

PD-ABK-213
92513 XD-ABK-213A

AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT (PAAD)		1. PAAD Number 695-T-602	
		2. Country Burundi	
		3. Category Program Grant (695-0134)	
		4. Date August 1993	
5. To Myron Golden Mission Director USAID/Burundi		6. OYB Change Number \$1,000,000	
		8. OYB Increase N/A	
7. From Janet Schulman, S/PD, USAID Burundi		To be taken from: N/A	
9. Approval Requested for Commitment of \$1,000,000		10. Appropriation Budget Plan Code: GB13-93-31695-XG39 72-11/22/037	
11. Type Pending <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input type="checkbox"/> Formal <input checked="" type="checkbox"/> New	13. Estimated Delivery period September 1993	14. Transaction Eligibility Date September 1993
15. Commodity Planned Program assistance provided as Cash Transfer for external debt service. Grant assistance provided to local and international NGO's active in democracy and governance activities.			
16. Permitted Sources U.S. Only		17. Permitted Source U.S.	\$1,000,000
Limited F.W.		18. Permitted Countries	Other donor contributions to political reform
Free World \$1,000,000 (DFA)		Latin	
East \$1,000,000 (ESP)		Other	
19. Summary Description This program of the Democracy and Governance Program (695-0134) is a continuation of previous programs in Burundi. The mission is to provide technical assistance to the national government of Burundi for the purpose of...			
20. Character REWARDING & SAVING GRANT (S/TA)		21. Action REWARDING (REAPPROVED)	
FDC CYTH...			
FDC-M Schulman			
CONT-M J. Glass			
		Mission Director, USAID/Burundi	

ACTION MEMORANDUM

FOR THE DIRECTOR, USAID/BURUNDI

FROM: *for* Janet Schulman, S/PDO

SUBJECT: Authorization of Burundi Democracy and Governance Program (695-0134) and Project (695-0133)

Problem: Your approval is required to authorize the Burundi Democracy and Governance Program (695-0134) and related Project (695-0133). The life-of-Program (LOP) amount is \$2 million. Subject to the availability of funds, it is planned that \$1.64 million will be obligated in FY 1993: one million dollars to be funded from ESF; \$640,000 from DFA. In FY 1994, an additional \$360,000 is expected to be funded from DFA.

Discussion: The Government of Burundi (GRB) has embarked on a process of creating a democratic society that will ensure meaningful political participation by all its citizens, lawful governance and strong democratic values. Progress in the past two years has been significant: (a) a National Unity Charter was promulgated; (b) a new Constitution was drafted and adopted; (c) multiple political parties were encouraged; (d) presidential elections were held; and, (e) legislative elections have been held. This process of creating a democratic society is of immense historical significance in a country that has been marked by ethnic tensions and where the minority held power. Because the success of this process will not only ensure political stability but is also a key element in economic stability, USAID/Burundi, through this Program, seeks to support and sustain Burundi's efforts to build a more democratic society.

Program Description

This Program conforms to the Mission's Country Program Strategy Paper (CPSP), which designates improving democratic governance as a target of opportunity.

The objective (purpose-level) of the Democracy and Governance Program is to sustain the process of democratic governance in Burundi. This broad objective will be accomplished in several different ways, each seeking to reinforce and strengthen the process of democratic governance. The Democracy and Governance Program follows a dual approach to sustaining the process of democratization. First, the use of \$1.0 million of ESF funds for external debt servicing provides a strong incentive to the GRB to adhere to the process that was agreed upon in respect to the creation of a National Assembly. (Elections were held in June 1993.) Secondly, funds from the DFA account provide resources to institutions and NGOs/PVOs to promote and sustain a peaceful change of government by undertaking specific activities in training, strengthening the political awareness and effectiveness of community and governance-related groups, technical assistance and information dissemination.

Implementation Plan

The Program consists of a \$1.0 million ESF cash transfer for balance of payment support to pay GRB debts owed to multilateral organizations. (AA/AFR approval for use of the ESF cash grant for multilateral debt relief for the GRB was approved as per STATE 285213.) Additionally, the Project consists of \$1,000,000 (\$640,000 in year one using FY 1993 funds) for support through USIA and NGOs/PVOs to provide relevant training, technical assistance and institutional strengthening.

The Project consists of two components. The first component comprises a number of training activities to be managed by the United States Information Agency. For the first year there will be four distinct activities: 1) a media workshop in Burundi; 2) a study tour for Burundian journalists to the United States; 3) a study tour for parliamentarians to the United States; and, 4) a study tour for prosecutors, lawyers, academics and human rights experts to the US. These interventions are designed to promote respectively: 1) more objective reporting; 2) a better understanding of the legal issues between government and the media; 3) a better understanding of how parliamentary democracy can be practiced; and, 4) a better understanding of how a criminal judicial system can protect the rights of the accused. Similar training activities will be developed in succeeding years.

The second component of this Project consists of support to activities that strengthen and expand the democratic process. These activities will be proposed and implemented by international and local Non-Governmental Organizations (NGOs) and/or Private Voluntary Organizations (PVOs). Examples of these activities include programs to promote and sustain a peaceful change of government; democracy education and training for key decision makers including members of the legislative, judiciary and executive branches of government; strengthening the political awareness and effectiveness of community and governance-related groups; technical assistance for institutional development; and information dissemination.

It is expected that \$1.0 million will be made available for this Program and \$640,000 for the Project in FY 1993. The entire amount of \$1.64 million in FY 1993 funds to be made available will be obligated through a Program Grant Agreement and a Limited Scope Grant Agreement with the GRB. Subsequently an Inter-Agency Agreement between USIA and USAID/Burundi under 31 U.S.C. Section 1535, PIO/Ts and grants to NGOs/PVOs will be prepared for the transfer of resources from USAID to the approved implementing agencies for the activities. The USAID/Burundi Program Officer will be responsible for the overall monitoring and supervision of the Democracy and Governance Program. The Program Assistance Completion Date (PACD) for this Project shall be 30 months from its authorization.

Commodities and services funded by A.I.D under the project shall have their source and origin in countries included in the A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing. The suppliers of commodities or services shall have countries included in A.I.D. Geographic Code 935 as their place of nationality, except as A.I.D. may otherwise agree in writing. Air transportation for participants under the project shall be on U.S. flag carriers to the extent such carriers are available, as defined in the A.I.D. regulations.

Financial Plan

The total USAID Program cost is estimated at \$2 million dollars. One half of the amount or \$1 million will be disbursed as a cash transfer for external debt servicing. The other \$1 million will be reserved for Project activities.

The total Project funds being obligated in FY 1993 (Year One) will be \$640,000 to be implemented by USIA (\$150,000 pursuant to an Inter-Agency Agreement obligating FY 1993 funds) and by NGOs/PVOs (grants of up to \$490,000; an unsolicited proposal is currently being considered).

It is expected that the \$1.64 million obligated in FY 1993 will be fully expended by the end of FY 1994.

For Year Two, it is estimated that the remaining A.I.D. contribution to the Project (\$360,000) shall be obligated, subject to the availability of funds to A.I.D. for this purpose, and the agreement of the Parties to proceed at that time. Out of the projected \$360,000 total for Year Two of the Project, it is expected that A.I.D. will provide \$100,000 to USIA and \$260,000 for the grants to NGOs/PVOs.

Waivers: AA/AFR approval to waive the contribution of the Government of the Republic of Burundi was provided on September 21, 1993 (see Annex IV). Nevertheless, the Government of the Republic of Burundi shall use its best efforts to provide for the salaries of parliamentarians and journalists participating in activities financed under this grant (e.g., workshops, conferences, study tours). This in-kind contribution, for which the GRB shall be responsible to track and report, is valued at not less than \$50,000. This resource allocation decision of the GRB deserves monitoring over the next couple of years.

Initial Environmental Examination (IEE): The IEE has received a categorical exclusion since this Program consists of a cash transfer, technical assistance, and training activities.

State Clearances: The Program has been cleared by State/HA since the activity is authorized under Section 531 (ESF), 496 (DFA), and Section 116(e) (Human Rights) of the Foreign Assistance Act of 1961, as amended.

Congressional Notification (CN): Congress was advised of USAID/Burundi's intent to undertake this Program on July 28, 1993 with a CN. The Notification period expired on August 12, 1993 as per STATE 248391.

Checklists: Country, program and project checklists have been duly completed.

Delegation of Authority

Pursuant to Delegation of Authority 551, you have the authority to authorize a project up to \$20 million provided the project:

- a. Does not present significant policy issues;
- b. Does not require waivers that can only be issued by AA/AFR or A/AID unless such waivers have been obtained prior to authorization; and
- c. Does not have an LOP beyond 10 years.

Recommendation: That you sign the attached: (i) Project Authorization; (ii) Project Paper facesheet; and (iii) Program Assistance Approval Document Facesheet thereby approving and authorizing the Burundi Democracy and Governance Program (695-0134) and related project (695-0133).

Cleared by:

PROG: MSchuilman (draft)
CONT: MSOlson KS
RLA: RSarkar (draft)

Date: 08/27/93
Date: 9/21/93
Date: 08/27/93

PROJECT AUTHORIZATION

Name of Country:
OF BURUNDI

REPUBLIC

Name of Project: DEMOCRACY AND
GOVERNANCE PROJECT (695-0133)

1. Pursuant to Sections 496 and 116(e) of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Burundi Democracy and Governance Project for the Republic of Burundi involving planned obligations of not to exceed One Million United States dollars (U.S. \$1,000,000) in grant funds over a two year period from the date of authorization subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project. The planned life of Project is approximately thirty (30) months.
2. The Project consists of two components. The first component comprises a number of training activities to be managed by the United States Information Agency. For the first year there will be four distinct activities: 1) a media workshop in Burundi, 2) a study tour for Burundian journalists to the United States, 3) a study tour for parliamentarians to the United States, and 4) a study tour for prosecutors, lawyers, academics and human rights experts to the US. These interventions are designed to promote respectively 1) more objective reporting, 2) a better understanding of the legal issues between government and the media, 3) A better understanding of how parliamentary democracy can be practiced, and 4) a better understanding of how a criminal judicial system can protect the rights of the accused. Similar training activities will be developed in succeeding years.

The second Project component consists of support to activities that strengthen and expand the democratic process. These activities will be proposed and implemented by international and local Non-Governmental Organizations (NGOs) and/or Private Voluntary Organizations (PVOs). Examples of these activities include programs to promote and sustain a peaceful change of government; democracy education and training for key decision makers including members of the legislative, judiciary and executive branches of government; strengthening the political awareness and effectiveness of community and governance-related groups; technical assistance for institutional development; and information dissemination.

A separate but parallel activity supporting this Democracy and Governance Project will be an Economic Support Fund (ESF) cash transfer (Democracy and Governance Program 695-0134), as authorized under Section 531 of the Foreign Assistance Act of 1961, as amended, which is anticipated to be One Million United States Dollars (\$1,000,000). This transfer will indicate the support of the United States Government for Burundi's successful beginning as a democracy. The funds will be used to support the GRB's balance of payments and will be disbursed upon evidence that the new Parliament is operating without hinderance. Documentation for the ESF Cash Transfer is being prepared separately.

3. The Project Agreement which may be negotiated and executed by the officer to whom such authority is delegated, in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to such terms, covenants and major conditions as A.I.D. may deem appropriate. It is anticipated that the Project assistance will be provided through an Inter-Agency Agreement with USIA and through grants to participating PVOs.

A. Source and Origin of Commodities. Nationality Services

Commodities funded by A.I.D. under the Project shall have their source and origin in countries included in A.I.D. Geographic Code 935, except as A.I.D. may otherwise agree in writing. The suppliers of commodities or services shall have countries included in A.I.D. Geographic Code 935 as their place of nationality, except as A.I.D. may otherwise agree in writing. Air transportation for participants under the project shall be on U.S. flag carriers to the extent such carriers are available, as defined in A.I.D. regulation.



Myron Golden, Mission Director

Sept. 24, 1993
Date

Drafter:s/pdo:js

Clearances: 1. PROG:MSchulman(draft), 2. CONT:MSOlson(draft)
3. RLA:RSarkar(draft; revised 8/27/93)

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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE A A = Add C = Change D = Delete		Amendment Number	DOCUMENT CODE 3				
2. COUNTRY/ENTITY BURUNDI		3. PROJECT NUMBER 695-0133							
4. BUREAU/OFFICE AFRICA		5. PROJECT TITLE (maximum 40 characters) BURUNDI DEMOCRACY AND GOVERNANCE							
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 09 30 95		7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY 93 B. Quarter 4 C. Final FY 94							
8. COSTS (\$000 OR EQUIVALENT \$1 =)									
A. FUNDING SOURCE		FIRST FY		LIFE OF PROJECT					
		B. FX	C. L/C	D. Total	E. FX				
		F. L/C	G. Total						
AID Appropriated Total									
(Grant)		(640)	()	(640)	(1,000)				
(Loan)		()	()	()	()				
Other U.S.									
1.									
2.									
Host Country (*)		25	25	50	50				
Other Donor(s)		0	0	0	0				
TOTALS		640	25	665	1,000				
9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)									
(2)									
(3)									
(4)									
TOTALS									
10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)						11. SECONDARY PURPOSE CODE			
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code									
B. Amount									
13. PROJECT PURPOSE (maximum 480 characters)									
To provide support for the development of democratic values and improve governance in Burundi.									
14. SCHEDULED EVALUATIONS						15. SOURCE/ORIGIN OF GOODS AND SERVICES			
Interim		MM YY		MM YY		Final		MM YY	
						09 95			
						<input type="checkbox"/> 000 <input type="checkbox"/> 941 <input type="checkbox"/> Local <input checked="" type="checkbox"/> Other (Specify) 935			
16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page(s) amendment.)									
USAID/BURUNDI: Controller Concurrence: <i>Monica B. Olson</i>						Date: 7/24/93			
(*) Action Memo dated 09/21/93 has waived the required 25% counterpart contribution. However, the GRB shall use its best efforts to provide \$50,000 which they will track and report on.									
17. APPROVED BY		Signature <i>Myron Golden</i>				18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION			
BY		Title Myron Golden Mission Director				Date Signed MM DD YY 09 24 93			
						MM DD YY			

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I. CONSTRAINTS ANALYSIS

A. THE ECONOMY: BURUNDI IN 1993 - A MACROECONOMIC OVERVIEW

The majority (94 percent) of Burundi's population of 5.5 million inhabitants live in rural areas. The population grows at a rate of 3.0 percent per annum (1990) and the population density is 494 persons per square mile, second only in Africa to Rwanda.

The economy is natural resource-poor and rural (the traditional agricultural sector amounts to 56 percent of Gross Domestic Product (GDP) and employs over 94 percent of the economically-active population). Coupled with the low traditional technology, agricultural has shown limited growth--and employment-- prospects. Nevertheless, it has thus far enabled the country to be barely self-sufficient in food crop production. The state-dominated "modern" agricultural sector (15 percent of GDP), due to its relative inefficiency and small size, is equally limited in its capacity to provide employment opportunities to a burgeoning population, which is providing 63,000 new entrants into the labor force per year.

The single most striking feature of the productive economy is its overdependence on a single agricultural export crop--coffee--which in most years brings in over 80 percent of foreign-exchange earnings. The second major source of hard currency, tea, accounts for an additional 11 percent. Mining and manufacturing represent only 6 percent of GDP and 4 percent of export earnings. Although the private sector plays a major role in the production of both export and food crops and transport, it is the public sector that enjoys a quasi-monopolistic position in the processing and export of primary commodities, manufacturing, energy, and infrastructure. The public sector also generates half of the country's formal employment.

The combination of a rural economy, which is extremely dependent on the international price of coffee, and an overall economy skewed by excessive public involvement and erroneous government policies, caused mounting distortions and a pattern of erratic growth which marked most of the period from the early 1960s until 1985. Recognizing its failure to correct the recurring domestic and international disequilibria by the previous *dirigiste* measures, the Government embarked in 1986 on a program of comprehensive economic reform under the sponsorship of the IMF and the World Bank.

Ever since, the macroeconomic environment of the country has been conditioned by Policy Framework Papers (PFPs) elaborated by the Government in consultation with bilateral and multilateral donors, which have been followed by three major Structural Adjustment Loan (SAL) facilities conditioned on the satisfactory implementation of reforms and performance: SAL I (approved in May 1986) for a total of \$50 million, SAL II (approved in June 1988) for a total of \$155 million, and SAL III (approved for a total of \$30.0 million) each financed by World Bank/IDA and a group of co-financiers. Although the balance sheet of the 1986-1991 reforms showed some successes in the areas of economic management capacity and policy reform--private sector promotion, liberalization of labor markets--notably exchange rate, tariff reform and interest rate

policy - there was very meager progress in other areas considered cornerstones of the reform program: privatization, restructuring of public spending, export and investment promotion, and liberalization of the financial markets.

Economic growth continues to be erratic and less than satisfactory in terms of sustainability, indicating little improvement in the absorptive capacity of the economy and a lack of private-sector-supply response. There was little change in the structure of the traditional "one-crop" export agricultural economy and in the public sector's share of GDP; there was also no change in the historical pattern of chronic deficits both in the budget and external balance of payments. Massive inflows of foreign aid served mainly to boost foreign exchange reserves and, to a lesser extent, to continue the subsidization of inefficient public enterprises. These shortcomings, compounded by bureaucratic resistance to change, have seriously hampered the success of the structural reforms.

External Debt: The debt strategy followed by the GRB since 1986 is to borrow only on highly concessional terms. However, Burundi's external debt, as per World Bank figures, nearly doubled between 1985 and 1992 to over a reported U.S. \$948 million (end-1992), due to both an acceleration in concessional borrowing and the impact of successive exchange rate devaluations. As a percentage of GDP, outstanding debt went from 45 percent to 80 percent, between 1985 and 1992. In 1992, multilateral institutions accounted for 48 percent of the debt service.

For its part, the debt service ratio, notwithstanding France's and Belgium's cancellation of \$105 and \$12 million, respectively, in official debt, still amounted to over 40 percent at year-end 1992. Although these debt-forgiving measures by foreign creditors provide some relief for the balance of payments, particularly in 1993, the debt-service ratio is still projected to exceed an onerous 35 percent in the years ahead. World Bank is projecting 47.5 percent for Burundi in 1993. To put the situation in perspective, 1992 World Bank statistics indicate that the debt service ratio for Sub-Saharan Africa averaged 20.6 percent in 1992.

Reducing the Role of Government in the National Economy: Privatization remains a priority of all, but for another long list of reasons, nothing seems to change and the status quo is effectively maintained. The GRB privatization program rests within the *Service Chargé des Entreprises Publiques* (SCEP), the agency designated to monitor public enterprises which has been supported by the World Bank. Under SAL II, the World Bank had earmarked some 30 companies for privatization or liquidation. About 10 have been privatized to date. The progress accomplished bears witness to both the delicate socio-political environment within which privatization is occurring, and the lack of proper program planning and analysis. It is unclear if there will be any major change in the policy of the newly elected government toward privatization. Expectations are that the new Government will announce an equally strong policy supporting privatization but little will change in terms of performance. While the newly elected National Assembly doesn't have a defined role in terms of privatization, it most certainly will have an important voice in terms of redefining the role of Government in the National Economy.

B. DEMOCRACY AND GOVERNANCE

Only in the last several years has Burundi emerged from a post-independence history of violence and dictatorial, non-democratic government. Until 1988 Burundi has been characterized by the domination of the minority Tutsi people and instances of extreme violence in response to real or perceived threats to their power. Since 1988, under the leadership of former President Buyoya, Burundi has embarked on a program to instill unity and transform itself into a multi-party democracy.

Democratic initiatives: In February 1991, the Charter of National Unity was approved in a national referendum. The Charter of National Unity seeks to unite Burundians on the basis of their nationality, not ethnicity; the Constitution provides for equal treatment and protection of individuals under the law. The Charter is the document to which even the Constitution defers; it defines and prohibits a variety of discriminatory and divisive activities, and it invokes the unity and harmony of a pre-colonial Burundi. The Charter guarantees a variety of basic freedoms, including freedom of conscience, association, expression, movement and religion. The freedom of the press is recognized, as is the independence of the judiciary, and the presumption of innocence. Property rights are guaranteed, as are equal pay for equal work and equitable access to educational opportunities.

In March 1992, Burundian voters approved a new multi-party democratic constitution, which went into effect immediately. Given the delicate ethnic situation which has existed since independence (1962), and the correspondent authoritarian rule exercised by three military Presidents since 1966, this was a step of no small significance. The Constitution also calls for equal access to the country's social and economic resources, such access, in a country with a GDP per capita of around \$200 and a very small but well-entrenched elite, may be the most difficult guarantee of all. Yet, it is this issue--equity--upon which the ultimate success of Burundi's democratic experiment may depend.

In June 1993 Burundi's first pluralistic, democratic elections were held. The ethnic minority which had held power since independence was defeated. Provincial elections at the end of June reinforced the trend away from the influence of the former single party. The new president and parliament were sworn in on July 10, 1993.

It should be said that democracy is not yet firmly secured in Burundi; furthermore, it will not necessarily bring equity to what has traditionally been a very stratified society. Particular problem areas will be the military, which is still overwhelmingly Tutsi dominated; the judiciary which also remains Tutsi dominated and also often operates arbitrarily; and a new parliament without any experience in governing. It does seem, however, that Burundians are willing to give it a chance, because they believe it is the key to achieving harmonious ethnic relations.

C. PROJECTIONS

The revised macro targets of the Policy Framework Paper (PFP) call for: (1) average real GDP growth was 2.7 percent in 1992 and 3.7 percent expected for 1993 (which, accounting for population growth implies a per capita GDP growth of about 0 percent per

annum); (2) maintenance of the inflation rate at 5 percent; (3) stabilization of the current account deficit, excluding transfers, at about 15 percent; (4) stabilization of net foreign-exchange reserves at no less than four months of imports of goods and services; and (5) a reduction in the budget deficit, excluding grants, from 13 percent of GDP in 1990 to 8 percent in 1993.

For 1993, USAID's estimates (based on IBRD/IMF statistics) suggest a marginal economic performance - bolstered by foreign aid - of around 1 percent in real growth. Ominously, the coffee crop is down (28,000 tons versus 35,000 tons in 1992) and of poor quality. Inflation is reckoned to have gained some momentum at over 7 percent, in good part as the result of the monetary policy. Given the above fundamentals the current account balance would have benefitted from larger aid transfers and shown a deficit entry lower than the \$54 million registered in 1992. Thus, the negative historical pattern persists; chronic trade and services account shortfalls continue to be offset entirely by large foreign-aid inflows. The most likely results will be a widening of both the internal and external deficits, higher financial aid from the donors to close the balance of payments financing gap, and/or a reserve drawdown. The net effect will be that the state of the fragile Burundian economy will become even more precarious during its transition to democratic rule.

II. PROGRAM DESCRIPTION

A. PROGRAM BACKGROUND: THE DEMOCRATIC PROCESS - THE BEGINNING OR THE END

USAID/Burundi recognized in its CPSP that "unless a political and social equilibrium becomes better established in Burundi, prospects for sustained economic development are limited. It is important that Burundi's people feel they have a stake in their country's future, and one way of assuring that is to increase their options for meaningful participation in the political process."

Over the past two years, the GRB has promulgated a National Unity Charter to mitigate ethnic tensions, adopted a new voter approved constitution and instituted multi-party politics. Now Burundi has successfully concluded presidential and legislative elections in which voters freely elected the opposition party and mandated a change in Government.

Despite concerns from opposition parties that the UPRONA-dominated administration would unduly influence the elections, the voting took place without incident, in an atmosphere of tranquility and transparency. National and international observers were unanimous in their praise for the process. The reactions to the elections also surpassed expectations. After the proclamation of the convincing victory of FRODEBU presidential candidate Melchior Ndadaye, leaders of the former government and military leaders quickly announced their acceptance of the results and their willingness to work with the new president.

As President Ndadaye takes up his elected term of office, a number of significant challenges in the democratic governance process lay ahead.

First: The National Assembly

Although a parliament existed from 1982 to 1987 under the Bagaza regime, the National Assembly issuing from the June 29 elections is the first multi-party representative body in Burundi since the early 1960's. It is up to the newly elected members to establish the parliamentary institutions and procedures necessary to hold sessions and create legislation. It is expected, however, that the delegates will enter office with little experience in these areas. The opening of the legislative session of the Assembly marks an important **beginning** for a critical democratic governance institution.

Once internal procedures are established, the Assembly will turn its attention toward a host of political, economic and ethnic problems that must be addressed quickly to prevent a disintegration of the still fragile transition to democratic and majority rule. Issues which will be in the minds of the new parliamentarians include:

Military Reform: The ethnic imbalance of the military (currently 99% Tutsi) and the military's close alliances with Uprona and former President Buyoya remains a potential threat to stability. During the presidential campaign, FRODEBU presented an ambitious plan to restructure the military including a regional quota system to balance the regional equation. Amid widely circulated reports and rumors of possible military action, the conduct of the military has so far been exemplary.

Economic Reform: Unpopular economic decisions certainly lie ahead for the new government. Economic realities are likely to restrict new expenditures at a time when the elections may have raised unrealistic expectations that a new government would be more responsive to calls for state spending. High on the list of reforms will be retrenching the parastatal and state owned enterprises that contribute to the state domination of the national economy. Yet these same institutions have evolved as strong political forces to maintain people in power. It's important for Burundi's long term growth that the process of making economic reforms be continued by the new elected government.

Judicial Reform: Shortages of lawyers and magistrates as well as an antiquated recordkeeping system result in delays and errors in processing cases. Torture, as a means of collecting evidence, has been outlawed but no other system of obtaining evidence or inquiry has been established in its place. It's generally perceived that the existing judicial system is largely controlled by minority groups. Magistrates, prosecutors, defense lawyers, law professors, court clerks and other paralegal professions are in extremely short supply and need substantially amounts of training to carry out the legal functions properly.

Second: Non-governmental Organizations

The five-year transition process under President Buyoya opened the way for civic organizations to become more involved in the democratic process. By 1990, two human rights leagues had begun participating in democratic consultations and investing human rights issues. The Catholic church and several protestant churches also became involved. For the presidential and legislative elections earlier this year, a group of five NGOs collaborated to develop a 900 member domestic election monitoring mission. When

student demonstrations threatened civil calm in Bujumbura after the presidential elections, NGOs, most notably the human rights league IFEKA, played an important mediating role.

Although these activities have enhanced NGO credibility in Burundi, the organizations still face daunting challenges. The democratic transition needs the help of NGOs to orient the public toward a new relationship with government. To fulfill this role, NGOs still have to greatly enhance their capacity to organize and implement programs. Presently a number of public sector organizations, such as the civil service and the state-owned media are very important political organizations whose overall importance may decline as non-governmental organizations grow. Both public and non-governmental institutions must adapt to a changing relationship between government and the governed for the democratic process to be successful.

As developing private sector organizations is important to the growth of the agricultural sector and as developing non-governmental sources of health care is important for the health sector, developing coalition organizations dealing with political concerns is essential to make democracy work.

Third: Civic Education

The lengthy democratization process in Burundi has allowed time for some of the ideas of democracy to take root. This process has been facilitated by a government-organized civic education program including public debates on national unity and the constitution, and public information campaigns on the voting process. Despite these efforts, however, there remains a certain reluctance on the part of many people to participate fully in the new politics. This reticence stems principally from the fact that in Burundi, unlike other transition countries, the democratic transition resulted from a government initiative and not from the pressure of a popular, pro-democracy movement. Although the massive voter turnout in both presidential and parliamentary elections provides a healthy sign of public support for the new form of government, this support may not be deeply ingrained. The civic education base begun by the government needs to be strengthened and updated. A wide range of issues could be covered in a civic education program including representation, accountability, loyal opposition, human rights and the rights and duties of citizens in democracy. Important players in civic education are journalists and the media.

B. RATIONALE: SUSTAINING THE DEMOCRATIC PROCESS

The GRB has embarked on a process of creating a democratic society that will ensure meaningful political participation by all its citizens, lawful governance and strong democratic values. This process is of immense historical significance in a country that has been marked by ethnic tensions and where the minority held power since Independence. Because the success of this transition to democracy will ensure not only political stability but is also a key element in promoting economic growth, USAID/Burundi seeks to support Burundi's efforts to have a more democratic government.

The objective (purpose-level) of the Democracy and Governance Program/Project (695-0133/0134) is to sustain the process of democratic governance in Burundi. This broad objective will be accomplished in several different ways, each seeking to reinforce and strengthen the process of democratic governance.

USAID/Burundi's CPSP clearly notes that this objective is a "target of opportunity". As such, USAID has tried to limit its direct involvement and instead seeks to augment resources of other organizations and programs which directly support achieving the defined objective. The design of the Democracy and Governance Project follows a pattern recurrent throughout much of the Mission's portfolio: (a) strong incentives to government to make political change coupled with (b) support toward making the desired institutional change or adaptation in synchronization with the policy change. The Burundi Enterprise Promotion Program (BEPP), for example, provides a sizeable financial incentive to change policies and the "enabling" or regulatory environment in which the private sector operates. Its companion activity, the Burundi Enterprise Support and Training Project (BEST) supports and facilitates the institutional changes sought within the private sector in relationship to the targeted policy changes.

The D/G Program. The opening of the National Assembly will be an important benchmark event in the progress toward improving democratic governance. Program financing for debt service can be an important incentive for Government to stay the course on its process of transition to democratic governance. If the National Assembly is convened as scheduled, USAID will provide a cash transfer for an estimated \$1 million to be used for external debt service.

The D/G Project. Cognizant of the support which the emerging national democratic institutions require, the project will finance grants to local and international organizations which support this process. Two such sets of activities are contemplated:

C. PROGRAM APPROACH

1. USIA sponsored activities.

One set of activities will be managed by the United States Information Agency (USIA). The USIA activity is aimed at supporting the emergence of basic democratic values of tolerance for diverse opinions, the value of political compromise and peaceful resolution of differences. This activity is a twelve month information, education and communication effort focussed on providing local journalists, parliamentarians and jurists a deeper understanding of the role of journalism, legislature and jurisprudence in a free and open society. USIA will conduct workshops and study tours to the United States for selected Burundian journalists, parliamentarians and jurists. The expected cost of this activity is \$250,000 over a two year period. For year one:

Activity I

Media Workshop (\$30,000): The purpose of this activity is to expose African journalists to American journalistic philosophy. A four-to-five day media workshop to be held in Bujumbura on the topic, "Political Journalism in a Developing Democracy", for

journalists from Burundi and Rwanda is planned. The workshop will be led by a professional journalist with African experience, assisted by a small team of international, professional colleagues. The objective is to highlight American journalistic philosophy but with assistance from African colleagues who are intimately familiar with problems facing African journalists, especially in the Burundi-Rwanda context. Some of the topics to be covered are principles and techniques of covering electoral process and political reporting.

It is expected that at least 40 Burundian and Rwandan journalists would participate in the workshop.

Activity II

Study Tour for Burundian Journalists (\$40,000): The purpose of this activity is to introduce journalism as it is practiced in a free and open society to Burundian journalists.

Four journalists will visit the U.S. under the USIA-managed International Visitors' (IV) program for a period of six weeks to observe the role of the media in politics. They will study the history of the constitutional and legal relationship between the U.S. media and the Federal Government. They will travel to meet staffs of local newspapers, radio and TV stations.

Activity III

Study Tour for Burundian Parliamentarians (\$40,000): The purpose of this activity is to expose how the U.S. legislatures function under the U.S. political system to selected Burundian parliamentarians.

Four Burundian parliamentarians will visit the U.S. under an IV program to observe the functioning of legislatures in the U.S. political system. The deputies will spend about one week in Washington to study the role of the U.S. Congress. They will travel across the country to observe the relationship between Congress-persons and their constituents, the role of state legislatures and the interaction between the legislature and other branches of government at both state and federal levels.

Activity IV

Study Tour for Prosecutors, Lawyers, Academics and Human Rights Experts (\$40,000): The purpose of this activity is for selected Burundians in the legal profession to observe at close range how the justice system works in the U.S..

A Team of four, composed of lawyers, academics, prosecutors and human rights experts will visit the U.S. for a study tour of the U.S. judicial system. Under the USIA-implemented IV program, the Burundians will study the rights of the accused, the responsibilities of the state towards the accused, and the limits of the rights of the prosecution. The team will observe the functioning of both the federal and the state application of these principles in the judicial system.

At the end of the project it is expected that :

- At least 40 journalists will have become familiar with the principles and practices of objective reporting.
- At least 4 journalists will become familiar with the legal relationship between the U.S. media and the federal government.
- At least four parliamentarians will acquire knowledge on how parliamentary democracy is practiced in the U.S.
- At least 4 people from the judicial system in Burundi will have observed at close range the workings of the American judicial system and understand the rights of the accused.

The total A.I.D. contribution for this element is \$250,000 over a two year period, of which \$150,000 is expected to be obligated in FY 1993.

Although the Government of the Republic of Burundi's twenty five percent (25%) contribution has been waived, the GRB shall use its best efforts to provide \$50,000 (of which \$25,000 will be tracked and reported by the GRB for Year One) and consists of in-kind costs of salaries of participants, and some administrative support costs.

The total project cost is \$300,000, of which the total project cost for FY 1993 is estimated at \$175,000.

The project will be implemented by the United States Information Agency (USIA). Funds will be made available to USIA under this project through a PIO/T mechanism. Accounting for project funds will be by the USAID Controller's office.

Primary beneficiaries will be the 40 journalists and the 12 international visitors to the U.S. Secondary beneficiaries are the people and GRB who would gain better insight into the workings of their democratic institutions because of the objective reporting of their journalists and rational actions of their parliamentarians and members of the judicial system.

USAID assistance to Burundi in the area of democratic governance is done in close collaboration and coordination with other donors and the Government of Burundi.

2. NGO/PVO sponsored activities.

The second set of activities will fund U.S. and local NGOs and/or PVOs for democracy education and training, technical assistance, and institutional development for Burundi's legislature and nascent public interest groups. This Project element will focus primarily on three areas related to strengthening democratic processes over a twenty-four month period. The first element of the grant seeks to work with parliamentarians through structured workshops and seminars on (a) parliamentary procedures, (b) defining national

issues and approaches to dealing with such issues such as military, economic and judicial reforms and (c) developing consultative mechanisms with non-governmental organizations such as church and student organizations and opposition groups. The second element of the grant seeks to strengthen non-governmental organizations that support and facilitate improving the political process. Assistance provided by the grant are typical institutional development techniques such as leadership development, organizational development, networking etc. The third element of the grant would provide contributions to the civic education programs of local NGOs targeted to improving democratic governance. Such civic education programs would probably include those of a number of NGOs dealing with subjects such as protection of human rights, the rights and duties of citizens in a democratic society, and the role of journalists in strengthening the democratic process. The total A.I.D. contribution for this element is \$750,000 over a two year period, of which \$490,000 is expected to be obligated in FY 1993.

III. RELATIONSHIP TO AID STRATEGY AND DFA GUIDELINES

The Program/Project directly responds to the target of opportunity set forth in the Mission's country development strategy approved in December, 1992 which calls for U.S. support for democratic elections, a free press and promotion of civil and political rights.

The Program/Project consistent with the Agency's DFA Action Plan. Specifically it responds to DFA targets 1-1, and 1-3: Improved stability of African economies, and improved equity and efficiency in providing key public services.

IV. IMPLEMENTATION ARRANGEMENTS

A. PERFORMANCE DISBURSEMENT/CASH TRANSFER

Upon the successful opening of the recently elected National Assembly USAID will disburse an estimated \$1 million U.S. dollars to the Government of Burundi. The \$1.0 million cash sector grant will be used by the GRB for servicing external debt. Approval to use the disbursement for debt servicing will be based on an order-of-preference, as follows:

1. Debt to the U.S. Government;
2. Debt to approved multilateral donors; and

Since the GRB does not have any outstanding debt to the U.S. Government, USAID anticipates that the entire sector cash grant will be used to repay multilateral debt in category "B" above. Such was the case for the first three years under BEPP, where debt to the following organizations was serviced: the International Development Association (IDA), the African Development Bank (AFDB), the African Development Fund (AFDF), and the European Bank for Investment (BEI).

USAID/Burundi uses cash transfers for external debt services in other areas of its program. The Democracy and Governance program will use the same disbursement

mechanism (i.e U.S. bank account into which the disbursement is made and from which subsequent debt servicing payments are made to eligible lenders.

A revision of the debt servicing schedule for the above lending institutions indicates that \$18.2 million in foreign exchange will be required during calendar year 1994, as shown in the table below:

Debt Servicing Schedule, Selected Lending Institutions (1/94 - 12/94) (in \$000, or equivalent)	
Lending Institution	Total (million)
IDA	6,738
AFDB	7,670
AFDF	2,834
IFAD	955
TOTAL	18,197

Source: National Bank of Burundi, GRB Ministry of Finance

Language regarding audit coverage of the performance disbursement will be incorporated into the Program Grant Agreement to make it consistent with revised audit guidance for project assistance to ensure conformance with (1) the Inspector General's Act of 1988, as amended, and (2) OMB Circular A-73, as amended, which provides that primary responsibility for audits rests with recipient organizations and that federal agencies will rely on recipient audits provided they are in accordance with U.S. Government auditing standards and otherwise meet the requirements of the federal agencies.

B. GRANTS TO USIA AND TO NGOS TO SUPPORT THE DEMOCRATIC PROCESS

At present, one proposal have been received, reviewed and approved for funding if such funding becomes available this fiscal year. This is for \$150,000 to USIA for democracy and governance workshops and study tours. Funds will be transferred to USIA through an Inter-Agency Agreement pursuant to 31 U.S.C., 1535.

A Cooperative Agreement will be executed with at least one major U. S. qualified NGO. At this time at least one additional proposal is anticipated. This is from The National Democratic Institute.

Should the need for additional funds become apparent and funding is made available, an NGO democracy and governance grant review board will be established to receive, review and make recommendation for funding proposals received from local and/or international NGOs.

V. PROPOSED ILLUSTRATIVE BUDGET**A. PROJECT BUDGET**

BY PROJECT ELEMENT	YEAR I	YEAR II	LOP
1. USIA Managed Activity			
Journalism Workshop	\$30,000	\$20,000	\$50,000
Study tour for Burundian Journalists	\$40,000	\$20,000	\$60,000
Study tour for Burundian Parliamentarians	\$40,000	\$30,000	\$70,000
Study tour of Burundi Judicial Experts	\$40,000	\$30,000	\$70,000
Subtotal A.I.D. Contribution	\$150,000	\$100,000	\$250,000
Subtotal GRB Contribution*	\$25,000	\$25,000	\$50,000
Total USIA Managed Activity	\$175,000	\$125,000	\$300,000
2. NGO Component	\$490,000	\$260,000	\$750,000
Subtotal NGO Component	\$490,000	\$260,000	\$750,000
TOTAL PROJECT BUDGET	\$665,000	\$385,000	\$1,050,000

BY FUNDING SOURCE	YEAR I	YEAR II	LOP
USAID	\$640,000	\$360,000	\$1,000,000
GRB*	\$25,000	\$25,000	\$50,000
GRAND TOTAL	\$665,000	\$385,000	\$1,050,000

* Action Memo dated 09/21/93 has waived the required 25% counterpart contribution. However, the GRB shall use its best efforts to provide \$50,000 which they will track and report on.

B. ESF CASH TRANSFER

	YEAR I	YEAR II	LOP
ESF Cash Transfer	\$1,000,000	\$0	\$1,000,000

VI. MONITORING AND EVALUATION

As this program is a "window of opportunity" rather than a "strategic objective" of the USAID/Burundi program, there will be much less attention given to monitoring and evaluation. Having said that, however, there are a few critical points that will be monitored, including:

- continued commitment of the government to the democratic process;
- budget of the operations of the National Assembly;
- NGO involvement in the political process.

Evaluation. An end of project evaluation will be conducted using additional project funds if such become available or PD and S funds.

Audits and Inspections:

PROGRAM COMPONENT: For the Program component of the Democracy and Governance Program, the Program Grant Agreement shall specify that the Grantee shall maintain, or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, such books and records relating to the Program as are necessary to show adequately, without limitation, deposit(s) into and withdrawals from the Special Dollar Account, as well as general compliance with the Program Grant Agreement. Such books and records will be audited annually and in accordance with generally accepted auditing standards, and shall be maintained for three (3) years after the date of the last disbursement of the Dollar Grant.

The Grantee shall be required to provide quarterly reports on deposits into and disbursements out of the Special Dollar Account, monthly bank account statements, and any other supporting documentation which A.I.D. may, from time to time, reasonably request from the Grantee relating to the uses financed by the Special Dollar Account. Further, the Grantee shall agree to permit authorized representatives of A.I.D. the opportunity, at all reasonable times, to inspect the books, records, and other documentation relating to the Program.

PROJECT COMPONENT: The Grantee shall agree to maintain accounting books, records, documents and other evidence relating to the Project in accordance with the requirements set forth in Section Q of the Standard Provisions of the Limited Scope Grant Agreement. However, it is envisaged that the assistance being provided under the Project component shall actually be delivered through an Inter-Agency Agreement with USIA and through a grant or cooperative agreement with a registered U.S. PVO. USIA and the PVO(s) shall at their option, and with approval from A.I.D., maintain project books and records in accordance with one of the following methods: (1) generally accepted accounting principles prevailing in the United States; (2) generally accepted accounting principles prevailing in Burundi; (3) accounting principles prescribed by the International

ANNEX I

Initial Environmental Examination

SEP-09-1993 14:11 FROM

16

TO

Burundi P.02

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INITIAL ENVIRONMENTAL EXAMINATION

PROJECT COUNTRY: Republic of Burundi

PROJECT TITLE: DEMOCRACY AND GOVERNANCE PROGRAM
(695-0134) and PROJECT (695-0133)

FUNDING: LOP \$2,000,000 - Two Years
FY 1993 \$1,640,000

IEL PREPARED BY: Janet Schulman, S/PDO
USAID/Burundi

ACTION RECOMMENDED:

Positive Determination _____
 Negative Determination _____
 Categorical Exclusion _____ **X** _____
 Deferral _____

SUMMARY OF FINDINGS:

The activities described in this Program/Project qualify for Categorical Exclusion under the provisions of USAID environmental procedures as set forth in section 216.2(c)(2)(1) of A.I.D. Regulation 16 (22 C.F. R. 216.2(c)(2)(1)). The reviewer recommends that the Program/Project receive Categorical Exclusion on condition that the action specified be carried out, as described, during the course of the Program/Project implementation.

Concurrence:

John J. Gurdet
Bureau Environmental Officer

Approved: _____ ✓
Disapproved: _____
Date: 9/2/93

Clearance:

GC/AFR: *[Signature]* Date: 9/6/93

PROJECT DESCRIPTION

The Democracy and Governance Program/Project is recommended for a Categorical Exclusion because the Program/Project has no component which would directly affect the environment. Threatened and endangered species or critical habitats will not be affected by proposed project activities. The Program consists of a ESF \$1,000,000 cash transfer to the GRB for balance of payment assistance in support of smooth transfer of political power through elections from the minority to the majority.

The Project consists of two components. The first component comprises a number of training activities to be managed by the United States Information Agency. For the first year there will be four distinct activities, 1) a media workshop in Burundi for journalists, 2) a study tour of Burundian journalists to the United States, 3) a study tour for parliamentarians to the United States, and 4) a study tour for prosecutors, lawyers, academics, and human rights experts to the USA. These interventions are intended to promote respectively: 1) more objective reporting, 2) a better understanding of the legal issues between government and the media, 3) a better understanding of how parliamentary democracy can be practiced, and 4) a better understanding of how a criminal judicial system can protect the rights of the accused. Similar training activities will be developed in succeeding years.

The second Project Component consists of support and training to strengthen democratic institutions and community participation in these democratic institutions. These activities and programs will be undertaken by international and local Non-Governmental Organizations (NGOs).

The activities described in this Program/Project qualify for Categorical Exclusion under the provisions of USAID environmental procedures as set forth in Section 216.2(c)(2)(i) of A.I.D. Regulation 16 (22 C.F. R. 216.2(c)(2)(i)). The reviewer recommends that the Program/Project receive Categorical Exclusion on condition that the action specified be carried out, as described, during the course of the Program/Project implementation.

ANNEX II

ESF Allowance cable State 93 2852132

UNCLASSIFIED

18a

STATE 285213

Annex II
Page 19

ACTION AID-3 INFO CHG

VECECJ00470
FM BUENOS
DE BUENOS #5213 2602154
ZNR UUUUU 024
R 172155Z SEP 93
FM SECRETARY WASHDC
TO BUENOS/AMEMBASSY BUJUMBURA PRIORITY 1102
BUENOS/AMEMBASSY NAIROBI PRIORITY 0920
BT
UNCLAS STATE 285213

LOC: BU
20 SEP 93
CP: 02410
CHRG: AID
DIST: AID

AIDAC

I.C. 12356: N/A
TAGS:
SUBJECT: ESF ALLOWANCE - BURUNDI

1. APPROPRIATION 72-113/41037, BUDGET PLAN CODE GES3-93-31695-KG19 ESTABLISHED FOR DOLLARS 1,222,000 FOR PROJECT 695-0133 DEMOCRATIC GOVERNANCE PROJECT. (NPA).

2. PLEASE ADVISE AFR/DF/PAS BY CABLE WHEN THESE FUNDS HAVE BEEN OBLIGATED.

3. FA/A/PNP HEREBY RESERVES DOLLARS 1,000,000 FOR PROJECT 695-0133/PAAD NUMBER 695-T-602.

4. FUNDS FOR PROJECT 695-0133 CANNOT BE OBLIGATED UNTIL C HAS EXPIRED AND PAAD IS AMENDED. PLEASE USE PAAD NUMBER 695-T-602 ON ALL DOCUMENTS.

5. MISSION IS REQUIRED TO NOTIFY FM/A/PNP AND AFR/DF/PAS BY IMMEDIATE CABLE WHEN THESE FUNDS ARE OBLIGATED. INCLUDE IN THE CABLE WHO SIGNED THE AGREEMENT FOR THE HOST COUNTRY AND USE THE DATE FUNDS WERE OBLIGATED AND THE EXACT AMOUNT OBLIGATED. FORWARD SIGNED COPIES OF PAAD 695-T-602.

PLEASE NOTE THAT FAILURE TO NOTIFY AID/W COULD RESULT IN FUNDS NOT BEING OFFICIALLY RECORDED AS AN OBLIGATION.

CHRISTOPHER
BT
#5213

NNNN

USAID/BURUNDI		
DATE REC'D	20 SEP 1993	
	ACTION	INFO
DIRECTOR	<input checked="" type="checkbox"/>	
S/PDO		
PDO		<input checked="" type="checkbox"/>
APED		
AGE		
PRE		
PROG		<input checked="" type="checkbox"/>
TRN		
HPN		
CCCD		
CONT		<input checked="" type="checkbox"/>
B&F		
S/EXO		
GSO		
READING FILE		
RET. TO C.A.		
DUE DATE		
ACTION TAKEN, DATE		
Signature:		

UNCLASSIFIED

STATE 285213

ANNEX III

3M(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to the eligibility of countries to receive the following categories of assistance: (A) both Development Assistance and Economic Support Funds; (B) Development Assistance funds only; or (C) Economic Support Funds only.

A. COUNTRY ELIGIBILITY CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUND ASSISTANCE

1. Narcotics Certification

(FAA Sec. 490): (This provision applies to assistance provided by grant, sale, loan, credit, guaranty, or insurance, except assistance relating to international narcotics control, disaster and refugee relief assistance, narcotics related assistance, or the provision of food (including the monetization of food) or medicine, and the provision of non-agricultural commodities under P.L. 480. This provision also does not apply to assistance for child survival and AIDS programs which can, under section 542 of the FY 1993 Appropriations Act, be made available notwithstanding any provision of law that restricts assistance to foreign countries.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government):

(1) Has the President in the April 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 calendar days, of a resolution disapproving such a certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals and objectives established by the U.N. Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or that (b) the vital national interests of the United States require the provision of such assistance ?
NA

(2) with regard to a major illicit drug producing or drug-transit country for which the President has not certified on April 1, has the President determined and certified to Congress on any other date (with enactment by Congress of a resolution approving such certification) that the vital national interests of the United States require the provision of assistance, and has also certified that (a) the country has undergone a fundamental change in government, or (b) there has been a fundamental change

in the conditions that were the reason why the President had not made a "fully cooperating" certification. NA

2. **Indebtedness to U.S. citizens** (FAA Sec. 620 (c): if assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where: (a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity? NO

3. **Seizure of U.S. Property** (FAA Sec. 620 (e) (1): If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? NO

4. **Communist countries** (FAA Secs. 620 (a), 620 (f), 620D; FY 1993 Appropriations Act Secs. 512, 543): Is recipient country a Communist Country? If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, Iran or Syria? Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan? NO

5. **Mob Action** (FAA Sec. 620 (j)): Has the country permitted or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? NO

6. **OPIC Investment Guaranty** (FAA Sec. 620 (l) : Has the country failed to enter into an investment guaranty agreement with OPIC? NO

7. **Seizure of U.S. Fishing Vessels** (FAA Sec. 620 (o); Fishermen's Protective Act of 1967 (as amended) Sec. 5): (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made? (a) NO (b) NO

8. **Loan Default** (FAA Sec. 620 (q); FY 1993 Appropriations Act Sec. 518 (Brooke Amendment)): (a) Has the government of the recipient country been in default for more than six months on

interest or principal of any loan to the country under the FAA?
(b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds? (a) NO (b) NO

9. **Military Equipment (FAA Sec. 620 (s)):** If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo : "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.) YES

10. **Diplomatic Relations with U.S. (FAA Sec. 620 (t)):** Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption? NO

11. **U.N. Obligations (FAA Sec. 620 (u)):** What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.) (a) GOOD (b) NA

12. **International Terrorism**

a. **Sanctuary and support (FY 1993 Appropriations Act Sec. 554; FAA Sec. 620A):** Has the country been determined by the President to: (a) grand sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons? (a) NO, (b) NO

b. **Airport Security (ISDCA of 1985 Sec. 552 (b)).** Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115 (e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? NO

13. **Discrimination (FAA Sec. 666 (b)):** Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? NO

14. **Nuclear Technology (FAA Secs. 669, 670):** Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan). NO

15. **Algiers Meeting (ISDCA of 1981, Sec. 720):** Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on September 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.) NO

16. **Military Coup (FY 1993 Appropriations Act Sec. 513):** Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? (a) NO, (b) NO

17. **Refugee Cooperation (FY 1993 Appropriations Act Sec. 538):** Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating, lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? YES

18. **Exploitation of Children (FAA Sec. 116 (b)):** Does the recipient government fail to take appropriate and adequate measures, within its means, to protect children from exploitation, abuse or forces conscription into military or paramilitary services? NO

B. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO DEVELOPMENT ASSISTANCE ("DA")

1. **Human Rights Violations (FAA Sec. 116):** Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy? The State Department has not determined that Burundi has engaged in

a consistent pattern of gross violations of internationally recognized human rights.

2. Abortions (FY 1993 Appropriations Act Sec. 534): Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? N/A

C. COUNTRY ELIGIBILITY CRITERIA APPLICABLE ONLY TO ECONOMIC SUPPORT FUNDS ("ESF")

Human Rights Violations (FAA Sec. 502B): Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest? NO

3M(2)- ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE: IS COUNTRY CHECKLIST UP TO DATE ?

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. Host Country Development Efforts (FAA Sec. 601 (a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions. N/A

2. U.S. Private Trade and Investment (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). NA

3. Congressional Notifications

a. General requirement: (FY 1993 Appropriations Act Sec. 522; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless Appropriations Act notification requirement has been waived because of substantial risk to human health or welfare)? YES

b. Notice of new account obligation: (FY 1993 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures? NA

c. **Cash transfers and nonproject sector assistance:** (FY 1993 Appropriations Act Sec. 571(b) (3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic policy reforms to be promoted? YES

4. **Engineering and Financial Plans** (FAA Sec. 611(a): Prior to an obligation in excess of \$500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? (a) NO (b) YES

5. **Legislative Action** (FAA Sec. 611 (a)(2): If legislative action is required within recipient country with respect to an obligation in excess of \$500,000, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? NA

6. **Water Resources** (FAA Sec. 611(b); FY 1993 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) NA

7. **Cash Transfer and Sector Assistance** (FY 1993 Appropriations Act Sec. 571(b): will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)? YES

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? NA

9. **Multiple Country Objectives** (FAA Sec. 601 (a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. N/A. The project is a Democracy and Governance related activity and is expected to have a direct impact on strengthening democratic institutions.

10. U.S. Private Trade (FAA Sec. 601 (b)): Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). NA

11. Local Currencies

a. Recipient Contributions (FAA Secs. 612 (b), 636 (h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. N/A.

b. U.S.-Owned Currency (FAA Sec. 612 (d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? NA

c. Separate Account (FY 1993 Appropriations Act Sec. 571). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:

(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account? N/A.

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government? NA

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes? NA

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government? NA

12. Trade Restrictions

a. Surplus Commodities (FY 1993 Appropriations Act Sec. 520 (a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes

operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? NA

b. **Textiles (Lautenberg Amendment)** (FY 1993 Appropriations Act Sec. 520 (c)): will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? NA

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533 (c)(3) (as referenced in section 532 (d) of the FY 1993 Appropriations Act): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas? NA

14. **PVO Assistance**

a. **Auditing and registration** (FY 1993 Appropriations Act Sec. 536): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? YES

b. **Funding sources** (FY 1993 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? NA

15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the Project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, appendix 6G for agreements covered by this provision). N/A

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending metric conversion Act of 1975 Sec. 2, and is implemented through A.I.D. policy): does the assistance activity use the metric system of measurement in its procurement, grants, and other business-

related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? NA

17. Women in development (FY 1993 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased? The D/G activities will involve all sector of the population and since women comprise more than 50% of the Burundi population, its objective will only be achieved through a large and active participation of women in the different activities.

18. Regional and Multilateral Assistance (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs. NA

19. Abortions (FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 524):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion of involuntary sterilization? NO

b. Will any funds be used to lobby for abortion? NO

20. Cooperatives (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life? NA

21. U.S.-Owned Foreign Currencies

a. Use of currencies (FAA Secs. 612 (b), 636 (h); FY 1993 Appropriations Act Secs. 507, 509): Are steps being taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services? NA

b. Release of currencies (FAA Sec. 612 (d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? NA

22. Procurement

a. **Small business** (FAA Sec. 602 (a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?
NA

b. **U.S. procurement** (FAA Sec. 604 (a) as amended by section 597 of the FY 1993 Appropriations Act): will all procurement be from the U.S., the recipient country, or developing countries except as otherwise determined in accordance with the criteria of this section? **YES**

c. **Marine insurance** (FAA Sec. 604 (d): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? **NA**

d. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) **NA**

e. **Construction or engineering services** (FAA Sec. 604 (g)) : Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) **NA**

f. **Cargo preference shipping** (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? **NO**

g. **Technical assistance** (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? **YES**

h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? **YES**

i. Termination for convenience of U.S. Government (FY 1993 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? **NA**

j. Consulting services (FY 1993 Appropriations Act Sec. 523): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive Order)? **NA**

k. Metric conversion (Omnibus Trade Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurement, grants and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the early documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage? **NA**

l. Competitive Selection Procedures (FAA Sec. 601 (e): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? **YES**

23. Construction

a. Capital project (FAA Sec. 601 (d): If capital (a.g., construction) project, will U.S. engineering and professional services be used? **NA**

b. Construction contract (FAA Sec. 611 (c): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? **NA**

c. Large projects, Congressional approval (FAA Sec. 620 (k): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt

that were described in the Congressional Presentation), or does assistance have the express approval of Congress? NA

24. U.S. Audit Rights (FAA Sec. 301 (d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? NA

25. Communist Assistance (FAA Sec. 620 (h)). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the Foreign aid projects or activities of the Communist-bloc countries? NA

26. Narcotics

a. Cash reimbursements (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? NA

b. Assistance to narcotics traffickers (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? NA

27. Expropriation and Land Reform (FAA Sec. 620 (g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? NA

28. Police and Prisons (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? NA

29. CIA Activities (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? NA

30. Motor Vehicles (FAA Sec. 636 (i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? NA

31. Military Personnel (FY 1993 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? NA

- 32. Payment of U.N. Assessments (FY 1993 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? NA**
- 33. Multilateral Organization Lending (FY 1993 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209 (d) (transfer of FAA funds to multilateral organizations for lending)? YES**
- 34. Export of Nuclear Resources (FY 1993 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? NA**
- 35. Repression of Population (FY 1993 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? NA**
- 36. Publicity of Propaganda (FY 1993 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? NA**
- 37. Marine Insurance (FY 1993 Appropriations Act Sec. 560): Will any A.I.D. contract and solicitation, and subcontract entered into such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate? NA**
- 38. Exchange for Prohibited Act (FY 1993 Appropriations Act Sec. 565): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law? NO**
- 39. Commitment of Funds (FAA Sec. 635(h)): Does a contract or agreement entail a commitment for the expenditures of funds during a period in excess of 5 years from the date of the contract or agreement? NO**
- 40. Impact on U.S. Jobs (FY 1993 Appropriations Act, Sec. 599):**
- (a) Will any financial incentive be provided to a business located in the U.S. for the purpose of inducing that business to relocate outside the U.S. in a manner that would likely reduce the number of U.S. employees of that business? NO**

(b) Will assistance be provided for the purpose of establishing or developing an export processing zone or designated area in which the country's tax, tariff, labor, environment, and safety laws do not apply? If so, has the President determined and certified that such assistance is not likely to cause a loss of jobs within the U.S. ? NO

(c) Will assistance be provided for a project or activity that contributes to the violation of internationally recognized workers rights, as defined in section 502(a)(4) of the Trade Act of 1974, of workers in the recipient country? NO

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

1. **Agricultural Exports (Bumpers Amendment) (FY 1993 Appropriations Act Sec. 521 (b), as interpreted by conference report for original enactment):** If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers? NA

2. **Tied Aid Credits (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund"):** Will DA funds be used for tied aid credits? NA

3. **Appropriate Technology (FAA Sec. 107):** Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? NA

4. **Indigenous Needs and Resources (FAA Sec. 281 (b)):** Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in government and political processes essential to self-government. The D/G Program objective is to sustain the process of democratic governance in Burundi. Achieving the objective of the project will allow the host government to have a politically educated population as well as political institutions that are better performing their intended role in a democratic process.

5. **Economic Development (FAA Sec. 101 (a)):** Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? **NA**

6. **Special Development Emphases (FAA Secs. 120 (b), 113, 281 (a)):** Describe extent to which activity will: (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries. **NA**

7. **Recipient Country Contribution (FAA Secs. 110, 124(d)):** Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? **YES. Burundi is meeting its required 25% host country contribution under the Project.**

8. **Benefit to Poor Majority (FAA Sec. 128 (b)):** If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? **YES**

9. **Abortions (FAA Sec. 104 (f); FY 1993 Appropriations Act, Title II, under heading "Population, DA," and Sec. 534):**

a. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions? **NA**

b. Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations? **NA**

c. Are any of the funds to be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization? **NA**

d. Will funds be made available only to voluntary family planning projects which offer, either directly or through

referral to, or information about access to, a broad range of family planning methods and services? NA

e. In awarding grants for natural family planning, will any applicant be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning? NA

f. Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning? NA

g. Are any of the funds to be made available to any organization if the President certifies that the use of these funds by such organization would violate any of the above provisions related to abortions and involuntary sterilization? NA

10. **Contract Awards (FAA Sec. 601 (e)):** Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? NA

11. **Disadvantaged Enterprises (FY 1993 Appropriations Act Sec. 563):** What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? NA

12. **Biological Diversity (FAA Sec. 119 (g)):** Will the assistance: (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient country worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? NA

13. **Tropical Forests (FAA Sec. 118; FY 1991 Appropriations Act Sec. 533 (c) as referenced in section 532(d) of the FY 1993 Appropriations Act):**

a. **A.I.D. Regulations 16 :** Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16?
YES

b. Conservation: Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (1) stress the importance of conserving and sustainably managing forest resources; (2) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (3) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (4) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (5) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (6) conserve forested watersheds and rehabilitate those which have been deforested; (7) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (8) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss or degradation; (9) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (10) seek to increase the awareness of U.S. Government agencies and other donors of the immediate and long-term value of tropical forests; (11) utilize the resources and abilities of all relevant U.S. government agencies; (12) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land; and (13) take full account of the environmental impacts of the proposed activities on biological diversity? NA

c. Forest degradation: Will assistance be used for: (1) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; (2) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas; (3) activities which would result in the conversion of forest lands to the rearing of livestock; (4) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undergraded forest lands; (5) the colonization of forest lands; or (6) the construction of dams or other water control structures which flood relatively undergraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and

directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? NA

d. **Sustainable forestry:** If assistance relates to tropical forests, will project assist countries in developing a systematic analysis of the appropriate use of their total tropical forest resources, with the goal of developing a national program for sustainable forestry? NA

e. **Environmental impact statements:** Will funds be made available in accordance with provisions of FAA Section 117 (c) and applicable A.I.D. regulations requiring an environmental impact statement for activities significantly affecting the environment? NA

14. **Energy (FY 1991 Appropriations Act Sec. 533 (c) as referenced in section 532(d) of the FY 1993 Appropriations Act):** If assistance relates to energy, will such assistance focus on: (a) end-use energy efficiency, least-cost energy planning, and renewable energy resources, and (b) the key countries where assistance would have the greatest impact on reducing emissions from greenhouse gases? NA

15. **Debt-for-Nature Exchange (FAA Sec. 463):** If project will finance a debt-for-nature exchange, describe how the exchange will support protection of: (a) the world's oceans and atmosphere, (b) animal and plant species, and (c) parks and reserves; or describe how the exchange will promote: (d) natural resource management, (e) local conservation programs, (f) conservation training programs, (g) public commitment to conservation, (h) land and ecosystem management, and (i) regenerative approaches in farming, forestry, fishing and watershed management. NA

16. **Deobligation/Reobligation (FY 1993 Appropriations Act Sec. 515):** If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same region as originally obligated, and have the House and Senate Appropriations Committees been properly notified? NA

17. Loans

a. **Repayment capacity (FAA Sec. 122 (b)):** Information and conclusion on capacity of the country to repay the loan at reasonable rate of interest. NA

b. **Long-range plans (FAA Sec. 122 (b)):** Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities? NA

c. **Interest rate (FAA Sec. 122 (b)):** If development loan is repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? NA

d. **Exports to United States (FAA Sec. 620 (d)):** If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest? NA

18. **Development Objectives (FAA Secs. 102 (a), 111, 113, 281(a)):** Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries? The D/G program will support points (2), (3) and (4).

19. **Agriculture, Rural Development and Nutrition, and Agricultural Research (FAA Secs. 103 and 130A):**

a. **Rural poor and small farmers:** If assistance is being made available for agriculture, rural development or nutrition, describe extent to which activity is specifically designed to increase productivity and income of rural poor; or is assistance being made available for agricultural research, has account been taken of the needs of small farmers, and extensive use of field testing to adapt basis research to local conditions shall be made. NA

b. **Nutrition:** Describe extent to which assistance is used in coordination with efforts carried out under FAA Section 104 (Population and Health) to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people. NA

c. **Food Security:** Describe extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national foods reserves, expanding available storage facilities, reducing post harvest foods losses, and improving food distribution. NA

20. **Population and Health (FAA Secs. 104 (b) and (c):** If assistance is being made available for population or health activities, describe extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach. NA

21. **Education and Human Resources Development (FAA Sec. 105):** If assistance is being made available for education, public administration, or human resource development, describe (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities. NA

22. **Energy, Private Voluntary Organizations, and Selected Development Activities (FAA Sec. 106):** If assistance is being made available for energy, private voluntary organizations, and selected development problems, describe extent to which activity is:

a. concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment; NA

b. concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations; NA

c. research into, and evaluation of, economic development processes and techniques; NA

d. reconstruction after natural or manmade disaster and programs of disaster preparedness; NA

e. for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance; NA

f. for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development. NA

23. Capital Projects (Jobs Through Export Act of 1992, Secs 303 and 306(d): If assistance is being provided for a capital project, is the project developmentally sound and will the project measurably alleviate the worst manifestations of poverty or directly promote environmental safety and sustainability at the community level? NA

C. CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. Economic and Political stability (FAA Sec. 531 (a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? YES

2. Military Purposes (FAA Sec. 531 (e)): Will this assistance be used for military or paramilitary purposes? NO

3. Commodity Grants/Separate Accounts (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).) NA

4. Generation and Use of Local Currencies (FAA Sec. 531 (d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1993, this provision is superseded by the separate account requirements of FY 1993 Appropriations Act Sec. 571(a), see Sec. 571(a)(5).) NA

5. Cash Transfer Requirements (FY 1993 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 571 (b). If assistance is in the form of a cash transfer:

a. Separate account: Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? YES

b. **Local currencies:** Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the term and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements? **NA**

c. **U.S. Government use of local currencies:** Will all such local currencies also be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, or to carry out development assistance (including DFA) or ESF purposes? **NA**

d. **Congressional notice:** Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance? **YES**

6. **Capital Projects (Jobs Through Exports Act of 1992, Sec. 306, FY 1993 Appropriations Act, Sec. 595):** If assistance is being provided for a capital project, will the project be developmentally-sound and sustainable, i.e., one that is (a) environmentally sustainable, (b) within the financial capacity of the government or recipient to maintain from its own resources, and (c) responsive to a significant development priority initiated by the country to which assistance is being provided. (Please note the definition of "capital project" contained in section 595 of the FY 1993 Appropriations Act.) **NA**

ANNEX IV

**Action Memorandum approving
25 percent Host-Country contribution**



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: AFR/EA, George Lewis, (Acting) 

SUBJECT: Burundi Democracy and Governance Project (695-0133);
Request for Waiver of 25 Percent Host-Country
Contribution Requirement

Action Requested: Your approval is requested to waive the requirement that Burundi contribute at least 25 percent of total project costs as specified in section 110 of the Foreign Assistance Act of 1961, as amended, for the subject project.

Country:	Burundi
Program Name:	Democracy and Governance Program
Program Number:	695-0134 NPA; 695-0133 PA
Life of Program Funding:	\$2,000,000
Source of Funding:	Development Fund for Africa-(PA) Economic Support Fund-(NPA)

Discussion:

- A. Section 110 of the Foreign Assistance Act of 1961, as amended (FAA) provides that: "No assistance shall be furnished by the United States Government to a country under Sections 103 through 106 of this Act until the country provides assurances to the President, and the President is satisfied, that such country provide at least 25 percent of the costs of the entire program, project, or activity with respect to which such assistance is to be furnished, except that such costs borne by such country may be provided on an "in-kind" basis. The Section 110 requirement applies only to the DFA-funded project component, but not to the ESF funds in the NPA component. Thus, this waiver covers only the \$1 million project assistance component.
- B. FAA section 124(d) authorizes a waiver, on a case-by-case basis, of the requirement of FAA Section 110 for projects or activities in "relatively least developed" countries. Burundi is considered to be a relatively least developed country based on the list established by the United Nations General Assembly.

Annex IV

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- C. A.I.D. regulations implementing FAA Section 110 and 124(d) are set forth in A.I.D. Handbook 3, Chapter 3, Appendix 2G-6. With respect to the exercise of the waiver authority, Appendix 2G, Section E2b provides that it is reasonable to conclude that granting of a waiver is permissible whenever the initiation and execution of an otherwise desirable project is handicapped seriously by the 25 percent contribution requirement. The Mission has concluded that this project would be handicapped seriously by the 25 percent contribution requirement.
- D. Appendix 2G sets forth general considerations which should be taken into account in determining when a waiver of FAA Section 110 would be appropriate. Considerations relating to financial constraints, country commitment, and the nature of the project are addressed below.

Financial Constraints: By its inclusion on the UNGA list of "relatively least developed countries" Burundi is acknowledged to be among the poorest countries in the world and among the countries most deserving of assistance, especially for undertaking activities to improve the general economic situation and the standard of living, particularly in rural areas. Since 1986, the government has been following a major IMF/IBRD reform program to bring the economy out of a period of serious decline. One of the macroeconomic targets for the IMF/IBRD is a reduction in the budget deficit, excluding grants, from 13 percent in 1991 to 6.8 percent of GDP by 1994. The reduction of the public deficit will obviously include cuts in public expenditures. Any significant contribution made by the GRB to this project will increase the size of the budget cuts which will have to be taken to be in conformance with the GRB commitments.

Nature of the Project: The Democracy and Governance Program provides a strong incentive to the GRB to create a National Assembly. Elections were held in June 1993 and the National Assembly is scheduled to convene this fall. Project funds will be used to promote and support a peaceful change of government by undertaking specific activities in training, strengthening political awareness and the effectiveness of community and governance-related groups.

The DFA funded Project consists of two components. The first component comprises a number of training activities designed to promote: 1) more objective reporting; 2) a better understanding of the legal issues between the government and the media; 3) a better understanding of how a criminal judicial system can protect the rights of the accused.

The second Project component consists of support to activities that strengthen and expand the democratic process. These activities will be implemented by international and local Non-Governmental Organizations (NGOs) or Private Voluntary Organizations (PVOs). Examples include programs to promote and sustain a peaceful change of government; democracy education and training for members of the legislative, judiciary and executive branches of government. Because much of the project includes expensive foreign TA, it is unreasonable to expect Burundi to measure the contribution by the same standard.

Country Commitment: Over the past two years, the GRB has promulgated a National Unity Charter to mitigate ethnic tensions, adopted a new voter-approved Constitution and has instituted multi-party politics. In 1993, Burundi successfully conducted presidential and legislative elections in which voters freely elected an opposition party and mandated a change in government.

The new President is committed to the democratic process. This will be demonstrated by convening the new National Assembly, and the creation of a viable, legislative institution. The host country contribution is estimated at \$50,000 of in-kind salary costs for parliamentarians or 2.4 percent of total Life of Project Funds of \$1,050,000. Additionally, since Section 110 includes contributions from the host country, not just from the host government, there may be contributions from NGOs as specific subactivities are identified.

Authority: Under Section 4 of Delegation 403, dated December 13, 1976, the authority of the Administrator to waive the cost-sharing requirements of FAA Section 110(a) was delegated to the Assistant Administrator for Africa for projects or activities in countries on the UNGA and UNCTAD lists of "relatively least developed countries". That section provides that while the authority may not be redelegated it may be exercised by a Deputy Assistant Administrator having "alter ego" authority or by a person performing the functions in an "Acting" capacity.

Recommendation: That you sign below to waive the FAA Section 110 requirement for a Burundi contribution of at least 25 percent of the total funding for the Burundi Democracy and Governance Project (695-0133), subject to the requirement that Burundi make the contribution specified above.

Approved: 

Disapproved: _____

Date: 9/21/93

ANNEX V

Action Memorandum for Cash Transfer



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

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ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR FOR AFRICA

FROM: George Lewis, AFR/EA (Acting) 

SUBJECT: DEMOCRACY AND GOVERNANCE PROGRAM (695-0133/PA & 695-0134/NPA) in Burundi.

Problem: Your approval is required to (1) utilize a cash transfer mechanism to implement the Democracy and Governance Program in support of the Government of Burundi's (GRB) efforts to establish enduring democratic political practices, institutions and values; and (2) use the cash proceeds to service debt owing to multilateral development banks and the IMF.

Discussion: The GRB has embarked on a process of creating a democratic society that will ensure meaningful political participation by all its citizens, lawful governance and strong democratic values. Progress in the past two years has been significant. For example, a National Unity Charter has been adopted, and multiparty politics have been newly encouraged. A free and fair presidential election was held June 1 and a challenger displaced the incumbent. Successful legislative elections were held June 29. This process of creating a democratic society is of immense historical significance in a country that has been marked by ethnic tensions and where a minority has held power since independence. The success of this process will ensure not only political stability but also support economic stability. Thus, USAID/ Burundi, through this Program, seeks to support and sustain Burundi's efforts to build a more democratic society.

The Mission had originally designed a program of activities to provide training and support for the electoral process. With the successful conclusion of elections and a peaceful change of government, the planned program has been expanded to signal USG acknowledgement of the success of the elections and to support implementation and sustenance of the democratic transition. The cash grant is intended to support major steps in Burundi's successful electoral process and ease the balance of payments deficit confronted by the new government. The project assistance will provide technical expertise and operational support for the

also provides that first priority debt is non-military debt owing to the USG, and that, subject to approval of the regional Assistant Administrator, second priority debt is that owing to multilateral development banks and the IMF. Since Burundi owes no non-military debt to the USG, your approval is requested to trade the cash transfer proceeds to this second priority debt.

E. WHAT THE NPA RESOURCES WILL BUY:

The opening of the National Assembly by the victorious party will be an important benchmark event in the progress toward improving democratic governance. Program financing to help pay current debt service can be an important incentive for the new Administration to stay the course on its process of transition to democratic governance. If the National Assembly is convened as scheduled, USAID/Burundi will provide a cash transfer for the \$1 million to be used to pay external debt service requirements to multilateral organizations.

F. CONTROLS TO ACCOUNT FOR FUNDS:

... the debt servicing schedule before allowing the release of funds to a separate GRB account at Citibank. Funds in this account shall not be commingled with other funds, and the dollars will be tracked until they are used to pay eligible debts. Scheduled quarterly reports from the GRB will be provided to USAID, and an annual, non-federal audit of the special dollar account to ensure compliance will be conducted.

G. HOW SUCCESS WILL BE MEASURED:

The National Assembly resulting from the June 29th elections is the first multi-party representative body in Burundi since the early 1960's. It is up to the newly elected members to establish the parliamentary institutions and procedures necessary to hold sessions and create legislation. The opening of the legislative session of the Assembly marks an important beginning for a critical democratic governance institution.

Once internal procedures are established, the Assembly will turn its attention toward a host of political, economic and ethnic problems that must be addressed quickly to prevent a disintegration of the still fragile transition to democratic and majority rule. To assist the GRB to develop mechanisms to conduct the legislative process, assistance will be provided through an NPA (NPA) (095-0133) which is DFA-funded.

H. WHY ALTERNATE MEANS WERE NOT USED:

NPA rather than project assistance is appropriate because the

most critical actions in the electoral/democratization areas, opening the National Assembly and not backsliding in the electoral actions taken thus far, are reforms which the GRB must undertake itself, rather than actions that are best effected by projectized inputs. These actions are in need of assistance. The Project assistance component supplements these reforms, it is the reforms that are critical. Under current Africa Bureau guidance use of NPA proceeds for debt service is an appropriate justification for disbursing the NPA as cash transfer rather than as a CIP.

The cash transfer is complemented by technical assistance provided by the accompanying Project in democracy education and training including the legislative, judiciary and executive branches as well as community and governance related groups.

I. STATUS OF MISSION NEGOTIATION WITH THE GRB:

The Country Team has been in close contact with the GRB throughout the entire transition period in order to provide them with encouragement and incentives to make difficult economic and political reform decisions. The GRB has agreed to convene the National Assembly as scheduled and has formally requested that USAID/Burundi undertake the Burundi Democracy and Governance Program and the companion Project.

J. THE RELATION OF THE PROGRAM TO THE MISSION'S COUNTRY PROGRAM STRATEGY:

This Program conforms to the Mission's CPSP which designates improving democratic governance as a target of opportunity. The equilibrium becomes better established in Burundi, prospects for sustained economic development are limited".

Recommendation: That you sign this Action Memorandum, thereby approving (1) the use of a cash transfer mechanism to support the GRB's efforts to continue the process of democratization and (2) use of the \$1 million U.S. dollars cash transfer proceeds for servicing debt owed to the IMF and multilateral banks, since debt is a barrier to development in Burundi and the GRB does not have outstanding non-military debt which is owed to the U.S. Government.

Approved: J. F. Hogan

Disapproved: _____

Date: 9/24/93

