

**Document of  
The World Bank**

**Report No. T 7366 BU**

**THE REPUBLIC OF BURUNDI**

**EMERGENCY ECONOMIC RECOVERY CREDIT**

**TECHNICAL ANNEX**

**March 23, 2000**

## CURRENCY EQUIVALENTS

Currency Unit  
US\$1.00  
SDR 1

Burundi Franc (FBu)  
FBu 570.0 (average for 1999)  
US\$1.375

## SYSTEM OF WEIGHT AND MEASURES

Metric

## FISCAL YEAR

January 1 - December 31

## ABBREVIATIONS

ABURTIP	Agence Burundaise des Travaux d'Intérêt Public
AfDB	African Development Bank
AGETIP	Agence d'Exécution des Travaux d'Intérêt Public
BRB	Banque de la République du Burundi (central bank)
BURSAP II	Burundi Social Action Project II
CAS	Country Assistance Strategy
CWIQ	Core Welfare Indicators Questionnaire
EAP	Emergency Assistance Project
ERC	Emergency Recovery Credit
EU	European Union
GDP	Gross Domestic Product
GNP	Gross National Product
IDA	International Development Association
IMF	International Monetary Fund
LCA	Local Currency Account
NGO	Non Governmental Organization
OAU	Organization of African Unity
OCHA	Office for the Coordination of Humanitarian Affairs (United Nations)
SA	Special Account
SME	Small or medium enterprise
UN	United Nations
UNDP	United Nations Development Programme

Vice President	:	C. Madavo
Country Director	:	E. Mbi
Sector Manager	:	L. Barbone/C. Obidegwu
Resident Representative	:	M. Gbetibouo
Task Team Leader	:	E. Nelson

**REPUBLIC OF BURUNDI  
EMERGENCY ECONOMIC RECOVERY CREDIT**

**TECHNICAL ANNEX**

**Table of Contents**

A.	Country Background and Strategy.....	1
B.	Bank Response and Strategy.....	4
C.	Detailed Project Description.....	6
D.	Studies and Technical Assistance.....	7
E.	Institutional Arrangements and Project Implementation.....	8
F.	Financial and Economic Justification.....	8
G.	Action Plan.....	11



**THE REPUBLIC OF BURUNDI**  
**EMERGENCY ECONOMIC RECOVERY CREDIT**

**A. Country Background and Strategy**

1. Burundi has a population of 6.4 million (1997) growing at 2.9 percent per year. Population density of 215 persons per square kilometer, the second highest in Africa. Hutus comprise the large majority of the population, Tutsis and Twa the remainder. The country has known repeated ethnic violence since independence in 1962, with massacres occurring in 1965, 1972, 1988, 1991 and 1993. Burundi has limited natural resources other than its relatively fertile agricultural land; about 94 percent of the population lives in rural areas and the economy is highly dependent on agriculture. Until recent civil conflict, Burundi was self-sufficient in food. The economic and financial situation is closely linked to the world price for coffee, which accounts for around 80-95 percent of export revenue. National security is also affected by cross-border effects of the decline and collapse of State authority since the 1970s in neighboring Democratic Republic of Congo (DRC) and the recent conflict in the eastern regions of DRC.

2. The 1993 internal conflict degenerated into genocide which killed over 150,000 persons and displaced more than 600,000. Beginning in 1994, a "convention" government negotiated under UN and OAU auspices administered the country under a democratically-elected Parliament. This government was unable to provide internal security, and was overthrown in a Tutsi-military-led coup d'état in 1996. In response to the coup, regional leaders imposed economic sanctions covering trade and transportation. These sanctions were respected by many donors: official transfers declined from more than US\$135 million per year prior to 1996 to US\$43 million in 1999. The sanctions had a dramatic effect on growth, poverty, malnutrition and social indicators. In addition, displaced persons are causing significant environmental degradation to potential agricultural land.

3. Strife and sanctions led to a decline in real GDP of 15 percent from 1993 to 1999. This decline was from a low base: GNP per capita fell to US\$140 in 1998, compared to US\$513 for all of sub-Saharan Africa. Though belt-tightening has reduced the fiscal deficit to a projected 4¼ percent of GDP (after external financing) in 1998, this deficit has been met by domestic bank borrowing and the accumulation of both domestic and external arrears. Industrial value added has fallen by 60 percent since 1992, accompanied by layoffs from formal sector enterprises. Table 1 summarizes key economic indicators.

Table 1: Key Economic Indicators

	1993	1994	1995	1996	1997	1998	1999e
Real GDP Growth (APC)	3.8	-3.7	-7.3	-8.4	0.4	4.8	-1.0
Primary Fiscal Deficit Excl. Grants (% GDP)	-8.6	-6.2	-8.2	-11.9	-8.4	-6.2	-6.6
Domestic Finance (% of GDP)	-2.4	4.6	1.3	4.2	3.0	2.8	5.0
Inflation Rate (Period average-APC)	7.0	14.9	19.4	26.4	31.1	12.5	7.9
Private Fixed Investment (% of GDP)	n.a.	1.6	1.4	1.8	2.2	2.3	n.a.
Private Sector Credit (APC)	n.a.	-35.1	28.6	12.5	2.0	22.8	16.5

4. The strife and sanctions have had a particularly severe social impact on the poor. The incidence of rural poverty has increased by 80 percent since 1993. In some areas villagers would not cultivate due to violence, while displaced persons are causing significant environmental degradation to potential agricultural land. The incidence of urban poverty has doubled.

5. Social indicators have deteriorated sharply after a steady improvement in the years preceding the crisis. In the five years following 1993, child immunization coverage declined from 83 percent to 54 percent, infant mortality increased from 110 per thousand live births to 136, malnutrition increased from 6 percent of children under five to 20 percent. Children represent 90 percent of the 36,000 treated daily for chronic malnutrition. Reported cases of major endemic diseases increased by over 200 percent; HIV prevalence is rising rapidly (21 percent in urban areas, 15 percent in rural areas). Forty thousand children have been orphaned by AIDS.
6. Primary school enrollment continues to plummet, from 70 percent in 1993 to 44 percent at present, with a nadir of 9 percent in one area heavily stricken by violence. Over 14 percent of the population was displaced during 1997. In mid-1999 there were still 550,000 internally displaced persons in over 300 sites; since then the army's military strategy of "regroupment" to combat militias in Bujumbura Rurale Province has displaced another 300,000 who are only beginning to return to their homes. OCHA estimates that 91 percent of the displaced lack access to the daily minimum requirement of drinking water. Nearly 500,000 refugees remain outside the country, including 200,000 from the 1972 violence.
7. In many villages, schools, health clinics, and other social services have been destroyed or damaged, qualified personnel have withdrawn to urban areas, and public expenditures in the education and health ministries have been reduced to little more than salary payments to teachers and medical staff who continue to attempt to provide services throughout the country.
8. Deteriorating security and the government's inability to restore peace, and donor observance of the economic sanctions imposed by regional leaders contributed to the withdrawal of most bilateral and some multilateral aid which was compounded by Burundi's arrears to a growing number of creditors. Most of the limited aid which remained was restricted to humanitarian objectives. Since development assistance had previously provided foreign exchange exceeding 175 percent of export revenue and over a fifth of government revenue, this cutback has weakened the ability of the transition government to respond to the socio-economic crisis. Some donors had conditioned the resumption of aid on the achievement of an Arusha accord, others on the initiation of a Bank-supervised public expenditure review (PER) to achieve budget transparency. While progress toward a lasting peace at Arusha is sought by all, an unintended result of this conditionality has been to grant peripheral groups espousing violence a veto power over development assistance.
9. The fiscal position has become increasingly difficult despite restraint. Government succeeded in compressing expenditure from 28 percent of GDP in 1996 to an estimated 16.7 percent of a much lower GDP in 1999 while increasing revenue from 15.6 percent to 16.3 percent of GDP over this period. This served to reduce the overall fiscal deficit, including grants, from 10.1 percent of GDP in 1996 to 5.5 percent in 1998. However, with little external donor support this deficit is financed through domestic bank borrowing and the accumulation of domestic and external payments arrears. The deficit size in commitment terms is FBu 18bn (US\$35m).
10. Burundi's foreign reserve position has eroded seriously. Gross official foreign reserves have fallen from US\$215 million (8 months of pre-crisis imports) at the end of 1995 to US\$53 million (3¼ months) by end-September 1999 and to US\$7 million (8 days of pre-crisis imports or 14 days under current rationing) at end-February 2000. As the situation deteriorated, the authorities both depreciated the Burundi franc and imposed a number of exchange restrictions on current payments and transfers. Under this system the rationing of access to foreign exchange

was opaque. Also, “sanctions-busting” was profitable for suppliers (both local and foreign) to the wealthier members of society who could afford a high markup; goods consumed by the poor and inputs into competitive agricultural production could not support such markups and so became unavailable. Sanctions were lifted in January 1999 but their effect continues to distort the society, the economy and government finances.

11. In late 1999 the government legalized the parallel foreign exchange market and permitted firms and individuals to hold foreign currency bank accounts. The “first market” for foreign exchange covers export transactions for coffee, tea and cotton as well as those imports included in a positive list of essential products and services at the official exchange rate; these imports may be rationed due to limited foreign exchange. A “second market” for other trade is privately operated with its rate continuously set by competitive market forces, and the informal “street” market continues to function. In February, 2000 foreign exchange traded at the informal rate of almost twice—and the second market 16 percent above—the official rate. The margin between official and competitive rates has imposed a high intermediation cost “tax” on coffee (which provides 95 percent of export revenue), tea and cotton exports, and reduced national income while the palliative measure of suspending the coffee export tax has hurt government revenue. Moreover, the recent rise in world crude oil prices from US\$12/bbl to US\$30 has exacerbated both the foreign exchange shortage and the popular discontent illustrated by strikes and demonstrations in 2000 against the transition government and national assembly described in the next paragraph.

12. Progress is being made in political reconciliation and in establishing security. Internally, a transition constitution has been promulgated under which a coalition transition government has been established and the national assembly broadened to 121 members to include minor political parties and representatives of civil society. By 1998 the transition government had greatly improved internal security through increased expenditures and training in security, justice and local administration. Externally, negotiations involving 18 political parties (with two others admitted in March 2000), Government and the National Assembly are reportedly proceeding well in Arusha, Tanzania. However, possibly because of the exclusion of certain armed groups from the process by the mediator, the late Julius Nyerere, there was a notable deterioration in security in Burundi in late 1999. Following his appointment as mediator in December 1999, Nelson Mandela opened participation to all groups. There has been a significant decrease in violence and an improvement in security. Peace talks continue to address the need for a formula to ensure security for all and equitable representation of all ethnic groups in politics, the armed forces, the civil service and the judiciary. The process is deeper than seeking the signature of a peace accord at Arusha, as the Government and people of Burundi are actively pursuing reconciliation at the community level.

13. Amelioration of the underlying causes of ethnic violence requires addressing inequitable access to economic as well as political resources. The country’s reconstruction and development needs are enormous, and poverty, malnutrition, and deterioration in health and education services must be addressed urgently. President Nyerere, President Mandela, Secretary General Annan and others have called on the international community to resume significant development assistance to avert a collapse of the State and to encourage efforts at making peace and reconciliation.

14. Despite the temporary suspension of IDA credits from October 1996 to May 1997 (par. 17), Burundi has remained current on its obligations to the Bank and acquitted itself of its obligations

to the IMF. Net IDA transfers to Burundi, which were US\$ 43.4 million in FY 92, fell to US\$ 13.9 million in FY 99 and will become negative (US\$ -1.7 million) in FY 00.

15. The foreign exchange and budget crises led Burundi to cease to maintain payments to bilateral lenders; the arrears pose a dilemma for several donors whose national law prohibits resuming some or all forms of development assistance. In August 1999 Burundi fell into arrears to the African Development Bank (AfDB), one of its largest and most dependable financiers; in March 2000 it began steps to resume relations by stabilizing arrears.

16. The international community is greatly concerned about the regroupment policy employed in the past by the army and recently applied in Bujumbura Rurale province. The Minister of Foreign Affairs, in his January 2000 speech before the UN Security Council, stated that the government's policy is to relax this military strategy; it has since closed some camps and is closing others. The international authorities who are calling for Burundi to dismantle the camps and disown this policy also advocate an immediate resumption of aid to respond to the great needs of the people, to avert a collapse of the State and to arrest the deterioration in security. President Mandela stated in his January 19, 2000 speech to the Security Council that international aid to Burundi is only a seventh of what is needed and urged donors not to abandon the country. The Bank's Interim Strategy supports such a supportive approach toward the continuing peace process.

## **B. Bank Response and Strategy**

17. The Bank did not suspend its operations in Burundi during the strife, though disbursements were suspended between October 1996 and May 1997 since satisfactory implementation of projects could not be assured without the availability of imported goods, international expertise and supervision by headquarters Bank staff during the most strict trade sanctions. With the easing of sanctions, projects were restructured to continue implementation where feasible. Though the macroeconomic and implementation frameworks that were the basis for the *Country Assistance Strategy* (Report 14442-BU, May 1995) were rendered obsolete by the 1996 coup d'état and the distortions caused by the embargo, the Bank adjusted or retrofitted the remaining portfolio to respond constructively to the new and fragile post-conflict environment. However, no new projects were approved in FY95-99, and three projects (Transport Sector, Energy Sector Rehabilitation and Private Sector) closed in FY99. In October 1999 a second social action project (BURSAP II, Credit No. 3287-BU) was approved by the Board and, following effectiveness in December, began to support the inclusive, participatory process of reconciliation and reconstruction of social infrastructure at the village level. Currently the portfolio comprises three operations: BURSAP II, Water Supply, and Health and Population.

18. Although no new interventions were designed, the Bank continued to monitor poverty and to keep abreast of economic developments. The *Economic Update* (June 1998) reported significant increases in poverty and malnutrition. The *Poverty Note* (Report 17909-BU, February 1999) called for priority actions for social protection including: (i) "jump-starting" distribution of inputs and seasonal credit for agriculture, (ii) group grants and loans for agricultural and rural non-agricultural activities, (iii) labor-intensive public works programs to restore economic infrastructure, and (iv) credit for informal sector enterprises in urban areas. Noting that conditions vary dramatically by area, it counseled that interventions should be designed and

implemented through a participatory approach which increases community involvement in design and ownership of local infrastructure.

19. Given that events had rendered the 1995 CAS obsolete and in light of the ongoing peace process, the worsening poverty and the emergency that was developing, the Bank prepared an *Interim Strategy* (Report 19592-BU, August 1999) to guide actions over the next 24 months.

20. The process of building an Interim Strategy had to address concerns of both Burundian civic leaders and the international community over the deterioration of conditions in Burundi and the need to encourage the peace process. The Bank worked closely (and continues to work closely) with the major domestic and international actors to assist in a manner that encourages peace and reconciliation. In Ottawa in August 1998, at the UN in New York in January 1999 and in a donors meeting held in Vienna in September 1999 the international community expressed alarm about the impact of the current crisis and economic sanctions on rising poverty and malnutrition and the degradation in health and education services. The Bank was invited to make a presentation of its evolving strategy before the Commission on Reconstruction and Development at the Arusha negotiations in May 1999 and the plenary session in July. It was well received by the competing factions. The evolving strategy was also discussed in depth with donor organizations and groups addressing conflict resolution in Burundi.

21. The Interim Strategy constructs an integrated framework for the Bank and other donors to address poverty and malnutrition, taking into consideration the underlying factors and proximate causes of conflict in Burundi and the triggers leading to repeated violence. It proposes a path to prepare for economic stabilization which also supports the peace process. The strategy draws on the Bank's experience in dealing with conflict and post-conflict situations to prevent further worsening of poverty and to stabilize the economy as the peace process evolves.

22. The Interim Strategy rests upon three legs. The *first*, promoting governance, ownership of peace, reconciliation and reconstruction, supports a participatory approach to rehabilitating village-level economic and social infrastructure damaged or destroyed by the conflict. The *second*, creating productive employment, is designed to boost purchasing power and give a broad segment of the population an economic stake in reconciliation. It also provides a vehicle for the eventual reintegration of demobilized combatants. The *third*, restoring key imports and essential social services, facilitates private sector recovery and provides resources for operating the rehabilitated infrastructure in health, education, agriculture and return of displaced households. As with a stool, no single leg, nor any pair of legs, is sufficient to achieve the objectives.

23. The proposed EERC is one of three immediate operations under the Interim Strategy. Under the *first leg*, *BURSAP II* promotes governance and ownership through a participatory approach to rehabilitating village-level economic and social infrastructure damaged or destroyed by the conflict. A Post-Conflict Fund grant to support a *Community Rehabilitation Project* is developing a broadly similar program requiring different techniques to address a higher risk environment of accommodation efforts for displaced households. Together with similar participatory assistance in rehabilitating village infrastructure being implemented or planned by the EU, UNDP and several bilateral donors, these should assure nearly national coverage. However, this approach is limited quantitatively by the absorptive capacity both of the village self-help infrastructure and of the NGO community in Burundi, which will be further strained by similar activities planned by other donors; and qualitatively by the difficulty in managing different approaches among NGOs to village participation and "ownership" of the participatory

process. The slow pace and management-intensive nature of this process limits the impact of such assistance on employment and the economic recovery, so by itself this is insufficient to jump-start the rural labor market or the economy. Finally, the government budget for non-salary operating and maintenance costs of social infrastructure has been eliminated for several years due to the budget crisis; success of the rehabilitation requires emergency assistance to meet operating expenditures until the fiscal system has been restored.

24. The second leg of the interim strategy, to generate productive, labor-intensive employment and create rural purchasing power to support the private sector, will be implemented by *ABURTIP* (a labor-intensive SME public works project), by a planned *Infrastructure (roads) Rehabilitation Project*, and by a COMESA-region guarantee facility, the *Leveraged Investment Facility for Trade (LIFT)*. These projects are all in preparation.

### **C. Detailed Project Description**

25. The *EERC* directly addresses the third leg of the Interim Strategy, providing resources to restore key imports and essential social services. The credit will provide balance of payments support and increase the foreign exchange envelope to facilitate private sector imports and thereby help “jump-start” the economy. The Project will assist Burundi in rehabilitating, maintaining and operating priority sectors of its economy damaged by civil conflict and sanctions. Counterpart funds will finance public expenditures in key sectors (health, education, agriculture and reestablishment infrastructure) associated with poverty reduction and conflict resolution, and assist the Government re-establish and improve its budget systems and make them transparent to potential external donors and to domestic civil society and the body politic.

26. The design of the *EERC* benefited from experience the Post-Conflict Unit is distilling from the Bank’s emergency assistance operations to countries in conflict or emerging from conflict, and from its collaboration with other multilateral institutions—UNDP, UNICEF, ILO, IMF AfDB, EU—and NGOs in such situations. The design also benefited from constructive criticisms received at public presentations of the draft interim strategy within the Bank, before international and Burundian humanitarian and civil society groups and on two occasions before the belligerents participating in the Arusha peace negotiations.

27. The domestic expenditure program financed by the Credit was designed by the Government according to its financing needs for urgent poverty reduction and return of displaced households and is described in the Appendix to this Annex. It is fully in conformity with country priorities. The program forms part of the Local Currency Account (LCA) Manual. All aspects of the Interim Strategy have been presented and debated with Government, with the belligerents negotiating at Arusha, and with representative groups from Burundian civil society, and the strategy itself has been adapted to respond to their input. The accompanying PER and the procedural form it takes was proposed by the Government to address its concern regarding the difficulty of differentiating useful from wasteful expenditure and its concern about emerging corrupt practices in a government historically known for the integrity of its civil service. The design and intended uses of the *EERC* are fully “owned” by the transition Government of Burundi.

#### ***Description and Design of the Credit***

28. The program is designed to assist in the stabilization and recovery of private commerce and industry and support government efforts at rehabilitation in health, education, agriculture,

infrastructure, and reinsertion of households stricken by conflict. It will provide technical assistance in support of institutional strengthening, program implementation and logistics.

29. There is a significant divergence between the official and market-determined exchange rates. EERC foreign exchange will be sold to eligible private sector users through a series of competitive auctions according to a system and operating manual designed with advice from the IMF and outside technical assistance. The institutional arrangements currently used by the BRB to auction Treasury notes will be used for the foreign exchange auction, modified as necessary as described in the Project Implementation section below.

30. As specified in Appendix 1, the counterpart funds will support spending on unfunded or underfunded social sector programs which complement the participatory and labor-generating project activities of the Bank and other donors. The Government will also settle certain arrears to private sector suppliers in order to provide liquidity to the private sector, according to transparent rules for eligibility laid out in an operating manual. An understanding has been reached on (i) the baseline projected expenditures in the designated priority sectors, and (ii) the proposed additional expenditures to be financed under the credit.

#### **D. Studies and Technical Assistance**

31. The Government and Association agree that the broad divergence between the official, administered exchange rate and the market rate which represents the value of foreign exchange to the economic community would impose an unacceptable cost on donor contributions at the official administered rate. With assistance from the Project Preparation Facility (PPF) for this credit and from the IMF the government has recruited the technical assistance to implement a foreign exchange auction for EERC resources. The IMF has recommended that the multiple exchange rates be gradually eliminated and that the Government consider using the auction developed for the EERC as the instrument for all foreign exchange transactions. A successful auction requires an inclusive approach toward who may participate but assurance that registered participants can honor their obligations. Prior to Credit effectiveness, technical issues will be resolved including (i) qualifications and criteria for participation in the foreign exchange auction (current primary dealers in Treasury notes who are few in number, or primary dealers plus any private importer who can post a performance bond and guarantee payment), and (ii) initial frequency of auctions and the volume of foreign exchange sold at each auction.

32. In parallel with the implementation of the Credit, the Government intends to do a Public Expenditure Review (PER); an advance under the PPF has been provided to begin finance for the PER. The review will also contribute to the analytical framework for a country assistance strategy. The PER would be conducted in FY 00-01. Early findings of this PER will provide a framework for donor aid coordination.

33. A CWIQ survey which is already planned under the BURSAP II project will be undertaken six months following effectiveness to assure that schools and medical facilities which have received assistance are functioning and that the client population, of all social groups and from both ethnic groups, has access to the facilities and is using them.

34. The fiscal programs of a transition government need to meet the highest standards of probity to meet the demands of the more representative National Assembly and of potential donors. While the Government of Burundi has been respected for its competence and integrity, the transition Government is undertaking an internal review concerning emerging corrupt practices

and seeks to improve its social inclusiveness. The Government has initiated this review using the PPF; work in the context of the PER will further help this review.

35. Consulting services financed from the credit shall be governed by the Bank's Guidelines on Selection and Employment of Consultants by World Bank Borrowers published in January 1999, revised in September 1997 and January 1999. The total cost of consultant services is estimated at US\$ 0.87 million. These services are designed to support technical assistance, audits and studies to support the government in the implementation of the project. Contracts with individuals of an estimated value of US\$ 50,000 equivalent or more will be subject to IDA's prior review for selection procedures and criteria, evaluation report and contract. Contracts with consulting firms at an estimated cost of US\$ 100,000 or more will be submitted for IDA's prior review for selection procedures and criteria, evaluation report and contract.

#### **E. Institutional Arrangements and Project Implementation**

36. The Ministry of Finance will be responsible for coordinating the execution of the EERC through a Technical Implementation Committee (TIC). The Ministries of Health, Education, Agriculture, and Reintegration and Resettlement, Public Works and the BRB will be represented to coordinate activities in their respective sectors. The TIC will be overseen by a Steering/Policy Committee, headed by the Second Vice President and comprising the Minister of Finance (who is designated as chair in the Second Vice President's absence) and the Ministers of Planning and Reconstruction, Peace Process, and Industry and Commerce, together with NGO representatives. The Steering/Policy Committee will provide guidance and monitoring. The BRB will carry out the foreign exchange auctions.

37. The UNDP and the Government are preparing a Round Table for this year which is expected to draw in part from the Bank's strategy. In general, however, bilateral donors are awaiting the launching of the PER to determine the configuration for fuller development assistance.

#### **F. Financial and Economic Justification**

38. At the end of one year the EERC would have helped to stabilize the macro-economy and facilitate the success of complementary economic recovery measures by providing foreign exchange to support macroeconomic balance.

39. The policy reforms and complementary activities associated with the EERC are expected to improve macroeconomic performance as compared to how it would be in the absence of assistance, permitting legislative oversight and making government activities more transparent. Counterpart funding by the Government will provide support at the sector level to priority measures which reduce poverty and support the post-conflict reconciliation process, improving the availability of materials and services in primary education and health, to complement the restoration of village level social infrastructure.

40. The activities supported by the project will:

- Improve the efficiency and transparency of foreign exchange allocation by moving from quantitative rationing to market-determined foreign exchange; the establishment of the "second market" by the BRB in November 1999 is a major step toward this reform; and

- Lay a foundation for private sector recovery and sustained growth by encouraging production, trade and investment through liquidity injected by settlement of government arrears to its suppliers, and through availability of foreign exchange to the private sector.

41. Activities financed by Government counterpart funding will:

- Provide non-wage operating and maintenance expenditures for Bank-supported participatory measures and employment generating activities;
- Facilitate the reintegration of vulnerable populations and demobilized youth through materials for reconstruction and through local employment;
- Prepare a sound basis for return to normalcy of the fiscal situation, and facilitate the full resumption of international assistance through emergency funding of priority government sectors and through the PER; and
- Improve the functioning of the public sector and improving budget transparency for the transition government and its successors, beginning with the 2001 budget for sectors covered by project activities.

42. The risks have four dimensions: (1) a return to widespread violence, as has happened repeatedly in the past; (2) an increase in military expenditures, possibly destabilizing the nation or leading to the re-imposition of a political system which denies full access to an identifiable group which comprises a majority of the population; (3) a reduced will of the transition government to negotiate with its political opponents to create a durable peace once its funding needs are relieved; or (4) inadequate efforts to achieve budget transparency.

43. Reconciliation depends upon the external Arusha process and the internal peace process, which are outside Bank control but upon which the full range at significant levels of donor assistance is implicitly conditioned. This provides an incentive for compliance with the agreements made in parallel to the EERC.

44. Budget support without the appropriate controls, might be misused for military purposes, or may weaken incentives for incumbents within the government to negotiate with others on an equal basis. It is for this reason that the EERC differs from normal Bank quick-disbursing operations. Foreign exchange will be provided to the private sector, its value determined through auction. This credit will also follow the practice used elsewhere of looking at the other side of the situation from military expenditure, the increase in social and development expenditure which would not be possible without assistance. The Government agrees that the proceeds will be used only for a positive list of agreed activities specified in the DCA as well as activities in the LCA manual and which are currently unfunded; this reduces possibilities for fungibility. The PER will provide a basis for monitoring budget execution; this will provide transparency necessary for the interim national assembly and donors to monitor expenditures. Burundi's interest in the PER is seen in that it is paying for the PER itself. One of the two off-budget special funds (a small number for an African country), a Solidarity Fund to fund security measures, has been closed. The other, a Roads Maintenance Fund linked to a World Bank project, will be closely monitored.

45. The transition Government has demonstrated responsibility in focussing on social needs despite its budget crisis. The Government has shown that it holds a long view of a commitment to future collaboration with the international donors by the fact that, despite its crisis, it has

allocated scarce resources to remain current on its obligations to IDA. While lack of foreign exchange drove it to suspend repayments to the AfDB in August 1999, discussions are underway for possible resumption by June 1. The EERC is part of a phased strategy for resumption of international assistance which itself is keyed to progress under the peace process. Future IDA support will require both Government actions in the policy areas described above and social progress toward stability and peace, though care must be taken that assistance is not held hostage to negotiation in a form which gives any political group the ability to “blackmail” others in the peace process.

46. There is a risk that providing foreign exchange to the private sector will not lead to a private sector response. Much of the private sector’s working capital is tied up in government arrears and an illiquid banking system is unable to provide credit. The injection of liquidity when the Government clears its arrears will follow rather than precede the foreign exchange auction. To mitigate this risk, the liquidity provided by the first and each subsequent round of auction of the SA proceeds and government arrears clearance will facilitate later auctions. In the event that this does not lead to a competitive auction, we anticipate a fallback position of direct payments to foreign suppliers and creditors from the SA and reimbursement in local currency at the “second market” (indicative competitive) rate.

47. Corruption and issues dealing with transparency are important and must be monitored closely. Capacity building supported by donors and financiers, and support to the judicial system being provided by other donors, are important steps in this regard. The Government has requested assistance to its anti-corruption program and to make procurement transparent; while this is not treated under the EERC it is being sought from donors, including a possible request for an IDF grant. At the closing of its October 1999 session the National Assembly approved the Government’s program.

48. Some risks are broader: extremists on either side may pursue a strategy of intimidation of all involved, including the local population and the international community; the peace process is by no means a linear process with assured results. The monitoring procedures assure that poor and marginal populations receive increases in social sector expenditures. Strengthening the role of the State will reduce the risk from extremists who may continue to use violence to destabilize society for ideological reasons. Finally, experience elsewhere suggests the passage of time will not eliminate risk of resumed violence, so donors must be vigilant. The PER and other economic and sector work will improve our knowledge of the post-conflict evolution of Burundi.

49. Most urgently, if donor response is inadequate or delayed, the crisis may lead to a situation in which it will be extremely difficult and costly to provide the resources to restore the economy. This EERC is intended to provide fast-disbursing resources to stabilize the economy.

50. The implementation of the Credit is not expected to have any negative environmental impact. However, some of the planned government activities that will be supported by the credit proceeds—re-establishment of households currently in temporary camps for internally displaced persons and refugees, rehabilitation of degraded marshland irrigation and drainage systems, and rehabilitation of degraded environments, and provision of insecticide-treated mosquito nets in malaria-infested areas—will have a direct environmental impact. These effects will for the most part be positive or benign, but activities which have a potential for negative impact will be reviewed before and during implementation.

## G. Action Plan

51. The action plan is to provide immediate balance of payments support, followed by support to crucial social services to the poor which are currently unfunded. Concerning balance of payments support, a Special Account (SA) will be established in US dollars at the BRB by the Borrower on terms and conditions satisfactory to the Association.<sup>1</sup> At effectiveness (expected in May or June 2000), US\$15 million would be disbursed into this account. This is sufficient to cover settlement of arrears to the private sector and urgent essential imports, and up to 90 days of counterpart activities. In view of the emergency, during negotiations Burundi requested and it was agreed that a portion not to exceed 20 percent of the credit may be used for retroactive finance of eligible imports made between March 26, 1999, the date of the aide-mémoire of the preparation mission for the emergency credit, and the date of effectiveness. The SA will thereafter be replenished as and when needed, based on withdrawal applications submitted by the Government, in line with the drawdown of the SA as demonstrated by import receipts justified by inspection verification certificates and proof of payment. The SA will provide an immediate cushion in foreign exchange to the depleted external account.

52. Concerning assistance to services and infrastructure serving the poor, the government will establish a Local Currency Account at the BRB in *francs burundais*. The LCA will be funded and replenished by the proceeds of the foreign exchange auctions and the proceeds used exclusively for the action plan specified in the Appendix or other purposes agreed with the Association. If the proceeds are used for ineligible purposes as defined in the DCA, IDA will require the Borrower to either refund the amount to the account for eligible purposes or refund the amount directly to IDA. The Project will maintain records which show evidence of non-wage expenditures in agreed priority areas, in the ministries benefiting from the proceeds of the counterpart funds. The TIC will prepare quarterly reports on the use of the proceeds of the credit. This report will be reviewed in joint sessions.

53. Precise quantitative indicators developed in collaboration with the Government include:

- Inputs: An increase in the budget of the Ministries concerned in accordance with the LCA manual, adjusted on a per-quarter basis over four quarters.
- Outputs: Evidence of supplies of educational materials, medical supplies and agricultural inputs in all regions of the country corresponding to provisions of the Appendix.
- Impact: Evidence that the client population, of all social groups and from both ethnic groups, has access to schools and medical facilities and is using them (CWIQ survey, par. 33).

54. A program review will be undertaken at mid-term and another at project completion, using periodic financial statements produced by the Government to reflect receipts and payments on the Special Account and the Local Currency Account. The mid-term review may be used for mutually agreed adjustments to the implementation plan for the government's development uses of the counterpart funds.

55. Beginning four months after the date of credit effectiveness and repeated at eight and twelve months after effectiveness, and every subsequent six months thereafter, or at other times upon

---

<sup>1</sup> Promptly after the effective date the Association, on behalf of the Borrower, will withdraw from the Credit Account to pay to itself the amount required to repay the principal amount of the project preparation advance withdrawn and outstanding as of that date and all unpaid charges.

the Association's request, the Borrower shall have the accounts of the SA audited. The Borrower will furnish to the Association as soon as available, but not later than two months after the date of the Association's request for such audit, a certified copy of the report of such audit by said auditors.

56. Beginning from six months after credit effectiveness, and every six months thereafter, or at other times upon the Association's request, the Borrower shall have the accounts of the LCA audited. The Borrower will furnish to the Association as soon as available, but not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit by said auditors. The Borrower will furnish to the Association such other information concerning the SA, the LCA and the audits thereof as the Association shall have reasonably requested.

#### ***Other donors' role in the Action Plan***

57. The European Union is on course to provide assistance; the total package amounts to up to Euro 85 million. The EC may seek member notification to release planned STABEX into a blocked (non-disbursing) account which would immediately provide Euro 30 million in foreign exchange to prevent economic collapse. Second, Euro 7 million in undisbursed funds from a previous (EDF 7) structural adjustment program, suspended at the time of the 1996 coup d'état, is planned to be advanced to provide emergency balance of payments support. Finally, funds targeting the poor and vulnerable as part of a Euro 48 million assistance program ("PREBU") awaits the preliminary results of the PER and would be made available as budget support in line with implementation of recommendations of the PER.

58. Burundi has acquitted itself of its obligations to the IMF. With the ending of the regional economic embargo the Fund has begun to normalize its relations with the country. It delayed its submission of 1999 Article IV consultations to its Board meeting of March 15, 2000 to parallel design of the EERC; and a mission to discuss *Emergency Post-Conflict Assistance* of SDR 19.3 million (US\$25.8 million) awaits the official invitation of the Government which is being processed. The aim is to provide this assistance to coincide with the effectiveness of the EERC.

59. Belgium is considering US\$2 million in co-finance for the EERC from funds already on deposit with the Bank for cofinancing project activities. France is rebuilding its aid program beginning with a line of credit to SMEs. Subject to Burundi stabilizing its bilateral debt arrears, France intends to co-finance BURSAP II and lead activities which the Bank intends to support within the interim strategy. The AfDB is considering a new assistance project in micro-finance, and plans a vocational training program which will support the second, employment generation leg of the Interim Strategy. AfDB has authorized a project for hospital rehabilitation, and plans support for the Ministry of Public Health. Finally, the AfDB met with the Burundian authorities in March to discuss co-financing support linked to the EERC now under preparation and which is currently expected in June.

60. An important group of NGOs focused on conflict resolution are active in Burundi. While the Bank has been more comfortable elsewhere dealing with NGOs that focus on development, any actions in Burundi must be integrated with the strategies and experience of these important groups.

**BURUNDI**  
**EMERGENCY ECONOMIC RECOVERY CREDIT**

---

DISBURSEMENT SCHEDULE  
(US\$35 Million)  
(IDA Fiscal Year)

---

<u>FY</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>TOTAL</u>
IDA EERC	15	15	5	35

---



**BURUNDI  
EMERGENCY ECONOMIC RECOVERY CREDIT**

Timetable of Key Processing Events

Time taken to prepare the EERC	5 months
EERC prepared by	Government and IDA staff
Appraisal	February 28-March 3, 2000
Negotiation	March 6-9, 2000
Board presentation	April 20, 2000
Planned date of effectiveness	May 20, 2000
Expected completion	April 30, 2002



**APPENDIX TO ANNEX 1:  
IMPLEMENTATION MANUAL - PRESENTATION OF FUNDS UTILIZATION**

**REPUBLIC OF BURUNDI,  
FINANCE MINISTRY**

**December 1999**

**GENERAL BACKGROUND**

The destruction following the political crisis of 1993 has led to the widespread paralysis of social and economic life, and has especially affected the health and education sectors. The troubles have led to significant population displacement, both within the country towards more secure zones and outside the country. The demobilization of populations and the increasing fragility of the production structure has led to a continuing drop in GDP (approximately 25%), significant growth in the poverty rate of both rural and urban areas, and a considerable deterioration in the social indicators. While the infant mortality rate has increased from 100 out of 1,000 in 1992 to 136 out of 1,000 in 1998, the prevalence of vaccination (BCG) has fallen from 91% to 58% during the same period. The incidence of HIV infection has increased from 0.7% to 6% in the rural areas, and from 11% to 21% in the urban areas.

The withdrawal of aid and the economic embargo of 1996-1999 has aggravated an already precarious situation by depriving the country of foreign currency which is indispensable for importing the essential goods and services for primary and secondary production (agricultural inputs, primary industrial materials and equipment) and which is also critical for providing basic social services (medicines for example). The official exchange reserves decreased from over 200 million American dollars in 1995 to less than 50 million in 1999. Given the decline of production and the international situation one cannot foresee an improvement in the level of coffee export revenue for the year 2000.

In order to face this situation, the transition government has adopted a socio-economic strategy with the goal of promoting an economic revival and the rehabilitation/reconstruction of the social sectors. This strategy, composed of an emergency program of around 600 million American dollars, is based essentially on: the reinstallation, repatriation, and reintegration of the stricken populations; the peace process; and a national and community-level reconciliation.

It is within the framework of accomplishing this emergency program that the Government of Burundi has solicited the World Bank to grant them an Emergency Economic Recovery Credit (EERC). The goal of the requested credit is to bring rapid and concrete assistance to revive private sector economic activity, while supporting national reconciliation generally, and the peace process in particular.

The total of the credit is estimated at 35 million dollars, consisting of financing for the import of the goods and services essential for a private sector recovery and the restoration of primary social services, and for balance of payments support. The sale of foreign currency to the private sector will generate counterpart resources to finance the priority sectors of education, health, and agriculture, as well as to fund the reinstallation and reintegration of displaced and repatriated persons and support good governance practices.

## **SECTORAL ALLOCATION OF COUNTERPART FUNDS**

Considering the budgetary resources already allocated by the state to the priority sectors considered above, taking into account the interventions of different donors in these same sectors, and in view of the urgent needs imposed by the goal of rehabilitation, reconstruction and economic revival, the counterpart funds of the EERC will be distributed as indicated below. Table 1 of the Appendix gives the detailed allocation of resources by priority sector.

### **1.1. Public Health Sector**

#### **i) Rehabilitation and Re-Equipment of Health Centers**

During the course of the crisis, 73 health centers were pillaged and destroyed. Given the limited means of the government, only 26 have been rehabilitated to date. In order to reestablish the coverage of health infrastructure and a geographic distribution of access to health services (at least to the level achieved before the crisis) it is essential to rehabilitate the other health centers. The amount needed for this task comes to FBu 1,100 million.

#### **ii) Build Up the Current Stock of Pharmaceutical Products**

With the budgetary crisis the resources allocated to the Health Ministry by the government to purchase medicines have been extremely limited. This has led to a chronic shortage in pharmaceutical products and the insufficient provision of care.

The socio-political crisis has generated new needs in the stricken populations; not only were the humanitarian interventions that were mobilized in response to the crisis insufficient, but many NGOs are in the process of progressively disengaging. Coverage of the activities and rehabilitation of infrastructure that was previously supported by NGOs is urgently needed.

As well, the increasing poverty of the population, the increase in cases of diarrheal illnesses (cholera, bacterial dysentery), the re-emergence of “exanthématique” typhoid, and the increase in the malaria epidemic sufficiently demonstrates the increased need for medicines. The amount solicited is FBu 900 million.

#### **iii) Provision of Priority Small Medical Equipment, Laboratory Products and blood testing papers for the Blood Bank**

First, it is necessary to endow the health centers with the minimum of equipment necessary for them to become operational. Second, the National Center of Blood Transfusions needs “blood testing papers” for different types of tests and examinations.

The impossibility of obtaining an endowment from the state, the disengagement of donors, and the growing shortage of products justifies a request of financing from the emergency credit to allow the purchase of the equipment and “blood testing papers” necessary for the operation of the facilities cited above. The total funds solicited for this job come to FBu 165 million.

#### **iv) Support For The Fight Against AIDS and Sexually Transmitted Diseases (STD)**

The prevalence of HIV infection has risen to 20% of the population in the urban areas, and 6% in the rural areas. The AIDS epidemic was extremely aggravated during the crisis because of the high promiscuity of the stricken populations.

Faced with this disturbing situation, and as a result of awareness-raising efforts, many associations and organizations dedicated to the fight against AIDS have arisen in both the rural and urban areas. The communities have the will to participate in the struggle against AIDS, but these organizations suffer from a lack of funding necessary to accomplish their mission.

This community-based approach is well placed within the Health Ministry's recommended strategy to combat AIDS.

It is also important to note that at some point the national structure to coordinate the fight against AIDS must also be supported if it is to accomplish its mission.

The main elements that need financing are: (i) Prevention, by purchasing and distributing condoms; (ii) Epidemiological surveillance consisting of "sero-surveillance", to be carried out by making screening available at monitoring sites; and (iii) Providing care for people infected and affected by AIDS, including:

- Orphans whose primary needs are food, medical care and education;
- Sick people whose condition necessitates the provision of food and medical care (at least medication against opportunistic infections).

A strategy as well as a structure (PNLS) exists at the national level. The PNLS will implement the second element above (surveillance/screening). Under the coordination of the PNLS, the Associations of NGOs can effectively implement the third element (provision of care), as well as the first element (condom distribution).

#### **v) Fight Against Endemic/Epidemic Diseases To Help Stricken Populations**

Today, the country is faced with many endemic/epidemic diseases that require logistical measures, the provision of medicines and the spread of prevention messages, etc.

Malaria is the primary cause of morbidity and mortality among all ages. The use of insecticide-treated mosquito nets and cleanup of the affected areas are the recommended strategies to combat this disease. The complexity of the second strategy calls for several interventions, certain of which will be financed by the EERC in the reintegration sector (paragraph 2.4). The health sector retains the promotion of the use of treated mosquito nets to help the affected populations as their primary activity. These populations are estimated to consist of 900,000 people.

The requested sum of FBu 2,800 million should serve to purchase locally produced mosquito netting, the insecticides, and the necessary equipment for treating and installing the mosquito nets.

The LMTC project team is very experienced in the treatment and installation of mosquito nets.

The COTEBU is in a position to produce the mosquito netting and the insecticides can be made rapidly available.

#### **vi) Rehabilitation of Water Systems in Health Centers**

Certain health centers were constructed without running water systems, while others have an insufficient rate of flow. Financing from the EERC is solicited for rehabilitation/construction of water provision systems in the most essential health centers used by the stricken populations. This financing will contribute sensibly to solving crucial problems linked to the widespread incidence of endemic diseases.

#### **vii) Incentives for Personnel Working In Rural Areas**

Attracting health workers to the rural areas and sustaining the politics of redeployment is a timely measure. It consists of improving working conditions, notably by improving the lodgings at the health centers and providing water there. The requested sum is FBu 110 million.

N.B. The totals pertaining to different parts of the health sector are indicated in table 2.

### **2.2 THE EDUCATION SECTOR**

Currently, the government's priority in the education sector is to rehabilitate the destroyed primary schools, in order to first reestablish and then improve the rate of schooling from the perspective of, and in the spirit of *Jomtiens*.<sup>2</sup> The other concern focuses on the rehabilitation of the human resources and supplies of the schools, in terms of textbooks and teaching equipment, with the aim of restoring and improving the quality of instruction. Additionally, the reduction of disparities in school materials would increase the chances of achieving good governance and equity. To reach these objectives, the following actions are submitted for financing by the EERC:

#### **i) Rehabilitation and Re-Equipment of Educational Infrastructure**

The urgently needed rehabilitation of this infrastructure necessitates the collaboration of several actors to help the government realize its goal of universal education. The contribution of the EERC will permit some 100 priority primary schools, not financed by other donors, to receive students. This contribution is globally estimated to be FBu 2,500 million.

#### **ii) Provision of Textbooks to Primary Schools**

The need to provide textbooks appears as evident as the need to have classrooms. Visits to classes revealed that in the large majority of the primary schools affected by the crisis the textbooks were pillaged or burned.

Also, the repatriation of the children of refugees who will reintegrate into already existing schools requires that they be accompanied by an infusion of textbooks. The desired contribution of the EERC is FBu 270 million.

---

<sup>2</sup> *The Jomtien World Declaration on Education for All* and the *Framework for Action to Meet Basic Learning Needs*, derived from the World Conference on that issue held at Jomtien, Thailand, 5-9 March 1990.

### **iii) Training for Primary School Teachers Without Teaching Credentials**

Due to the death and exile of a high number of Burundian teachers, as well as to the massive departure of teachers from the population of former Rwandan refugees, the Ministry of Education has had to recruit close to 2,100 unqualified teachers. These personnel do not have the profile required by the demands of the profession, nor the skills needed to conform to a stringent improvement plan being implemented to elevate the quality of teaching. The requested financing totals FBu 700 million.

### **iv) Continued Training for Directors and Inspectors of Primary Instruction**

In the same context, more than 80% of the Directors and Inspectors currently in place are new to their jobs. Their level of expertise is disparate, and they need to be equipped with the practical knowledge that will permit them to better perform their functions of management and administration of the schools. The necessary financing for this effort has been estimated at FBu 120 million.

### **v) Logistical Support To The Educational Planning Bureau**

The availability of reliable educational statistics is as indispensable to the decision-making process at the level of the national authorities as it is at the donor level. We have seen that the collection of even minimal statistics is currently handicapped by the lack of logistical means to assure that the Educational Planning Bureau, the entity in charge of this sector, is operational. It is necessary to make this Bureau more dynamic by replacing the outdated material with new material, and by providing a vehicle and information technology (4 computers). The cost of this equipment is estimated at FBu 30 million.

### **vi) Equity and Good Governance**

In order to improve access to secondary education, to bring the school closer to the student, and to further reduce the regional disparities in material, the government has opted for a policy of creating communal high schools.

There exists at least one communal high school in each commune of the country today. However, some of these high schools have difficulty functioning for lack of sufficient instructional support, resources which the responsible communes are unable to provide.

The EERC is asked to support the purchase of textbooks and laboratory materials to help county high schools in the most deprived regions.

The desired contribution of the EERC comes to FBu 1,238 million, of which FBu 1,000 million is for textbooks and FBu 238 million is for laboratory equipment.

N.B. Table 3 represents the amounts allocated in the Education Sector.

### **2.3 AGRICULTURAL SECTOR**

To reactivate the agricultural sector and reestablish activity for the affected populations, the Ministry of Agriculture and Livestock has refocused its development programs. Among other means, the Ministry has recommended the following to achieve these goals:

- To strengthen the means and mechanisms that make inputs for agriculture and livestock available;
- To restore the livestock population destroyed during the crisis and to begin a special program to integrate animal husbandry and forestry with agriculture;
- To mobilize the population and services in support of production;
- To contribute to the rehabilitation and improvement of natural resources management;
- To strengthen information systems for the reconstruction and maintenance of a statistical database (of livestock and agricultural information).

It is in the spirit of these recommendations and to succeed in its mission that the Ministry of Agriculture submits for financing by the EERC the following activities, which are not covered by other donors:

#### **i) Support for the Reinstallation of the Displaced and Renatriated**

For these groups a return packet must be provided, which includes agricultural tools and seeds, to those settling in the new installation zones (particularly in the eastern region of the country), for livelihood production. The proposed allocation for this activity is FBu 1,815 million.

#### **ii) The Rehabilitation of Some Seedling Centers of the ISABU**

The seedling centers of the ISABU are responsible for increasing the seeds that are distributed in the provincial districts (DPAE) for general use. Following the crisis of October 1993, the storage facilities and other equipment of these centers were destroyed. Returning them to a functional state is indispensable for the revival of agricultural activity. The amount allocated to this is FBu 110 million.

#### **iii) The Rehabilitation of the Environment**

The population displacement due to the crisis has caused significant environmental damage. This damage has been aggravated by brush fires. The rehabilitation of the environment will consist of reforestation in the provinces of Karuzi, Kirundo, Cankuzo, Bubanza, and Cibitoke, regions most affected by the brush fires and the crisis. We must also integrate forest shrubs and fruit trees into agricultural cultivation. The sum allocated to this end is FBu 220 million.

## **2.4 REINTEGRATION AND REINSTALLATION OF THE DISPLACED AND REPATRIATED**

### **i) Support for the Reconstruction of 30,000 Houses To Help the Affected Populations**

Close to one million people (200,000 households) have been affected, both in the interior (displaced persons) and in the exterior of the country (refugees). Not only have these families' homes been destroyed and their goods pillaged, but they have also suffered from the dislocation of familial and social structures.

Faced with such a situation, via the Ministry of Reintegration and Reinstallation of the Displaced and Repatriated the government has chosen the global objective of pursuing the rehabilitation of these affected persons by reinstalling and reintegrating them.

The reinstallation will be realized by the support given to affected populations in the reconstruction of their houses. In effect, lodging is a precondition because it shelters these people from the adverse weather conditions that are at the root of many of the numerous illnesses which also limit their participation in the reconstruction efforts at both the community and national levels.

It is important to note that the government foresees the reconstruction of 20,000 houses from its own funds, and that additional financing is being negotiated, notably with the European Union (40,000 houses) and UNDP (4,000 houses), and that the unfinanced remainder is 136,000 houses.

The type of house to be constructed is 35m<sup>2</sup> in area. Important construction materials to be used include adobe bricks and sheet metal. The support of the World Bank will be used to supply sheet metal, nails, doors and windows for a total amount of FBu 3,530 million. The beneficiaries will contribute by bringing the adobe bricks and the poles, as well as by providing the physical labor, the value of which is estimated at FBu 3,975 million. Table 5 gives the details of the allocations by job.

### **ii) Cleanup of Sites Occupied By Affected Populations**

The activities to be financed include three components: the construction of new pipes, the creation of a drinking water supply, and the rehabilitation of existing water pipes.

This intervention will be carried out in the sites where the affected populations are being reinstalled, and in the periphery neighborhoods that were destroyed and abandoned for a time but are now in fact being reoccupied. This will permit the creation of minimally hygienic conditions and also prevent certain illnesses. The cost is estimated at FBu 1,470 million.

**TABLE 1**  
**SECTORAL ALLOCATION OF EERC COUNTERPART FUNDS**  
(FBu Millions)

Sector	Allocation *March 99 US\$ 20 Mill.	Allocation *March 99 adjusted (10 %)	Allocation December 99 US\$ 30 Mill.	Allocation December 99 US\$ 35 Mill.
<b>Health</b>	2,400	2,640	5,497	6,130
<b>Education and Good Governance</b>	2,954	3,250	4,747	5,620
<b>Agriculture</b>	2,000	2,200	2,900	3,345
<b>Reinstallation of the Repatriated and Displaced</b>	(15,000 homes) 3,000	(15,000 homes) 3,300	(25,000 homes) 4,210	(30,000 homes) 5,000
<b>Arrears to Private Sector Suppliers Budget 2000</b>	1,500	1,650	4,500	5,509
<b>Audits and Administration</b>	146	160	646	646
<b>TOTAL</b>	12,000	13,200	22,500	26,250

**N.B.:** 1. Allocation of March 99 at a rate of 1US \$ = FBu 600

2. Allocation of December 99 at a rate of 1US \$ = FBu 750

**TABLE 2**  
**RECOVERY OF THE PUBLIC HEALTH SECTOR**  
**(FBu Millions)**

<b>ACTIONS/ ACTIVITIES</b>	<b>Allocation*Mar arch 99US\$ 20 Mill.</b>	<b>Allocation*Mar arch 99adjusted(10 %)</b>	<b>AllocationDec ember 99US\$ 30 Mill.</b>	<b>AllocationDecem ber 99US\$ 35 Mill.</b>
<b>Rehabilitation and Re- Equipment of Health Centers</b>	1,000	1,100	1,100	1,100
<b>Replenishment of the Current Stock of Pharmaceutical Products</b>	500	550	732	900
<b>Provision of Small Medical Equipment, Laboratory Supplies and blood testing paper for the Blood Bank.</b>	150	165	165	165
<b>Support For the Fight Against AIDS</b>	---	---	505	505
<b>Fight Against Endemic/Epidemic Diseases</b>	150	165	2,335	2,800
<b>Rehabilitation of the Water Supply for the Renovated Hospital and the Acquisition of Cisterns for Hospitals and Health Centers</b>	500	550	550	550
<b>Incentives for Workers in Rural Areas</b>	100	110	110	110

**TABLE 3**  
**RECOVERY OF THE EDUCATION SECTOR**  
**(MILLIONS OF BURUNDI FRANCS)**

<b>ACTIONS/ ACTIVITIES</b>	<b>Allocation March 99 US\$ 20 Mill.</b>	<b>Allocation March 99 Adj. 10%</b>	<b>Allocation December 99 US\$ 30 Mill.</b>	<b>Allocation December 99 US\$ 35 Mill.</b>
<b>Rehabilitation and Re-Equipment of Primary Schools</b>	2,280	2,500	2,500	2,500
<b>Supply of Textbooks for Primary Schools</b>	317	349	589	700
<b>Training for Unqualified Teachers</b>	244	270	270	270
<b>Training for Primary School Directors and Inspectors</b>	108	120	120	120
<b>Support For The Education Planning Bureau</b>	5	6	30	30
<b>Equity and Good Governance</b>	---	---	1,238	2,000
<b>6.1. Acquisition of Textbooks for High Schools</b>	---	----	1,000	1,500
<b>6.2. Acquisition of Laboratory Materials for Village/County High Schools</b>	---	---	238	500
<b>TOTAL</b>	2,954	3,245	4,747	5,620

**TABLE 4**  
**RECOVERY OF THE AGRICULTURAL SECTOR**  
**ALLOCATION IN MILLIONS OF BURUNDI FRANCS**

ACTIONS/ ACTIVITIES	Allocation *March 99 US\$ 20 Mill.	Allocation *March 99 adjusted (10 %)	Allocation December 99 US\$ 30 Mill.	Allocation December 99 US\$ 35 Mill.
<b>1. Support for the Reinstallation of the Repatriated and Displaced</b> -Supply of agricultural tools, seeds, and small livestock -Rehabilitation of Cultivated Lands in the Marshes	1,100	1,210	1,550	1,815
<b>2. Rehabilitation of the ISABU Seedling Centers</b>	100	110	110	110
<b>3. Rehabilitation of Rural Trails and Feeder Roads</b>	600	660	1,020	1,200
<b>4. Rehabilitation of the Environment</b>	200	220	220	220
<b>TOTAL</b>	2,000	2,200	2,900	3,345

**TABLE 5**  
**REINSTALLATION AND REINTEGRATION OF THE DISPLACED**  
**AND REPATRIATED**  
**(FBu Million)**

ACTIONS/ ACTIVITIES	Allocation *March 99 US\$ 20 Mill.	Allocation *March 99 adjusted (10 %)	Allocation December 99 US\$ 30 Mill.	Allocation December 99 US\$ 35 Mill.
<b>1. Support for Home Reconstruction</b>	15,000 houses	15,000 houses	25,000 houses	3,000 houses
- Purchase of Sheet Metal	1,123	1,237	1,787	2,090
- Purchase of Nails for Sheet Metal	72	80	120	144
- Purchase of Ordinary Nails	48	53	80	96
- Purchase of Doors	300	330	500	600
- Purchase of Windows	300	330	500	600
<b>SUB-TOTAL 1.</b>	1,845	203	2,987	3,530
<b>2. Site Clean-Up:</b>				
- Piping	350	385	370	445
- Drinking Water Supply	550	605	583	700
- Water Supply to Periphery Neighborhoods	255	280	270	325
<b>SUB-TOTAL 2.</b>	1,155	1,270	1,223	1,470
<b>SECTOR TOTAL</b>	3,000	3,300	4,210	5,000