Report Number : ICRR0021239

1. Project Data

Project ID P107851	**Project Name** BI-Finance & Private Sector Development	
Country Burundi	**Practice Area(Lead)** Finance, Competitiveness and Innovation	**Additional Financing** P125209
L/C/TF Number(s) IDA-H5360,IDA-H6590	**Closing Date (Original)** 28-Feb-2014	**Total Project Cost (USD)** 27,384,800.00
Bank Approval Date 22-Dec-2009	**Closing Date (Actual)** 31-Jul-2017	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	19,000,000.00	0.00
Revised Commitment	23,779,422.07	0.00
Actual	22,027,593.90	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

As per the Financing Agreement (FA) on page 5, "the objective of the project is to strengthen the Recipient’s financial system and improve its business enabling environment". The Project Appraisal Document (PAD) states the same objective.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

Note: This ICR Review will not apply a split rating methodology to derive the overall project outcome, since the PDO was not changed during the project's five restructuring events, and the detailed changes mainly involved technical adjustments, and scaling-down of specific activities, including to drop those that required political decisions or involved serious security risks.

The project has four components as detailed below:

Component 1: Modernizing the financial sector (US$6.9 million at appraisal; US$12.59 million actual):

Original project:

Key project activities under this component were to:

- Strengthen the supervision of commercial banks, financial institutions, and microfinance institutions through the provision of technical advisory services, training and capacity-building activities;
- Modernize the Recipient's payment system through the provision of technical advisory services and training, equipment, and capacity-building activities, including: (a) the strengthening of electronic clearing of checks, and direct transfers and bank card payment system, and (b) the acquisition of an electronic clearing system and a Real Time Gross System (RTGS); and
- Strengthen nonbanking financial institutions through provision of technical advisory services, equipment and training, operating costs, and capacity-building activities, including strengthening of and support to the operations and administration of the independent Insurance Regulatory and Supervisory Agency of Burundi (ARCA).

Revised project: May 2011

During this restructuring, the following activities were added:

- A revamp of the BRB's IT infrastructure: This upgrade involved the installation of electro-technical equipment (UPS, cooling, access control) and cables as well as IT and infrastructure services to provide the necessary business services (data center servers, storage, networking, and security equipment meeting international standards. The renovation also included the selection and installation of a banking application required to support back-office check clearing and Real Time Gross Settlement applications;
- The establishment of a SWIFT (Society for Worldwide Interbank Financial Telecommunication) network and security services;
- The establishment of a data exchange portal to support all inquiries and updates and uploads/downloads of files for banking, microfinance supervision, and information registries projects,

through various communication channels.

Component 2: Improving corporate governance and performance of public enterprises (US$5.2 million at appraisal; US$3.1 actual):
Original project:
Under this component, the project was to support:

- the provision of technical advisory services to: (i) prepare and implement measures for the privatization of ONATEL, (ii) prepare a strategy for the privatization of the tea sector and prepare and implement measures to privatize the sugar sector; and (iii) privatize financial institutions and commercial banks;
- the preparation and implementation of measures to complete the privatization of several coffee sector washing stations and coffee hulling and processing plants, including strengthening the coffee sector through the provision of technical advisory services; and
- the provision of equipment, technical advisory services, and training to strengthen the capacity of the SCEP to oversee processes related to privatizing public enterprises and performing its other mandated functions.

Revised project: May 2011
During this restructuring, the following activities were added:

- The computerization of public finance management with the update of the Government-employees database, and support to a specialized unit in the Ministry of Public Administration; (ii) institutional capacity building in procurement at the central and decentralized levels, with training and equipment provided to the central and decentralized procurement units; (iii) the support to internal and external audit institutions; (iv) the strengthening of capacities in the production of national economic statistics; (v) the provision of technical assistance for the development of the Recipient's new growth and poverty reduction strategy, and (vi) the strengthening of the capacities of the Women's Association and the Chamber of Commerce, as well as the provision of guarantees by the Women's Associations.

Revised project: February 2014
During this restructuring, the following changes were incorporated:

- The component 2 was significantly downsized, with only a limited number of activities being retained. These included the strategy for the privatization of the coffee sector and capacity building from the SCEP. The privatization of ONATEL was made subject to further decisions by the cabinet/parliament.
- The procurement methods were modified and "works" were added in to allow for the renovation of the Civil Court building.

Revised project: October 2015

- Following the political upheaval in April 2015, the project scope was narrowed, and nonessential activities and those subject to political decision were dropped, including the privatization of ONATEL.

Component 3: Streamlining the regulatory environment for business and promoting private-public dialogue (US$4.4 million at appraisal; US$6.96 million actual):
Original project:
Toward improving the business environment, the project was to provide technical assistance to public and private bodies through three streams of activities:

- The provision of technical advisory services to (i) prepare draft regulations, review and amend existing laws and regulations, along with the provision of technical advisory services and training, capacity-building programs, and financing of the operating costs to benefit participating Institutions;
- The provision of technical advisory services, training, and capacity-building activities to strengthen the accounting profession through establishment of a twinning program to benefit the Professional Accountancy Body; and
- The provision of technical advisory services, capacity building, and training to promote private-public dialogue.

Revised project in February 2014

- Component 3 was significantly streamlined, both in terms of activities and beneficiaries. This was intended to focus on the achievement of results and address the fiduciary issues that had emerged during the restructuring;
- Project resources were reallocated among disbursement categories in the original financing agreement and disbursement categories were harmonized between the two grant agreements.

Revised Project in October 2015

- The project scope was narrowed, and nonessential activities or those subject to political decision were dropped, including the rehabilitation of the commercial court building and training of magistrates.

Component 4: Project implementation (US$1.8 million at appraisal; US$3.7 million actual):
Original project:
This component was to fund the cost of all project management tasks,including M&E, financial management and procurement.
Revised project in October 2015
Some of the proceeds were reallocated to adequately complete ongoing activities, while savings were recorded on some contracts that were signed with amounts lower than the projected budget.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Cost: The project cost amounted to US$26.35 million, or 98 percent of the approved grants amount.

Financing: The project was funded by two IDA grants in the respective amounts of US$19 million and US$8 million equivalent.

Borrower Contribution: The Borrower contribution was estimated at US$1.0 million at approval, but only US$0.3 million was disbursed.

Dates: The project was approved on December 22, 2009 and became effective on May 14, 2010. The project was restructured (level 2) five times: (i) the first restructuring was approved in May 2011, and provided an additional financing, as well as a strategic reorientation of the project to cover the large infrastructure needs of the client, and extended the closing date until October 2015; (ii) the second one was approved in February 2014, and extended the closing date by another 15 months until January 31, 2017. As the Borrower was going through a crisis, the project scope was narrowed, some proceeds were either reallocated or cancelled, and the result framework was revised; (iii) a third restructuring was approved in October 2015 aimed at cancelling activities that seemed impossible to complete before the closing date, due to worsening security conditions that restricted contractors to travel to the country; (iv) a fourth restructuring was approved in June 2016 to extend the closing date by an additional six months until January 2017; and finally (v) a fifth restructuring took place in January 2017, extending the closing date until July 31, 2017 when the project closed.

3. Relevance of Objectives

Rationale

The project's relevance of objectives is substantial, as they were consistent with the policy priorities of the Borrower and with the key pillars of the successive World Bank's strategies for the country. The Burundi's Second Poverty Reduction Strategy Paper (2012–15) intended to achieve “the acceleration of the private sector development” (Pillar IV) and “the strengthening of institutional capacity” (Pillar VI). A National Strategy for Private Sector Development was also adopted by the Government in 2013, whose goal was to increase enterprises’ share in the economy through both job creation and wealth production. The three objectives pursued by the strategy were to: (i) improve support for entrepreneurs, (ii) develop an effective institutional and regulatory framework, and (iii) promote Burundi’s integration into the regional and global economy. Finally, the World Bank Group’s FY13–FY16 Country Assistance Strategy (CAS) emphasized “improving competitiveness by establishing an enabling environment for inclusive growth and poverty reduction” (Pillar III).

Rating
Substantial

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
Strengthening the Burundi's financial system

Rationale
Outputs:
Key outputs generated by the project toward the first objective are detailed below:

- An electronic transmission system of data from commercial banks to the Central Bank (BRB) that strengthened banking sector supervision was completed;
- A core banking system at the Central Bank (BRB) was established in order to: (i) help process daily banking transactions related to deposit, loan and credit processing, and (ii) provide interfaces to general ledger systems and reporting tools;
- An on-the-job training to BRB's supervisors was conducted.

However, an inter-operable national switch was installed but not fully operational. Three banks (Ecobank, Interbank Burundi, and Banque Commerciale du Burundi) have been testing their operating systems for Automated Teller Machine (ATM) card transactions through the switch.

Outcomes:
Key outcomes achieved by the project toward the objective are detailed below:

- 100 percent of interbank transactions and BRB securities are settled in automated transmission system (ATS);
- The percentage of high-value payments settled within 15 minutes increased from 0 percent in 2011 to 98 percent at the end of 2017, against a target of 90 percent, as a result of the implementation of a comprehensive clearing and settlement infrastructure system.~~;~~
- The percentage of insurance companies meeting the minimum solvency ratio increased from 0 percent in 2011 to 83 percent, against a target of 80 percent~~,~~ at the end of 2017, as a result of the supervisory work performed by ARCA.

- Institutional strengthening was achieved as detailed below:
- (i) **The Central Bank (BRB)**: The technical expertise of BRB staff and the staff of participating commercial banks has been enhanced through on-site training, travel studies and seminars. Two departments were strengthened: (a) first, a new department (the Payment System Unit) was created for the payment system to manage RTGS and ACH transactions and means of payment, (b) second, parallel changes were introduced to the IT infrastructure department, with the creation of a upgraded data center at the BRB in Bujumbura, a back-up center in a BRB agency in Ngozi, and a fully staffed IT department responsible for infrastructure

maintenance .

- (ii) **The Insurance Regulator and Supervisory Agency (ARCA)**: The project strengthened and modernized the framework for the regulation and supervision of the insurance sector with the creation of ARCA. The project significantly improved the capabilities of ARCA's staff through their participation in seminars and field trips, and upgraded the IT systems to manage administrative, financial, accounting, and manpower issues

Rating

Substantial

Objective 2

Objective

Improving Burundi's business enabling environment

Rationale

Outputs:

The following outputs were generated with the project's support:

- A privatization law was approved by the Parliament in February 2012;
- The Service Chargé des Entreprises Publiques (SCEP) completed legal, financial, and operational audits for ONATEL, and a study with options for ONATEL privatization;
- The valuation of the 77 coffee washing stations and the preparation of the coffee sector privatization strategy;
- Financial audits were completed for the three public enterprises: ONATOUR, ALM and ECOSAT;
- The business code was approved in 2011 and the commercial code was ratified by Parliament in April 2010, amended in January 2015 and disseminated;
- The Public Private Partnership Law was drafted;
- The mine code was adopted and promulgated;
- The automated payment system and a fully integrated electronic securities deposit (CSD) were completed;
- The decree that includes private sector representation in the ARCA Commission was revised and approved in January 2014;
- A strategy for the third phase of privatization of the coffee washing stations and the coffee processing company was adopted by the Inter-Ministerial Committee for Privatization (CIP);
- An independent procurement audit report for 2011 and 2012 was produced and published;
- The number of qualified accountants and auditors trained with support from the project reached 38, against a target of 30; and
- The target of Government officials and civil servants identified by a biometric record and integrated in the database of the payroll software was exceeded and completed in 2016.

The following output was not achieved:
• An autonomous and computerized one-stop-shop for the creation and post creation services for companies was dropped following the political crisis, as the project team refocused attention to a restricted set of activities.

<u>Outcomes</u>:

- The privatization of 28 coffee washing stations in 2011, and 13 coffee washing stations in 2009 was completed;
- The number of newly registered companies increased from 1,676 in 2013 to 2,274 at the end of 2017, against a target of 2011.
- The number of days to start a business decreased from 32 to 8 days at project closure, against a target of 15 days.
- Institutional strengthening was achieved as detailed below:
  - The institutional capacity of the SCEP was improved through training on enterprise privatization management, participatory processes to privatization studies and valuations, and financial analysis.
  - The *Departement Chargé des Affaires Monétaires et Financières* (DAMF) within the Ministry of Finance benefitted from technical assistance from the Financial Sector Reform and Strengthening Trust Initiative to develop the 2011-2017 Financial Sector Development Strategy for Burundi.
  - The following entities benefitted from institutional and technical support: the Coffee Regulation Authority, the organization regrouping all actors within the coffee sector, the Arbitration Center, the Chamber of Commerce, the Association of Women, and the Ministry of Commerce, Industry and Tourism.

Rating
Substantial

Rationale
Performance under the first objective included (i) the completion of a comprehensive clearing and settlement infrastructure system at the Central Bank, which allowed easier settlement of 100 percent of interbank transactions and BRB securities, (ii) the improvement of the supervisory work performed by ARCA which helped more insurance companies to meet the minimum solvency ratio. Achievements under the second objective allowed an increase in the number of newly registered companies, and a reduction of the days needed to start a business. Overall, the level of achievements under each objective was significant, and in certain instances (BRB and ARCA), the results achieved were far-reaching.

Overall Efficacy Rating
Substantial

5. Efficiency

Economic efficiency:
This is a technical assistance project aimed at institutional and capacity strengthening in the financial and private sector of Burundi. It was difficult to conduct an economic or financial analysis either at appraisal or at completion.
From a cost effectiveness perspective, there were savings under Component 1 by choosing a more cost-efficient technology in the procurement of the Information and Technology Information System (ITIS) of the BRB core banking system, the ATS/CSD and the card payment system, following a switch in project activities introduced in 2013. Moreover, the project financed the development of a safe, modern, efficient national payments system in Burundi compared to a cash-based economy at inception. Due to the project's contribution, Burundi's business environment improved its Doing Business indicators between 2009 and 2015 from 176th of 183 countries to 152th out of 183 countries, but the political instability negatively impacted Burundi's ranking, which fell to 164th ranking out of 183 countries in 2018.

Administrative and operational efficiency:
The cost of project coordination and implementation went from 9.5 percent at appraisal to 14 percent at closing, what is slightly higher than the most recent ICRs for IPFs, where the average cost of project management (including Technical Assistance activities) accounts for 13 percent of the total loan. Moreover, project implementation was not smooth, mainly because of weaknesses in the PIU, and the political context that led to project restructuring many times, and the project was completed about 40 months after the initial closing date. On average, the project's efficiency is rated as Modest.

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐Not Applicable
ICR Estimate		0	0 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of objectives is substantial, the project's efficacy is substantial, and the project's efficiency is modest. Overall outcome is moderately satisfactory.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

Key project's achievements were: (i) significant strengthening of the capacity of the BRB so that it can carry out its mandate, (ii) the launching of the privatization of the coffee sector, and (iii) significant improvement in the Burundi's business environment. While some of the results achieved appear to be long-lasting, the volatility of the economic and political environment poses risks to the sustainability of the results. Regarding the payment and financial sector, a new lending operation (Digital Burundi-P162246) under preparation aims to leverage the implementation of the payment system infrastructure to support financial inclusion outcomes. However, financial stability concerns connected to the macro-financial environment could be putting the achievements of the project at some risk. In the area of privatization of the coffee sector, while the Government's policy orientation changed, the reform of the coffee sector will continue by implementing the coffee sector strategy through the WB's Burundi Coffee Sector Competitiveness project (P151869). Progress in the Burundi's business environment arose from combined efforts of the series of DPOs, IFC technical assistance, and this project. The Digital Burundi operation intends to pick up from where the project left off regarding the implementation of the business one-stop shop.

The risk to development outcome is mostly elevated in fragile environments, and sustainability of achieved outcome depends on the perspectives of country's political stability. The results of the recently completed constitutional referendum in Burundi seem to be contested and makes the political outlook even more uncertain. Overall, the risk to development outcome from this project is elevated, but mostly unknown, as the political future is still unfolding.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project preparation was underpinned by good analytical work, partly funded by the World Bank's Financial Sector Reform and Strengthening Trust Initiative. However, the short period of project preparation made it impossible to deepen the analysis of some of the technical components pertaining to payment systems and the privatisation agenda. For instance, the limited involvement of a payment system expert at appraisal resulted in the need for additional financing shortly after project launch. The additional financing in the amount of US$8.0 million was approved in April 2011 and aimed to: (i) modernize the IT infrastructure of the core banking system, and (ii) complete reforms left by a previous project. The intention to address a wide range of identified needs resulted in an ambitious project scope, as nine institutions were selected to be the main beneficiaries of the project. A more focused approach in selecting beneficiaries would have made implementation more effective and the project have more impact.

Implementation arrangements inherited from a previous WB project (*Projet d'Appui à la gestion économique*-PAGE) resulted in a slowed implementation and fiduciary challenges. While the Ministry of finance and the Ministry of Justice were responsible for reforms related to the integrated financial management information system and commercial legislation respectively, the BRB oversaw the largest components related to the modernization of the payment system and the financial sector. The PIU did not have the technical capacity to oversee fiduciary and procurement issues of the project and to ensure the coordination among the above institutions, as well as with the technical focal points, the technical committee that had to meet quarterly to assess progress, and a steering committee responsible for national planning. Finally, the project risks were underestimated, as most of the risks were rated moderate or low, and the political risk was totally missed. In fact, all identified risks materialized, and the lack of appropriate mitigation measures delayed implementation.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

The PIU structure inherited from a previous project turned out to be understaffed and performed poorly after the project became effective in May 2010. Shortcomings arising from weak internal and external coordination and irregularities in procurement and financial management led to a very slow project launch. Limited supervision from the project team failed to identify and address fiduciary issues early on and speed up implementation. For instance, disbursements based on practices inherited from the previous project were authorized without prior no-objections from the TTL, but results did not materialize.

Despite the Government's overall commitment to the project, its support to the project's privatization agenda component diminished very quickly. While the privatization in the coffee and the hotel sectors was launched, plans to privatize the banking sector, the tea, sugar and telecommunication companies were totally abandoned. As a result of the weaknesses in the PIU, and the difficulties to move ahead with the implementation of the key components of the project, more delays in project implementation accumulated. In the search of a way forward, the project team spent much time in a high-level policy dialogue on key reforms in the project and provided technical assistance to improve capability of the technical committee. The dialogue was concluded by the identification of key project bottlenecks and the agreement by both parties to conduct a first MTR, and thereafter to restructure the project.

The MTR started in November 2012 and concluded in September 2013, and benefited from the launch of two parallel financial and procurement reviews that identified several procurement shortcomings and uncovered ineligible expenditures to be reimbursed by the Government. While the Government submitted a proposal in August 2013 to restructure the project, the restructuring was finalized only in February 2014.

During the post restructuring phase (from March 2014 to closing), supervision improved substantially and became more effective, with senior and specialized staff joining the supervision missions. Global experts in payment systems were added to the project team to improve the quality of supervision. The team designed and implemented a clear action plan to bring the project on track, while ensuring strict adherence to procurement and financial policies. During this phase, semiannual field supervision missions were conducted and aide-memoires were filed adequately. Other limited restructuring operations took place in October 2015, June 2016, and January 2017 to adjust project implementation to ground conditions created by the April 2015 political outbreak.

Four TTLs designed and supervised the project, and despite the lack of continuity, the TTLs and the project team had to be flexible and creative to keep the Borrower engaged and the project on track, as most risks identified in the PAD were underestimated, and the political risk merely overlooked at appraisal.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The result framework and monitoring arrangements in Annex 3 of the PAD provide a list of PDO and intermediate indicators, as well as mechanisms to measuring the performance of the project toward the achievement of the project objectives. In the hindsight, the indicators selected to measure the performance were too high-level and not sufficiently sequenced and realistic. For instance, the decrease of time to clear checks could only occur after a major upgrade is completed within the entire banking sector, which was beyond the purview of this sole project. Moreover, implementation arrangements were built on a weak PIU and outdated practices that created challenges toward monitoring and achieving the project's results.

b. M&E Implementation

The initial M&E framework was improved during the project’s first and second level 2 restructurings in 2011 and 2014. Three PDO indicators were streamlined and made more realistic in 2014, while the fourth one was dropped and not replaced. A new PDO indicator was identified to measure the enhancement of the business environment, but had some attribution issues. All nine intermediate indicators were replaced to better capture the results of the project, but project monitoring would have benefited from a limited number of intermediate indicators, given the Borrower's and PIU's weak technical capacity to track their performance.

A review of the ISRs provides a mixed performance of the implementation of the M&E framework. The initial ISRs stated that the M&E reports were conducted well, included significant details, and were produced regularly and on time. Stating 2012, the PDO and intermediate indicators were not monitored on an ongoing basis, because the collection of data became an issue, as dialogue with project beneficiaries did not take place. Starting early 2014, a new M&E framework was developed and a new M&E specialist was hired, and his contribution resulted in improvements in the project's M&E and associated reporting process.

c. M&E Utilization

The M&E data on project performance and the developments on the ground were the focus of successive TTLs throughout the life project given the implementation challenges on the ground since the outset. Updated data and evolving information from the field informed the project management and decision making to adjust project implementation with changing conditions on the ground.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

Environmental and social Safeguards: The project was classified as Category C, because it was to finance technical advisory services with no significant adverse social and environmental impacts, and no safeguards policies were triggered.

b. Fiduciary Compliance

Financial management: Project's financial management performance was rated "Moderately Satisfactory" at the beginning of the project, but was downgraded to "Moderately Unsatisfactory" for most of the remaining period of project implementation for the following reasons: (i) there were major delays in the submission of interim and annual financial statements, (ii) ineligible expenditures were spotted in a 2012 thorough mini review of operating expenditures, (iii) there were inherited practices from a previous project which allowed the disbursement of funds without prior authorization, and this prompted an audit and in-depth financial review which led to tighter oversight of the project's disbursements, (iv) ineligible expenditures were resolved only on June 26, 2015, after the reimbursement by the Borrower of the remaining ineligible expenses amounting to US$99,169. Thereafter, the financial management rating improved to "Satisfactory" in the final phase of the project.

Procurement: Project implementation was negatively affected by the absence of procurement expertise on the side of the PIU and the Borrower's counterparts. The PIU and the project counterparts lacked familiarity with WBG procurement procedures, and the PIU's procurement specialist left by the end-2010, then replaced twice in mid-2011, and again in September 2014. The project had to procure a significant amount of IT-related equipment and consultancy services, and while procurement of such items commenced when the project became effective, delays occurred because of insufficient expertise. The procurement of major equipment (IT infrastructure for the BRB; ATS/CSD and the core banking system) was relaunched mid-July 2013 after two mis-procurement, which created tensions among the key stakeholders and delays in finalizing negotiations, and the procurement bottlenecks were mostly resolved in 2015.

c. Unintended impacts (Positive or Negative)

The ICR did not indicate any unintended impacts.

d. Other

NA

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of M&E	Modest	Modest	---
Quality of ICR		Substantial	---

12. Lessons

The lessons learned presented in the ICR were derived from the experience of the project design and implementation, and are summarized and rephrased hereunder:

(i) Simplicity and moderate optimism should guide the design of projects in fragile environments: In a fragile context, it is key to be simple and selective in identifying priority objectives and activities. In hindsight, the project was very complex and wide in scope, and this reduced the pace of implementation and led to repeated restructuring. The design of operations should be based on careful consideration of potential risks. The volatility of the political and economic environment in a fragile state need to be considered at the project design stage through the inclusion of mitigation mechanisms to manage adverse circumstances under a number of potential scenarios. An appropriate risk analysis, taking into account possible adverse scenarios, should accompany the design of operations in fragile country contexts. The possibility for a scale down of the project should be considered during the design stage, with mechanisms to be triggered if adverse scenarios materialize.

(ii) **A reduced project scope might mitigate the fiduciary weaknesses on the ground**. A simplified design may help to address potential fiduciary issues at their source. A reduction in the number of project components reduces the complexity and increases transparency in implementation and the risks of potential leakages. As fiduciary issues are difficult to address when they occur, significant efforts are required to monitor the early stages of project implementation to prevent these issues from emerging.

(ii) Continuity and field presence of TTLs are central to generating results in fragile environments: The rotation in project responsibilities disrupts project implementation, entails a steep learning curve, and should be limited and properly planned. In this case, the second TTL was assigned responsibilities on top of his existing commitments, resulting in poorer supervision outcomes. Following the February 2014 restructuring, a resident co-TTL was appointed and was also responsible for the implementation of an IFC technical assistance project. In the future, pairing up an IPF operation with a complementary technical assistance activity could enhance the effectiveness of implementation and build the capacities of the client.

(iii) For a project with highly technical components, it is essential to (a) secure the experts very early, (b) associate them since inception and during supervision, and (c) provide the required management oversight: The involvement of experts at the preparation stage is a cost-effective investment, and may facilitate quicker project implementation at later stages and help to avoid restructuring. In this case, there was no payment system specialist at design, and a fulltime payment system expert joined the team only later in 2014. Moreover, effective supervision requires significant technical expertise, and the project team should identify the necessary resources to leverage experts during project implementation from the project side and from the WBG side. Finally, the successful implementation of IT solutions depends in equal measure on the technical competence of the providers and the quality of project management, and the latter needs to be factored into the project design.

(iv) More efforts should be invested in the preparation of economic analysis at inception to determine whether the project represented the expected least-cost solution to attain identified and measurable benefits. The WBG has had enough experience in implementing payment systems reforms in both Middle and Low Income (including fragile states) Countries by setting up payment system infrastructures to benchmark the cost per unit per output **.**

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well written and comprehensive. It provides a consistent assessment covering the context of project design and implementation, and the progress made toward the project's expected outcome and objectives. The key factors underpinning the project preparation and implementation were particularly well spelled out. The performance ratings were in general justified and consistent with OPCS guidelines, and lessons were derived from the project's design and implementation experience. Aspects that could have been improved include: (i) two annexes that were filled out incorrectly: Annex 1-B: Key outputs by components, and Annex 3: Project Cost by component, and (ii) the rating of efficiency using the wrong scale. The efficiency rating was corrected, and the annexes provided upon request.

a. Quality of ICR Rating
Substantial