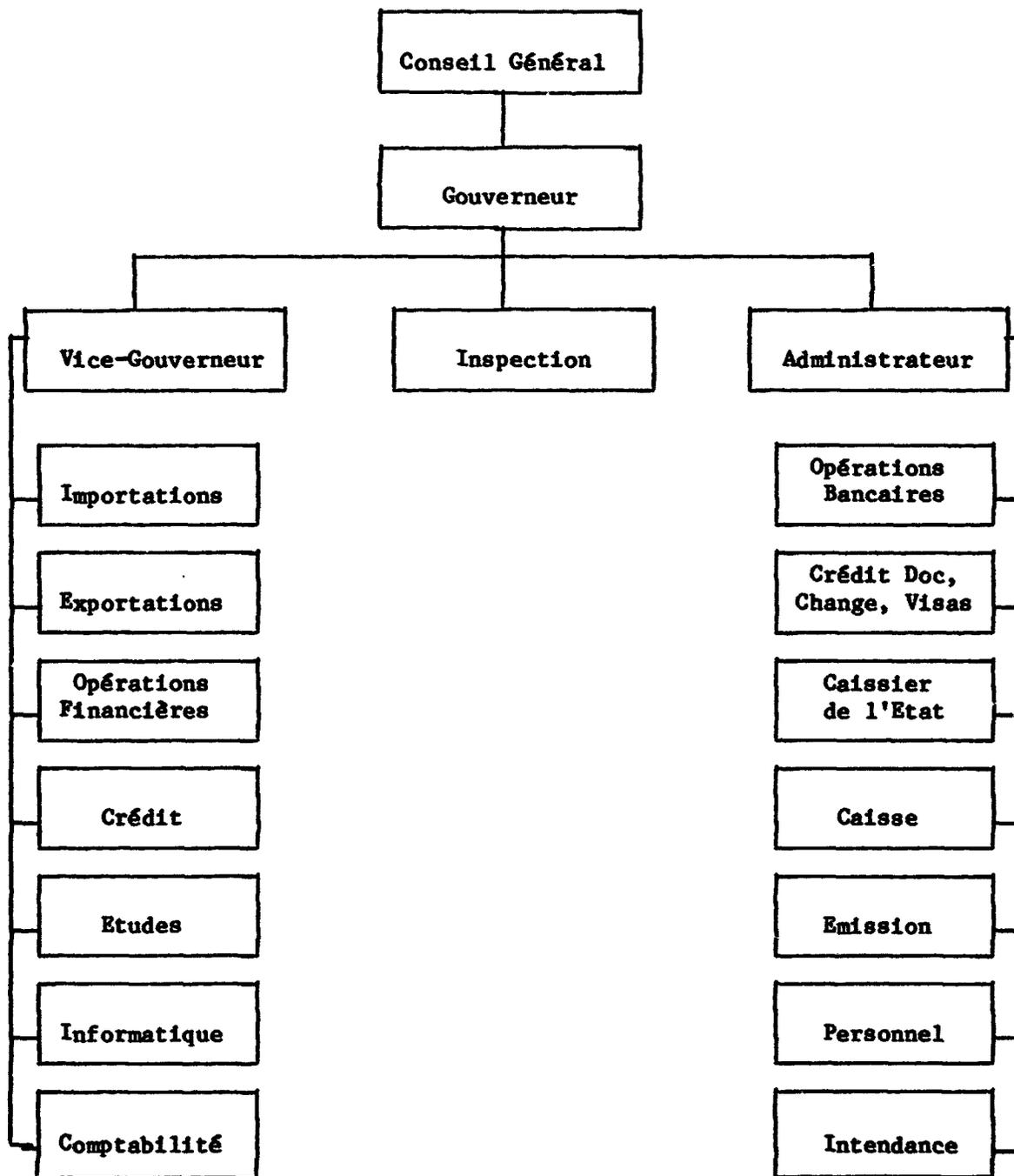
Goods	Value in BuF (million)	Equivalent Value in US\$ ('000)
Food and beverages	33,085	264,680
Agricultural products and equipment	11,230	89,837
Apparel	5,071	40,571
Construction materials & domestic fuel	1,268	10,143
Motorcycles, bicycles, spare parts	1,389	11,109
Household articles and furniture	785	6,279
Radios, cassettes, tape recorders	181	1,449

Source: Mission Estimates.

BURUNDI

SMALL ENTERPRISE APEX PROJECT

BANQUE DU BURUNDI ORGANIZATION CHART



ANNEX XI

BURUNDI

SMALL ENTERPRISE APEX PROJECT

LIST AND CHARACTERISTICS OF FINANCIAL INSTITUTIONS

		Avg.	Avg.			
	Year of	Total	Loan	Average	No. of	No. of
	Creation	Assets 1/	Portfolio 1/	Deposits 1/	Employees	Branches
BANCOBU		4,684	3,234	3,721	180	7
BCB	1964	5,851	3,683	4,650	182	5
BBAB		2,124	1,737	1,510	63	1
BNDE	1967	3,909	2,916	n.a.	49	1
SBF	1981	1,884	1,514	n.a.	21	1
CADEBU 2/	1964	3,571	1,694	2,937	178	11
CAMOFI	1977	4,559	3,480	4,035	16	1

1/ Average between end 1985 and end 1986 in FBu million.

2/ As of December 1986.

BURUNDI

SMALL ENTERPRISE APEX PROJECT

Interest Rate Structure
-as of May 1, 1987-
(in percent p.a.)

A: Debit (rates indicated are maximum rates)

TAUX D'INTERET DEBITEURS MAXIMA, TOUTES COMMISSIONS COMPRISES,
DES BANQUES ET AUTRES INSTITUTIONS FINANCIERES (en p.c., par an)

<u>CREDITS A COURT TERME</u>	<u>NON MOBILI- SABLES</u>	<u>MOBILI- SABLES</u>	<u>TAUX DE MOBI- LISATION</u>
<u>1. CREDITS D'IMPORTATION</u>			
- Biens d'équipements agricole, industriel et artisanal et matières premières	11	9	7,5
- Autres	13	11	9,5
<u>2. CREDITS A L'EXPORTATION</u>			
	-	6	5
<u>3. CREDITS DE TRESORERIE</u>			
- Production agricole, industrielle et artisanale	10	8	6,5
- Autres	13	11	9,5
<u>CREDIT A MOYEN TERME</u>			
- Investissement agricole, industriel et artisanal	13	10	7,5
- Construction de logement	14	11	8,5
- Autres	15	12	9,5
<u>CREDIT A LONG TERME</u>			
- Investissement agricole industriel et artisanal et construction de logements	15	12	8,5
- Autres	16	13	9,5

B: Credit (deposit rates indicated are minimum rates)

TAUX D'INTERET CREDITEURS MINIMA DES BANQUES ET
AUTRES INSTITUTIONS FINANCIERES
(en p.c., par an)

DEPOTS A VUE

Dépôts à partir de 100.000 F 2

COMPTES SUR CARNETS 7

DEPOTS A TERME, BONS DE CAISSE ET
AUTRES INSTRUMENTS D'EPARGNE

Moins d'un mois	entre	2 et 3
1 mois		3
3 mois		4
6 mois		5
12 mois		7
Plus de 12 mois	Plus de	7

COMPTES A PREAVIS: Taux des dépôts à terme correspondants
majorés de 0,25 point.

La rémunération des termes intermédiaires se fera par
référence au taux du terme directement inférieur.

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ANNEX XIII

BURUNDI

SMALL ENTERPRISE APEX PROJECT

BURUNDI: DISTRIBUTION OF CREDIT TO THE ECONOMY BY TERM STRUCTURE, 1981-85
(In Millions of Burundi Francs)

ITEM	1981	1982	1983	1984	1985
Short-term	8358	7488	8899	8178	9376
of which: Trade	7838	6384	5516	5467	6892
(coffee export)	4724	3125	3998	3661	4543
Agriculture	181	134	111	297	24
Industry	548	697	719	788	1868
Medium-term	1578	2817	2233	2138	2189
of which: Industry	533	583	884	651	715
Civil engineering	424	642	783	679	523
Transport and transit	131	61	94	43	53
Trade	236	226	246	256	279
Agriculture	21	132	128	127	117
Long-term	1958	2718	3384	3459	3625
of which: Civil engineering	1386	1941	2294	2373	2854
Other services	318	284	284	258	279
Trade	8.3	8.3	8.3	12	63
Agriculture	55	81	94	138	-21
Total	11886	12221	13896	13767	15118
of which: Rediscounted credit	3894	2513	1219	678	8
(in percent)	28.6	28.6	8.9	4.9	0.1

ALLOCATION OF CREDIT TO PUBLIC ENTERPRISES

Short-term	--	4111	4655	4288	5284
of which: Export	--	3255	3975	3841	4574
Import	--	217	89	53	137
For liquidity purposes	--	648	592	586	493
On Government procurements	--	--	--	--	--
Long- and medium-term	--	2876	1941	1934	1969
Total	--	6187	6597	6195	7173

Source: Data provided by Burundian Authorities.

BURUNDI

SMALL ENTERPRISE APEX PROJECT

SUMMARY BALANCE SHEET OF COMMERCIAL BANKS

(Fbu Million)

	12/84	12/85	12/86	5/87
	-----	-----	-----	-----
<u>ASSETS</u>				
Cash, Reserves	595	2,075	463	1,400
External Assets	801	587	1,204	1,588
Credit to fin. instituts.	863	600	224	558
Credit to the Govmt.	316	779	775	780
Credit to public instituts	2,552	3,562	3,789	2,288
Credit to private sector	4,559	4,792	5,986	6,776
Other assets	431	473	472	486
	-----	-----	-----	-----
TOTAL ASSETS	10,117	12,888	12,913	13,876
<u>LIABILITIES</u>				
Demand deposits	5,098	7,914	8,520	7,459
Time deposits	2,227	2,432	881	2,325
External Borrowings	984	983	1,391	1,750
Other liabilities	787	391	926	1,115
Equity	1,021	1,168	1,195	1,227
	-----	-----	-----	-----
TOTAL LIABILITIES	10,117	12,888	12,913	13,876

Source: BRB

BURUNDI

SMALL ENTERPRISE APEX PROJECT

SUMMARY BALANCE SHEET OF BNDE AT END 1986

(BuF million)

Assets

Cash and Deposits with BRB and CCP		906.4
Financial Institutions		33.3
Claims on the Economy		3,081.3
Coffee Financing	463.3	
Other Short-Term	397.1	
Medium-Term	1,687.4	
Long-Term	533.5	
Fixed Assets and Participations		148.3
Miscellaneous		443.4

Assets = Liabilities 4,612.7

Liabilities

Short-Term Liabilities		2,042.1
Medium- and Long-Term Liabilities		1,417.7
Capital Funds		770.5
Net Profits		50.6
Miscellaneous		331.8

Source: BNDE

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SMALL ENTERPRISE APEX PROJECT

SUMMARY BALANCE SHEET OF SBF AT END 1986
(BuF Million)

Assets

Cash and Banks		19.4
Other Financial Institutions		50.0
Claims on the Economy		1,669.0
Short-Term	915.4	
Medium-Term	628.6	
Long-Term	125.0	
Participations		269.2
Fixed Assets		10.8
Miscellaneous		35.7

Assets = Liabilities 2,054.1

Liabilities

Financial Institution		25.6
Economic Sector		1,240.2
Short-Term	851.0	
Medium-Term	289.2	
Long-Term	100.0	
Capital and Reserves Funds		662.2
Net Profits		42.9
Miscellaneous		83.2

Source: SBF

BURUNDISMALL ENTERPRISE APEX PROJECTDISTRIBUTION OF DEPOSITS BY CATEGORY OF DEPOSITORS

(End of period, FBU million)

	1981	1982	1983	1984	1985	1986
	-----	-----	-----	-----	-----	-----
<u>SIGHT DEPOSITS</u>						
Individuals	1,602	1,577	1,936	2,062	2,627	3,606
Private Companies	1,712	1,725	2,120	1,776	2,351	2,127
Public Institutions	1,412	1,066	1,873	2,884	5,552	6,336
Other	325	586	399	291	309	259
	-----	-----	-----	-----	-----	-----
TOTAL	5,051	4,954	6,328	7,013	10,839	12,328
<u>TIME AND SAVINGS DEPOSITS</u>						
Individuals	1,482	1,516	2,077	2,392	2,263	2,645
Private Companies	137	132	575	698	547	463
Public Institutions	1,550	2,191	2,816	2,258	2,801	1,295
Other	198	31	132	94	119	34
	-----	-----	-----	-----	-----	-----
TOTAL	3,367	3,870	5,600	5,442	5,730	4,437
	-----	-----	-----	-----	-----	-----
TOTAL DEPOSITS	8,418	8,824	11,928	12,455	16,569	16,765

Source: BRB

BURUNDISMALL ENTERPRISE APEX PROJECTDISTRIBUTION OF CREDIT BY SECTOR AND TERM

(BuF Billion)

	<u>1984</u>				<u>1985</u>			
	<u>Short Term</u>	<u>Medium Term</u>	<u>Long Term</u>	<u>Total</u>	<u>Short Term</u>	<u>Medium Term</u>	<u>Long Term</u>	<u>Total</u>
Agriculture	0.2	0.1	0.1	0.4	0.2	0.1	0.1	0.5
Industry	0.8	0.6	0.6	2.0	1.1	0.7	0.6	2.4
Construction, Public Works	0.6	0.7	2.4	3.7	0.5	0.7	2.5	3.7
Transportation and Transit	0.1	0.0	0.0	0.2	0.2	0.1	0.0	0.3
Miscellaneous Services	0.1	0.1	0.3	0.4	0.1	0.0	0.3	0.4
Trade	5.5	0.2	0.0	5.7	6.1	0.3	0.1	6.5
Others	0.9	0.3	0.1	1.3	1.2	0.3	0.0	1.5
	<u>8.2</u>	<u>2.0</u>	<u>3.5</u>	<u>13.7</u>	<u>9.4</u>	<u>2.2</u>	<u>3.6</u>	<u>15.3</u>

Source: BRB

Note: Figures may not add up because of rounding.

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SMALL ENTERPRISE APEX PROJECT

Savings and Credit Cooperatives (COOPEC)

In 1984 an agreement was signed between the Ministry of Rural Development and the Credit Mutuel (CICM) of France on technical and financial assistance in the creation of a network of savings and credit cooperatives (COOPEC) in the rural districts of Burundi. The objectives of the project was to raise living standards in the rural areas where 95% of the population live through encouraging savings and developing mutual credit systems. According to the agreement, French assistance would provide FF 4.9 million of which 50% was for investment and 50% covering initial operating expenses. The Burundi Government contributed FBu 6 millions. The original agreement was for an initial trial period of 30 months but this has since been extended to 3 years. COOPEC (Cooperatives d'Epargne et de Cr dit) started functioning in June 1984 with the arrival of a French expert from the French Credit Mutuel with headquarters in the provincial town of Gitenga and a network of autonomous cooperatives. Each COOPEC - cooperative - takes in savings from members as deposits on which interest is paid and offers credits to members. The membership fee for an individual is FBu (approx. \$4).

An individual COOPEC is able to lend up to 30% of its deposits and the COOPEC central office up to 50% of total deposits. After 6 months of savings each member may borrow up to 5 times the amount of his/her deposits. Members act as guarantors for each other's credit.

The maximum of a credit to an individual by a COOPEC is FBu 50,000 (approx. \$400). The Central Office are permitted to make loans to a maximum of FBu 500,000 (\$4,000). Loans are generally made for 36 months at interest rates of between 11 and 14% depending on the type of loan. The rate for agricultural loans is 11% and 14% for trade.

In general it takes about 1 month for a member to obtain a loan.

The growth of the COOPEC's has been impressive. One reason has been that members may save with COOPEC in place of the compulsory savings required with CADEBU (Caisse d'Epargne de Burundi - the state owned savings bank). Individual COOPEC's are required to deposit funds in excess of FBu 200,000 with the Central Office on which they are paid 3.5%. Individual members receive 3% on their COOPEC savings. The Central Office now deposits all its fund with CAMOFI (Caisse Centrale de Mobilisation et de Financement, - a savings and financing institution for the public sector) for fixed terms of 24 months at 8%.

Recent figures on COOPEC's growth are given below:

<u>Date</u>	<u>No. of COOPEC's</u>	<u>Total</u>		<u>In FBU</u>		<u>No of</u>
<u>End of</u>		<u>Members</u>	<u>Capital</u>	<u>Deposits</u>	<u>Credit</u>	<u>Credits</u>
Dec. 1986	20	23514	13576000	56162529	7553500	152
May 1987	31	33361	18606500	69675702	15861245	485

As can be seen from the above figures while still relatively small in volume, the savings deposits and the credits given out are increasing at a fast rate. However the COOPEC organisation both at the headquarters and at cooperative level remains liquid and still have adequate resources for lending before reaching the limits set by the operating regulations.

Most credits are for consumption and are small - around FBU 30,000-40,000 average (approx. \$220-300) but some loans up to a maximum of FBU 150,000 (\$1,200) have been given for income generating activities to farmers and artisans.

The COOPEC Central Office operates services to assist individual COOPEC's in the management of their finances. It also offers training and advisory services for members and has a unit that inspects and audits the operations of each COOPEC.

So far, the COOPEC's have not been accredited by BRB as recognised financial institutions but they already represent a significant extension of the financial system into areas and communities where the formal banking institutions do not operate.

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SMALL ENTERPRISE APEX PROJECT

Schedule of Disbursements

<u>IDA Fiscal Year and Quarter Ending</u>	<u>Credit Component</u>	<u>T.A. Component</u>	<u>Total</u>	<u>Cumulative %</u>
	-----US\$ '000-----			
<u>FY 88</u>				
June 30, 1988	10	--	10	--
<u>FY89</u>				
September 30, 1988	50	50	100	1.3
December 31, 1988	150	100	250	3.1
March 31, 1989	200	200	400	5.0
June 30, 1989	500	200	700	8.8
<u>FY90</u>				
September 30, 1989	700	250	950	11.9
December 31, 1989	950	300	1,250	15.6
March 31, 1990	1,220	350	1,570	19.6
June 30, 1991	1,370	400	1,770	22.1
<u>FY91</u>				
September 30, 1990	1,820	450	2,270	28.4
December 31, 1990	2,350	500	2,850	35.6
March 31, 1991	2,720	550	3,270	40.9
June 30, 1991	3,010	600	3,610	45.1
<u>FY92</u>				
September 30, 1991	3,420	650	4,070	50.9
December 31, 1991	3,790	700	4,490	56.1
March 31, 1992	4,500	750	5,250	65.6
June 30, 1992	5,200	800	6,000	75.0
<u>FY93</u>				
September 30, 1992	5,950	800	6,750	84.4
December 31, 1992	6,230	800	7,030	87.9
March 31, 1993	6,470	800	7,270	90.9
June 30, 1993	6,790	800	7,590	94.9
<u>FY94</u>				
September 30, 1993	7,000	800	7,800	97.5
December 31, 1993	7,050	800	7,850	98.1
March 31, 1994	7,120	800	7,920	99.0
June 30, 1994	7,200	800	8,000	100.0