

PD-ABX-105



CHEMONICS INTERNATIONAL INC.

BURUNDI ENTERPRISE SUPPORT AND TRAINING PROJECT

No. 695-0124

END OF PHASE I REPORT

Submitted to:
U.S. Agency for International Development
Bujumbura, Burundi

Submitted by:
Chemonics International Inc.

February 1995

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ACRONYMS

| | |
|-----------|---|
| AFA | Administrative and financial advisor |
| APED/PRE | (Office of) Agriculture and Private Enterprise Development, Private Enterprise Office |
| APEE | Export Promotion Agency of Burundi |
| BBN | Banque Burundaise de Normalisation |
| BEPP | Burundi Enterprise Promotion Program |
| BEST | Burundi Enterprise Support and Training Project |
| BUHRD | Burundi Human Resources Development Project |
| CCIB | Chamber of Commerce and Industry of Burundi |
| CLUSA | Cooperative League of the United States of America |
| COP | Chief of party |
| CPSP | Country Program Strategic Plan |
| CS/PAS | Monitoring Committee of Burundi's Structural Adjustment Program |
| ECHO | European Community Humanitarian Office |
| FACAGRO | Faculty of Agronomy of the University of Burundi |
| FBu | Burundi Francs (\$1=234 FBu) |
| FPS | Formal private sector survey |
| FRODEBU | Burundian political party |
| GRB | Government of the Republic of Burundi |
| GSO | Government Services Office |
| HIE | Household income and expenditure survey |
| ISABU | Institut Scientifique Agronomique du Burundi |
| ISS | Informal sector survey |
| ISTEEBU | Institut de Statistiques et d'Etudes Economiques du Burundi |
| ITS | International trade specialist |
| LOP | Life of project |
| LTTA | Long-term technical assistance |
| M&E | Monitoring and evaluation |
| MPIS | Mandatory Pre-shipment Inspection Services |
| NCBA | National Cooperative Business Association |
| NPA | Non-project assistance |
| ONAPHA | Burundian state-owned pharmaceutical firm |
| PACD | Project assistance completion date |
| PCV | Peace Corps volunteer |
| P/M | Person/month |
| PSA | Private sector advisor |
| PSC | Personal services contractor |
| PSO | Project Support Office |
| PVO | Private voluntary organization |
| PW/IPG | Price Waterhouse International Privatization Group |
| REDSO/ESA | (USAID) Regional Economic Development Service Office for East and Southern Africa |
| REMODRA | Réforme et Modernisation du Droit des Affaires project |
| SFSR | Small Farming Research Systems project |
| SHASSA | Specialist in humanitarian aid, surveys, and statistical analyses |
| SME | Small and medium enterprise (specialist) |

SOE State-owned enterprise
SSA Specialist in surveys and statistical analyses; also, social soundness assessment
UPRONA Burundian political party
USAID United States Agency for International Development
VOCA Volunteer Overseas Cooperatives of America

EXECUTIVE SUMMARY

The Burundi Enterprise Support and Training (BEST) project was authorized in 1990 to foster the growth of private enterprise in Burundi with a goal of increasing the employment and income of Burundi's poor. To fulfill its goal, the project has financed technical assistance, studies, training, monitoring and evaluation activities, and limited commodity procurement to identify and help implement a phased series of policy reforms in three areas that constitute the project's outputs: (1) *removing barriers to entry to the formal sector*—reforms that support informal microenterprises to grow in number and in size, 2) *alleviating constraints to doing business*—reforms that reduce government intervention in the conduct of business of formal enterprises, and (3) *promoting international trade and exports*—reforms oriented toward promotion of exports, particularly nontraditional goods and services, and reducing the costs of imports. Reforms that support each of these outputs have covered many sectors, including the legal and regulatory environment, labor and employment, foreign trade, foreign exchange and currency controls, financial services, and agriculture.

In 1992, the project's scope was expanded and the PACD extended to December 31, 1994, to accommodate a policy reform agenda larger than originally planned, add assistance to the Chamber of Commerce and Industry (CCIB) through a Peace Corps program in secondary towns, and include a pilot rural enterprise development effort through the National Cooperative Business Association (NCBA). These latter two new initiatives were aimed at providing grass-roots feedback on the business environment and at broadening the impact of the mission's efforts, as well as increasing the reform-related mandate of BEST to the rural areas where 96 percent of the population lives and works.

The project was considered, in April 1993, by the Mid-Term Evaluation Team as "...the most successful reform program known to the evaluators," and USAID has been identified generally by the GRB, the Burundian private sector, and other donors as the leader in private sector development in Burundi. The tragic events following the attempted coup d'état of October 21, 1993 and the events subsequent to the deaths of the Presidents of Burundi and Rwanda in April 1994 have significantly altered the political, economic, and social context within which BEST operates. These conditions have delayed the project in achieving its purpose and goal within the timeframe originally anticipated and will result in an extension of the BEST PACD to September 30, 1996.

In lieu of a final project report that would have been prepared at the end of project in December 1994, the project has prepared the following end-of-Phase I report to provide the mission and the GRB with a summary of the project to date and to present recommendations to USAID and the GRB on continuing reform activities initiated by the BEST project.

SECTION I BACKGROUND AND PROJECT DESCRIPTION

The Burundi Enterprise Support and Training project (BEST) was authorized in 1990 to foster the growth of private enterprise in Burundi with a goal of increasing employment and income among Burundi's poor. The tragic events following the attempted coup d'état of October 21, 1993, and the events subsequent to the deaths of the presidents of Burundi and Rwanda in April 1994, have significantly altered the political, economic, and social context within which BEST operates. These conditions have delayed the project in achieving its purpose and goal within the timeframe originally anticipated and will result in an extension of the BEST PACD to September 30, 1996.

In lieu of an end-of-project final report, the BEST project has prepared this end-of-Phase I report to provide the mission and the GRB with a summary of project activities to date and to present recommendations to USAID and the GRB on continuing reform activities initiated by the project.

The format used in this presentation, as in a final report, includes a full description of the BEST project, a summary of progress to date in achieving project outputs, a discussion of constraints to implementation, and recommendations and conclusions for USAID and the GRB. It also contains the basis for extending the BEST project with the same goal and purpose, but with a revised program emphasis that better responds to the new strategic objectives of the mission and to Burundi's current political and economic situation.

A. Goal and Purpose

The Burundi Enterprise Support and Training project (BEST, 695-0124) originally was authorized in 1990 as a four-and-a-half year, \$5.0 million Life-of-Project (LOP) effort to foster the growth of private enterprise in Burundi, especially among small and medium enterprises, small-scale exporters, and in secondary towns, to increase net incomes and employment for Burundi's poor. To fulfill this purpose and goal, the BEST project has financed technical assistance, studies, training, monitoring and evaluation activities, and limited commodity procurement to identify and help implement a phased series of policy reforms. The project has concentrated on assisting informal, small- and micro-enterprises to grow and become formal businesses; relieving constraints to conducting business on the formal business sector; and expanding nontraditional exports.

In 1992, the project's scope was expanded to add assistance to the Chamber of Commerce and Industry (CCIB) through a Peace Corps program in secondary towns and to include a pilot rural enterprise development effort through the National Cooperative Business Association/ Cooperative League of the United States of America (NCBA/CLUSA). These new initiatives were aimed at providing grass-roots feedback on the business environment and at broadening the impact of the mission's efforts, as well as increasing the reform-related mandate of BEST to the rural areas where 96 percent of the population lives and works. In addition, a privatization component was added where it was felt that the mission could help to get the Burundians' program on track and eventually increase the private sector's access to investment credit.

The BEST project was implemented in conjunction with the Burundi Enterprise Promotion Program (BEPP, 695-0125), a four-year, non-project assistance (NPA) activity with the Government of the Republic of Burundi (GRB). The BEPP program was originally intended to provide \$35.0 million in annual cash transfers to support the adoption of policy reforms designed to change the attitudinal, procedural, administrative, and legal obstacles limiting the development and expansion of the private sector in Burundi. The program was amended and a cash transfer effected each year to provide a flexible tool for the GRB and USAID to progress as rapidly as possible.

In 1993 progress was judged to be so rapid and significant that USAID increased the total LOP funding by \$1.0 million, to \$36.0 million. The last tranche of \$5.0 million will be disbursed during 1995. The GRB uses the cash transfers for foreign debt repayment. Local currencies are created as a result of these cash transfers, and the resulting funds are used by the GRB to further the BEPP program objectives. After the reforms are formally institutionalized, the BEST project funds follow-up activities to help refine, implement, and monitor their impact.

B. Outputs and Inputs

The three major areas of policy reform of the BEST project constitute its outputs: removing barriers to entry to the formal sector, alleviating constraints to doing business, and promoting international trade and exports. For practical purposes of categorizing the project's work, the first output supports informal microenterprises, the second output assists the formal business sector, and the third promotes international trade. Reforms that support each of these outputs have covered many sectors, including the legal and regulatory environment, labor and employment, foreign trade, foreign exchange and currency controls, financial services, and agriculture.

BEST's four main inputs are: 1) short-term technical assistance for policy-oriented research; 2) long-term technical assistance in policy analysis, small business development, and trade promotion; 3) short-term training; and 4) monitoring, evaluation, and audit. The project's primary activity has been to assist the GRB in researching, analyzing, and developing the annual policy reform agenda for BEPP. To accomplish this, BEST financed a series of studies and specialized consultancies to help to identify the reforms and draft the necessary legal framework to be adopted by the GRB. As a result of its work in these areas, the project has helped to broaden local understanding of the realities of a market economy, sensitized Burundians to the need for further economic reform, and helped develop operational plans for implementing the necessary changes. The project is also responsible for assisting the GRB to enact the reforms and for monitoring their impact on the Burundian economy, particularly the private sector.

C. Organization

The Office of Agriculture and Private Enterprise Development, Private Enterprise Office (APED/PRE) has had full responsibility for BEPP and BEST. USAID/Burundi's Chief of the Agriculture and Private Enterprise Development Office has served as project officer and coordinated the work of the mission's private sector advisor, private enterprise officer, and their two foreign service national assistants. The private sector advisor oversaw the implementation of the first two years of BEPP reforms and provided continuity in the BEPP/BEST activities, from midway in the BEST design efforts through the arrival of the institutional contract team in July 1991. Subsequently, the private sector advisor managed USAID's privatization program through a buy-in to the Privatization and Development Project of the Private Enterprise Bureau.

On July 1, 1991, USAID signed a three-and-one-half-year contract with an institutional contractor, Chemonics International, with a planned termination date of September 30, 1994. The contract provided for a team of long-term experts, limited procurement of commodities, training, and providing short-term consultancy services for studies and surveys.

The BEST long-term technical assistance (LTTA) team originally was composed of three experts who arrived in Burundi between July and October 1991: (1) a chief of party (COP), who worked as policy analyst with the Permanent Secretariat of the Monitoring Committee of Burundi's Structural Adjustment Program (CS/PAS); (2) a small and medium enterprise specialist (SME) who worked with CCIB; and (3) an international trade specialist (ITS) who worked with a new organization, the Export Promotion Agency (APEE). On February 1, 1993, the initial chief of party/policy analyst left Burundi and was replaced by the ITS. The SME specialist took over the responsibilities of the ITS and remained in that position after the arrival of a new SME specialist in March, 1994.

The Burundian BEST team is composed of counterparts including the permanent secretary of CS/PAS (also the designated GRB BEST project officer), the director of program evaluation at the CCIB, and the director general of the APEE. Local project staff includes an administrator in charge of policy reforms, a training officer, a secretary, and a driver. This team was reinforced by the appointment in July 1993 of an administrator in charge of personnel and financial management. The training officer was replaced in September 1993, after the incumbent was elected to the National Assembly.

A large number of expatriate short-term consultants were fielded to conduct studies related to proposed policy reforms and other project outputs. The modus operandi of these consultants has been to work closely with Burundian counterpart consultants, for two reasons: first, to benefit from the experience and knowledge of local specialists, and second, to transfer technical know-how to national consultants.

Dialogue between USAID and the GRB is maintained through the BEST Technical Committee, which oversees the activities of the project including adopting the yearly reform agendas and work plans. This committee is headed by the permanent secretary of CS/PAS, who also serves as the GRB's BEST project officer. Other members include representatives from USAID, the Chamber of Commerce, APEE, the BEST LTTA team, the Central Bank, and a number of ministries, including Agriculture, Finance, Commerce, Planning, Labor, and Foreign Affairs.

In October 1993, the BEST contract between USAID and Chemonics was amended and the following main modifications were introduced:

- Two local-hire specialists were recruited to reinforce the original team, with the view of making Burundi's public and private sectors more aware of the need to develop policies, procedures, and practices that will lead to sustained private sector growth. They included the specialist in surveys and statistical analyses (SSA), whose principal functions consist in improving the monitoring and evaluation system of BEST's activities and the administrative and financial advisor (AFA), who assumes the responsibility for the management of the Project Support Office (the PSO).

- A budget of \$331,000 for out-country training activities was finally approved as part of the contract.
- The PACD was extended to December 31st 1994.
- The level of effort was increased to 159 months for long-term personnel and 68 months for short-term consultants.

D. Administrative and Logistical Support

To support the BEST and other projects the mission has set up a Project Support Office (PSO), as described in the original BEST project paper. This office was first headed by a personal services contractor (PSC). As of October 1, 1993, the BEST primary institutional contractor assumed responsibility for the management of the PSO. Services provided by this office include renting and maintaining houses, paying utilities, providing vehicles for official use, commodity procurement, office supplies and services, and travel arrangements. The PSO is also responsible for administrative and logistics support for short-term consultants.

Local currencies generated through the BEPP non-project assistance cash transfers have been used to fund local expenditures of BEST at CS/PAS, such as salaries of Burundian staff and short-term local consultants, as well as the PSO and other activities such as those of the NCBA/CLUSA and the Peace Corps, described in Section II. Each year, the budget is discussed between the permanent secretary of CS/PAS and the agricultural and private enterprise officer at USAID, before being officially adopted by the mission and the GRB.

SECTION II
PROGRESS TOWARD PROJECT GOALS
BEFORE THE OCTOBER 1993 CRISIS

Policy reform was limited during 1990-1991 because both USAID/Burundi and the GRB wanted to test the process before committing to complex reforms. By 1992 the GRB had built momentum for serious reform, which led progressively to an increase of BEST activities. These in turn resulted in a series of key BEPP-supported reforms, as well as important studies and effective training programs. The project was considered, in April 1993, by the mid-term evaluation team as "...the most successful reform program known to the evaluators, who have collectively worked in more than 20 African countries in the last decade. Reform has been oriented toward clear goals. It has been rapid, practical and effective. It has been done openly, with full consultation among ministries, business people and the unions." USAID was hailed as the leader in private sector development in Burundi. This performance was accomplished through excellent collaboration between the mission and the GRB as well as good technical support from the institutional contractor. The achievements of the project under each output are presented below.

A. Output 1—Remove Entry Barriers to the Formal Sector

To distinguish between reforms under this output and those under the other two, this one has been concerned with assisting informal *microenterprises* to grow in number and in size, on a sustainable basis.

One aspect of these reforms has involved facilitating micro-enterprise transition from the informal to the formal sector by reducing the amount of administrative and legal regulations and procedures involved. Further, BEST has supported a more participatory approach to the development of the policy reform agenda by reaching out directly and soliciting the involvement and feedback of the rural population through the NCBA/CLUSA and Peace Corps programs. At the same time, this approach complements the policy reforms by providing direct assistance, at the microenterprise level, to Burundian entrepreneurs to improve their skills and facilitate their development in an improved business environment.

We now turn to the three categories of sub-outputs under Output 1.

A1. Policy Reforms

Several policy reforms contributing to this output and supporting informal-sector growth were enacted between 1990 and October 1993, with technical assistance provided through short-term consultancies. (Some reforms of the legal and regulatory environment, under all outputs, were studied and promulgated through the REMODRA project—*Réforme et Modernisation du Droit des Affaires*—jointly financed by the GRB, the World Bank, and USAID/BEST.)

- **The Decree on Ambulatory Commerce, No. 100/014, dated 2/18/1992, gives more liberty and more guarantees to peddlers who can now be officially registered by communal administrators. This decree replaces an obsolete and contradictory law dating from 1957 with a modern, coherent legislative text giving legal protection to itinerant merchants and street vendors.**

- **The *Dispositions Générales* of the Commercial Code**, promulgated by Decree-Law (D.L.) No. 1/045, dated 7/9/1993, while also included under Output 2, contain specific provisions that relate to Output 1. Specifically, these provisions simplify the business registration process and allow women to establish businesses without their husbands' authorization.
- **The exemption of custom duties and transaction taxes on agricultural inputs**, promulgated by Ministerial Order No. 540/298/1993 on 6/11/1993, covers seeds, fertilizers, veterinary products, small agricultural tools and machinery, and other inputs. This reform was a key step toward lowering prices and stimulating commercialization of agricultural inputs, as well as encouraging new investments in microenterprises.
- **The National Seed Law**, promulgated by D.L. No. 1/033 on 6/30/1993, intends to promote full participation of the private sector in all aspects of seed production and marketing activities. The net effect of this reform, combined with other relevant measures taken by the GRB, will be to provide farmers and other rural microenterprises with an environment conducive to producing quality seeds for commercialization.

A2. PVO Rural Enterprise Development Activity

In July 1992, NCBA/CLUSA expressed an interest in exploring the possibility of creating a rural enterprise development/cooperatives program. Upon study of the conditions for successfully implementing such a program in Burundi, they determined that the changed policy environment was an appropriate context for a businesslike approach to cooperative development, to replace the government's historical top-down approach. This conclusion was based on several factors: increased emphasis on private sector development, implementation of certain key reforms, the fact that other reforms allowing free associations throughout Burundi were being implemented, the move to privatize agricultural input distribution and marketing, and the interests of both private and mixed capital banking institutions in rural lending programs.

USAID/Burundi and NCBA/CLUSA agreed that this new policy environment needed testing, verification, and perhaps further improvement based upon input and feedback from intended beneficiaries. With this in mind, the mission amended the BEST project to include a rural-based enterprise development focus. Ultimately, this new input into the policy reform process was expected to broaden the impact of policy reforms on rural people—96 percent of the total population. This pilot program was intended to give the BEST project the means to extend the benefits of policy reform to the rural population by, for example, providing credit to groups of rural entrepreneurs to engage in economically viable business ventures. It would also allow the BEST project to assess the effects of certain key reforms, such as the revised commercial code that allows a cooperative to act as a business without government interference, and to provide feedback information to the GRB for refining the reforms. Further, a rural-based enterprise development focus in the BEST project was another means of disseminating information about new opportunities in the liberalized business environment.

NCBA/CLUSA's 18-month pilot activity started in June 1993, with a budget of \$240,000 plus 500,000 FBu and staffed with one expatriate and nine nationals. The pilot activity included providing technical assistance to the rural population in two regions to form cooperatives and train their members to undertake economic ventures. Seven field agents were trained and started work in the Kirimiro and Imbo regions. The pilot activity included:

- An initial feasibility study of a long-term “cooperatives-as-business” program, including a review of the legal environment affecting for-profit rural associations (applicable business laws, cooperative association laws, land tenure laws, etc.), and what type of long-term technical assistance would be needed to carry out this activity.
- Providing assistance in human resource development and training for a selected set of existing cooperatives.
- Identifying which existing, for-profit agricultural cooperatives could be made economically viable and identifying others that could be formed.
- Evaluating the needs of these agricultural cooperatives and proposing marketing agricultural inputs through non-subsidized private sources.
- Identifying and analyzing locally available sources of non-subsidized agricultural credit for these cooperatives and negotiating local banks’ requirements to grant such credit.
- Designing a system to generate information from the rural enterprise development project as feedback for the policy reform program, to provide valuable M&E information on rural enterprise development for the BEST project.

Unfortunately, the initial 18-month pilot activity to test the policy environment and the viability of the NCBA/CLUSA approach in developing farm-level cooperative enterprises in a limited number of locations was derailed by the political upheaval of October 1993. It has become apparent that NCBA/CLUSA will not be able to complete the pilot activity as scheduled. The social fabric upon which their approach depends—mutual trust required to engage in group economic activities—has been torn apart in many regions of Burundi. Careful assessment will be needed before it can be determined whether conditions are again ripe for Burundians to group themselves into associations or cooperatives, and whether NCBA/CLUSA or other private voluntary organization (PVO) can successfully assist them in doing so.

A3. BEST/Peace Corps Collaboration

In 1992, Peace Corps/Burundi, USAID, and the Chamber of Commerce and Industry (CCIB) formalized an agreement to assign four Peace Corps volunteers (PCVs) as business advisors to three regional CCIB offices and to the CCIB headquarters in Bujumbura. The volunteers selected were required to have MBAs or MSBus degrees and an average of six years of business experience. Their job responsibilities involved providing extension/outreach services to entrepreneurs, organizing seminars, and collecting and disseminating business information.

These volunteers have contributed to the outreach efforts of the CCIB to Burundian small and micro-enterprises, and have directly supported BEST’s goals. In spite of the lack of guidance due to the change in personnel at the CCIB, they were making progress in helping the CCIB to establish their regional offices as centers of information and assistance to Burundian enterprises. They helped the CCIB publicize economic reforms in the interior and identify constraints to business development, particularly among small and microenterprises that could benefit from reform. Unfortunately, their mission was too short to have a significant impact, since they had to leave the country just after the October crisis.

The BEST project supported this program by providing local-support costs of PCVs, which included a housing allowance, motorcycles, and related transport costs. These funds were provided in local currencies obtained from the counterpart funds generated by BEPP cash transfers.

A4. Project Inputs

A4a. Technical Assistance

Long-term technical assistance. The mission's private sector advisor was in charge of the reform on ambulatory commerce, while the Chemonics team was primarily responsible for the *Dispositions Générales* of the Commercial Code. The reforms on agricultural inputs and the seed law were handled by the chief of party/policy analyst and the seed policy specialist of the SFSR project in conjunction with the BEST team.

Short-term technical assistance. Short-term services for this output were limited, but many aspects of policy research conducted under Output 2 and described below also apply to the informal sector. BEST did not concentrate its resources on designing policy reforms intended solely for the informal sector, which would have had a narrow range of applications. Its approach was rather to focus on national-level policy reforms and create an enabling environment that would benefit both the formal and informal sectors. For instance, aspects of *Dispositions Générales* of the Commercial Code regarding simplification of business registration, as well as the section on cooperatives in the Company Code, are relevant studies for reforms to remove entry barriers to formal-sector enterprise. BEST believes that, in the case of informal-sector enterprises, direct assistance in the form of pilot interventions is necessary to test the efficacy of policy reforms. Therefore, it will be imperative at the practical implementation stage of BEST reforms to design a special technical and financial assistance program to help microenterprises derive full benefit from the conducive environment recently created.

A4b. Training

In-country. No training specifically associated with this output was carried out. However, relevant information was presented in the workshops on the *Dispositions Générales* of the Commercial Code and the Corporate Code summarized under Output 2.

U.S./third-country. Officials from the Ministry of Commerce and Labor visited the United States to learn how ambulatory commerce is organized there. This training was organized by the USAID private sector advisor prior to the arrival of the long-term BEST team.

B. Output 2—Alleviate Constraints to Doing Business

BEST's second aim was to reduce government intervention in private, formal enterprises to allow the sector to operate more efficiently. This meant enacting policy reforms aimed at simplifying and modernizing Burundi's administrative and legal procedures for doing business, as well as identifying incentives to promote the private sector to increase private investment and generate employment. This output, along with Output 3, received the lion's share of attention and resources.

Although no direct intervention was planned in the original project of USAID/Burundi's possible role in privatization of state-owned enterprises (SOEs), the mission considered this

component as an essential element of a strategy targeting increased participation of the Burundian private sector. A pragmatic approach was developed and implemented that reflected USAID's commitment to assist the GRB to successfully implement its privatization program. However, the program was unsuccessful in the political environment preceding and following the presidential and parliamentary elections to attract either the local or external investment to privatize even one relatively small SOE. Given this experience, and the events that have transpired since making the prospects of attracting foreign investment even more tenuous, the mission will drop this component.

B1. Policy Reforms

BEST addressed this output by working on policy reforms to modernize the legal and regulatory environment, liberalize the labor market, and improve access to financial services. The following reforms were enacted in 1993:

- **Authorization to create Employment Agencies**, given by Decree-Law No. 1/30, on November 4, 1991, resulting in the creation of two private bureaus, working as intermediaries between employers and job-seeking individuals, Burundian or foreign.
- **Suppression of double authorization for hiring foreign employees**, enacted by Ministerial Order No. 660/086/92 on 2/17/92, removing the requirement of private enterprises to obtain government authorization to employ foreigners.
- **The *Dispositions Générales* of the Commercial Code**, revised by D.L. No. 1/045 on 7/9/93, putting in place a liberal framework for doing business in a free market environment; it confirms the private sector's freedom to set prices and conduct business in any sector, with very few restrictions; it reinforces the principle of free competition among private enterprises; it reduces the role of government and abolishes most GRB monopolies; and it establishes the guidelines for a basic accounting system to be followed by any enterprise.
- **A public declaration by the Burundian President guaranteeing the protection of private investment**, on July 5, 1993, made in compliance with the relevant provisions of the new Constitution of Burundi. This important pronouncement confirmed the government's commitment not to nationalize private investments (whether national or foreign), to protect private enterprise, and to join as soon as possible the Multilateral Investment Guarantee Agency (MIGA), a specialized institution of the World Bank Group.
- **Two provisions in the new Labor Code**, promulgated by D.L. No. 1/037 on 7/7/93, contributed to liberalizing the labor market and reducing government intervention. Validity of employment agreements was extended indefinitely; and employers and employees were allowed to negotiate salaries without government intervention, as long as they respect the minimum wage limits established by the *Salaires Minimum Interprofessionnel Garanti* (SMIG). In addition, the GRB has promulgated the Ministry Ordinance No. 660/086/92 that specifies that temporary work permits issued to foreigners with special technical skills will have a period of validity corresponding to the maximum period of validity allowed for temporary resident visas.

- **New legislation on leasing (*crédit-bail*)**, enacted by D.L. No. 1/034/93 on 6/30/93, provided a legal framework and fiscal incentives to entrepreneurs without collateral to acquire buildings and equipment through leasing mechanisms equivalent to medium-term loans. Financial institutions were encouraged to develop leasing operations through a special package of fiscal and financial incentives, including a three-year tax exemption and the right to use Burundi's Central Bank resources, as well as concessionary lines of credit granted by donors.

B2. Privatization

A stalled Privatization Program in Burundi, and increased interest by both the GRB and the World Bank in obtaining assistance and support from USAID/Burundi in privatization, have resulted in a series of activities carried out by the mission:

i) A privatization expert was provided in 1991 to evaluate the potential for USAID/Burundi involvement in the privatization program. The consultant's conclusions indicated that the mission had a key role to play.

ii) In late 1991, REDSO/ESA sent two specialists to Burundi to help the mission further define its intervention in this area.

iii) Upon the arrival of the BEST team in the fall of 1991, it has explored how the project could encourage privatization, especially through BEPP-supported reforms.

iv) In the summer of 1992, a program and contracting mechanism were identified, permitting the mission to buy in to a contract with Price Waterhouse's International Privatization Group (PW/IPG), using BEST project resources. The rationale behind this initiative was that successful privatization efforts would foster the growth of private enterprise in Burundi, attract foreign and domestic capital, and, with time, have an impact on employment and income. The privatization of one SOE, up to the point of issuing a tender and opening bids, was included in the 1993 policy reform agenda.

PW/IPG provided assistance to the Burundian Société pour le Contrôle des Entreprises Publiques (SCEP) to select one enterprise from a short list of SOEs, and carry through a divestiture transaction according to basic precepts of transparency of disclosure and process, as well as broad access to shareholding. The PW/IPG team began work in late July 1992 by assessing the environment for undertaking privatization in Burundi, then selected a pharmaceutical company, ONAPHA, as the SOE to be privatized. This reform was directly supervised by the private sector advisor at the mission. The GRB organized the official audit of and tender for ONAPHA, including the opening of bids, but the transaction process was interrupted by the elections in June and the October 1993 crisis.

B3. Project Inputs

B3a Technical Assistance

Long-term technical assistance. Before the arrival of the BEST team, the private sector advisor (PSA) had coordinated the development of the yearly reform agenda with the BEST Technical Committee and helped define short-term consultant needs for BEPP/BEST studies. After the arrival of the BEST team, the PSA continued to work closely with Chemonics to

establish the work plan, identify policy reforms, and negotiate with the GRB. The Chemonics team was primarily responsible for identifying, analyzing, and following up on the reforms described above, as well as studies related to this output (discussed below).

Short-term technical assistance. The following studies were conducted by expatriate experts associated with local consultants. Most BEST studies included draft laws and/or regulations that were enacted as policy reforms after discussion with the GRB and appropriate modifications.

- **A study on leasing and installment credit**, conducted in November 1992, using 2.54 P/Ms (person-months) by expatriate experts and 2.6 P/Ms by local consultants, made appropriate recommendations for introducing leasing as an effective alternative to financial loans, to facilitate acquisition of buildings, equipment, and vehicles. Leasing was considered as a good solution to the major problem of collateral faced by most SMEs and individuals when they apply for commercial loans in Burundi. The study provided legal texts for leasing and installment credit, and made a market survey to determine the best opportunities for leasing services in Burundi.
- **A study on commercial credit**, conducted in November 1992, using 1.15 P/Ms by expatriate experts and 1 P/M by local consultants, provided the mission and the GRB with detailed analysis and recommendations for action in commercial credit. It did not lead to any reform, since it recommended undertaking further studies to refine the main conclusions.
- **A report on the *Dispositions Générales* of the Commercial Code**, undertaken in January 1993 using 1.65 P/Ms by expatriate experts and 2 P/Ms by local consultants, led to the reform of the *Dispositions Générales* of the Commercial Code.
- **A study on fiscal and financial incentives for leasing services**, conducted in February 1993, using 0.75 P/Ms by local consultants, completed the draft law on leasing that was prepared previously (see above) and proposed a package of incentives that were included in the reform enacted in June 1993. This new legislation was intended to fill a vacuum that was detrimental to the only existing leasing company and is expected to create an appropriate environment for generalizing this type of financing. Farmers and rural microenterprises will be able to acquire small agricultural equipment and machinery through this new mechanism.
- **A study on the creation, privatization, and organization of some legal professions**, conducted in April 1993, using 3.04 P/Ms by expatriate experts and 3.05 P/Ms by local consultants, focused on three legal professions: notaries, land surveyors, and process-servers. Privatization of the two first professions will have a broad-based impact in Burundi, especially because it will facilitate land title acquisition by small farmers. Private process-servers will help accelerate legal procedures and make the judiciary system more credible. The study showed how these professions could be privatized and organized to improve the quality of their services, while generating enough money to be viable as private enterprises. It presented a draft law that will be enacted in 1995. However, it was decided that further work was needed before promulgating the final version of the law.

- **Drafting the terms of reference of the preliminary survey for revisions of the Land Code**, in July 1993, using 0.5 P/M by local consultants.
- **A study of reform of the law on public and private companies**, conducted in August 1993, using 4.62 P/Ms expatriate experts and 1.77 P/Ms by local consultants, included a review of the current Company Code and proposed a new draft law, which will be promulgated during 1995. The new Company Code is based primarily on the Napoleonic Code but contains provisions inspired by common law. It will make it easier and more attractive to incorporate a business. It provides for a variety of categories, including corporations and sole proprietorships. State-owned companies will be incorporated and managed as private enterprises. Cooperatives will be created and managed freely, as commercial companies, without government interference.
- **A study on the feasibility of extending credit through warrant and third-party holding**, conducted in September 1993, using 1.31 P/Ms by expatriate experts and 1 P/M by local consultants, led to a draft law which will be promulgated during 1995. It will enable businessmen to obtain short-term credit guaranteed by non-perishable goods held by third parties.
- **An analysis of the 3 percent tax imposed on foreign workers**, performed in September 1993, using 1 PM of local consultants, revealed that this tax was not in conformance with relevant articles of the new Labor Code and with international agreements signed by the GRB. It recommended elimination of this tax and indicated ways to alleviate the resulting fiscal loss.
- **A complementary study on privatization of notaries**, conducted in October 1993, using 1 P/M by local consultants, aimed at refining and improving the draft law described above on privatization of public notaries.

B3b. Training

In-country. In-country training associated with this output consisted of six workshops, attended by a total of 244 participants. Most were multipurpose and provided a forum to present research results and discuss potential reforms for both outputs discussed above. A three-day workshop was held to discuss revisions of the Corporate Code and a separate, two-day workshop was held on the *Dispositions Générales* of the Commercial Code. Additional workshops were held to discuss the revised Labor Code, leasing and installment credit, and third-party holding. The findings of a trip to Paris and Mauritius relating to privatizing the legal professions were presented in yet another workshop.

U.S./third-country. In September 1992, BEST funded four people at a cost of \$27,000 for a two-week trip to Paris and Mauritius for third-country training. The objective was to see how the Tribunal de Commerce, legal professions, and other institutions conducive to private sector development functioned in those countries. France was selected as the best example of a country governed under the Napoleonic Code, while Mauritius is a successful example of private enterprise development in Africa, in a legal environment mainly inspired by common law. In Paris, the participants met with private notaries, process-servers, auctioneers, the president of the Tribunal of Commerce, and high-ranking officials at the Ministry of Justice. In Mauritius, they

Table II-1
Workshops and Seminars Under Output 2

| Workshop/Seminar | No. of Participants | Costs (FBu) |
|---|---------------------|----------------|
| Findings from the trip to Paris and Mauritius (1992) | 73 | 105,112 |
| <i>Dispositions Générales</i> of the Commercial Code (1993) | 54 | 151,100 |
| Labor Code (1993) | 23 | 0 |
| Leasing and Installment Credit (1993) | 49 | 0 |
| Corporate Code (1993) | (in process) | (in process) |
| Credit through Third Party Holding (1993) | 45 | 62,370 |
| TOTAL | 244 | 318,582 |

visited the "one-stop shop" to see how all administrative processes were handled by one office, the Ministry of Justice, the Stock Exchange, and the Chamber of Commerce.

C. Output 3—Promote International Trade

Output 3 of the BEST project has been to promote Burundi's international trade. Work under this output was oriented toward promoting exports, particularly nontraditional goods and services, and reducing the cost of imports. Promoting Burundian exports was identified as a means of reducing Burundi's structural trade deficit. Policy reforms to liberalize and modernize the legal and institutional environment for exports, decrease the cost of imports, and improve businessmen's access to foreign exchange, contributed to progress toward this output. This output received perhaps the most attention of all the three outputs under the BEST project, and is reflected in a considerably improved policy environment for enterprises engaged in foreign trade. Unfortunately, the climate for trade has been severely affected by the events since October 1993, so much so that the mission will drop this output from the remainder of the BEST project.

C1. Policy Reforms

The following reforms were enacted under Output 3:

- **Decentralization of customs clearance to Kayanza**, promulgated under Ministerial Order No. 540/057 on 1/23/1990.
- **Issuance of import licenses decentralized and simplified**, issued in Instructions of the Central Bank No. 12/90 on 6/27/1990.

- **Easier access to foreign exchange for business travel**, issued in Instructions of the Central Bank No. 15/90 on 7/16/1990.
- **Decentralization of customs clearance to Gitega**, promulgated under Ministerial Order No. 540/01 on 1/4/1991.
- **Extending the validity of import licenses**, issued in Instructions of the Central Bank No. D.I./204/91 on 6/21/1990.
- **Authorization to import spare parts without license up to 500,000 FBu**, issued in Instructions of the Central Bank No. D.I./391/91 on 11/21/1991.
- **Decreasing the income tax rate for exporters**, promulgated in Ministerial Order No. 750/390 on 12/14/1991.
- **Simplification of duty restitution (drawback) for exporters**, promulgated in Ministerial Order No. 750/390 on 12/14/1991.
- **Establishment of the Free Trade Regime**, promulgated by Decree-Law No. 1/30 on 8/31/1992.
- **Elimination of time limits for repatriating foreign earnings for nontraditional exports**, issued in Instructions of the Central Bank No. D.I./106/93 on 4/15/93.
- **Clarification of the regulations concerning rights of non-resident foreigners to open convertible account in local commercial banks**, issued in Instructions of the Central Bank No. D.I./106/93 on 4/15/93.
- **Authorization to non-resident Burundians to hold foreign currency accounts in local commercial banks**, issued in Instructions of the Central Bank No. D.I./106/ 93 on 4/15/93.
- **Authorization to exporters of nontraditional goods to retain 30 percent of foreign earnings**, issued in Instructions of the Central Bank No. D.I./106/93 on 4/15/93.

C2. Inputs

C2a. Technical Assistance

Long-term. Prior to 1992, all reforms—such as the decentralization of two customs centers in the interior, Kayanza and Gitega, and the simplification of duty restitution for exporters—were initiated and coordinated directly by the mission, under the responsibility of the project officer and the private sector advisor. They were handled by the Chemonics team after their arrival, starting with the Free Zone Regime, the most important reform enacted under this output.

Short-term. A significant number of person-months was devoted to implementing the following studies, which provided the analytic basis for identifying, selecting, and articulating the policy reforms listed above.

- **A study on domestic policy and financial constraints on nontraditional exporters**, in December-January 1990-91, using 2P/Ms of expatriate, short-term technical assistance, recommended a series of changes that included linking tax incentives directly to the level of exports, revising the Investment Code with an eye toward foreign investors, increasing competition in the financial sector, eliminating export licensing, and employing a temporary admission system for import of goods.
- **A study on the Free Zone Regime**, in May and June 1992, using 2.96 P/Ms by expatriate experts, was conducted by De Chazal du Mee, a consulting firm from Mauritius subcontracted by Chemonics. This study led to comprehensive reform directed toward export promotion. The new law was adopted two months after completion of the study and was followed by the creation, in early 1993, of the Free Zone Regime in Burundi, one of the most generous and flexible in Africa. According to this new legislation, exporters of nontraditional goods and services are entitled to a ten-year income tax exemption; the right to keep foreign accounts; duty-free import and export; benefit from special provisions of the Labor Code, and enjoy free repatriation of capital and earnings (for foreigners). Any company exporting 100 percent nontraditional goods can be certified as a Free Zone Enterprise in 30 days, and automatically benefit from this package of incentives.
- **A study on norms and the quality control system**, in June 1993, using 1.46 P/Ms by expatriate experts and 3 P/Ms by local consultants, made strong recommendations to improve the organization of the Bureau Burundais de Normalisation (BBN), and to increase private sector involvement in the overall quality control system in the country. It will be followed up by a revision of the existing legislation and a reform scheduled for 1995. Immediately after completion of this study, the BBN was restructured to reflect the recommendations made by the consultants. In addition, BEST responded to a request for technical assistance aimed at helping BBN promote exports of organic products. Two short-term consultants from Volunteer Overseas Cooperatives of America (VOCA) were sent to Burundi in October 1993, just before the crisis, to identify fruits and vegetables that could be exported as organic products and to support BBN's efforts to deliver internationally recognized certificates of organic products. Since September 1993, Burundi has exported increased quantities of organic products to the European market, especially Germany, under the control of the BBN.
- **A study on strategy and institutional framework for export promotion**, in September 1993, using 1.65 P/Ms by expatriate experts and 1.5 P/Ms by local consultants, concluded that the country should move toward exporting nontraditional goods financed by private investments, instead of promoting commodities such as coffee funded by the GRB. It recommended that incentives already implemented be reinforced and suggested that the Agency for Export Promotion (APEE) invest directly in a profit-making operation that could become a catalyst for nontraditional exports in Burundi.
- **Two studies on Mandatory Pre-shipment Inspection Services (MPIS)**, in October 1992, using 0.97 P/M by expatriate experts and 0.33 P/M by local consultants, and in October 1993, using 1.27 P/Ms of expatriate experts and 1 P/M of local consultants, concluded that the MPIS was less necessary now than when they were initiated in the 1970s, since capital flight from Burundi has appreciably decreased. Also, the practice of MPIS is out of step with the new liberal environment that provides the right to import without control of the Central Bank. Finally, there is no evidence that the country is

saving money through this mechanism: lower prices for imported goods do not seem to offset the amount of fees paid to the contracting firm (SGS). Nonetheless, since the GRB maintains that it serves a useful purpose, and the practice is not vigorously opposed by the private sector, it will be maintained.

C2b. Training

In-country. BEST supported four workshops, a seminar, and a two-month training course as in-country training related to promoting international trade. A total of 322 participants attended the workshops, including 112 at the one on the Free Zone Regime. Two other workshops were held to discuss the findings from the studies on norms/quality control and MPIS. The fourth workshop was a multipurpose forum to present the results of the group trip to examine Ugandan FOREX bureaus and their applicability in Burundi.

BEST also helped organize in February 1992 a two-month training course with OCIBU for eight Burundian coffee entrepreneurs, prior to their market trip to the U.S. and Sweden.

In June 1992, in collaboration with the Faculty of Agronomy of the University of Burundi (FACAGRO) and APEE, BEST organized a three-day seminar on a new, export-oriented, privately-owned industry of essential oils, oleoresins, and medicinal plants that could lead to new agribusiness opportunities in Burundi. This seminar brought together European and American buyers, Burundian businessmen, government officials, university professors, and local farmers. The seminar concluded with an action plan for exploring further the development of this new industry and fostered fruitful contacts between potential buyers and exporters. One of the main practical results of the seminar was the creation of a small enterprise, composed of Burundian and European shareholders, formed with the intent of exporting dried paprika (*Capsicum annum*) to the French market. The first agricultural trials undertaken with American varieties were excellent, both in terms of agricultural yields and oleoresin content, and a small drying facility was installed in April 1994. This seminar had no cost for BEST in FBU; all local expenditures were borne by FACAGRO and APEE. The Office of New Initiatives in the Africa Bureau at USAID/Washington assumed all expenses related to travel and per diem for foreign participants invited by BEST.

U.S./third-country. BEST funded two groups for U.S. and third-country training in 1992. Eight Burundians spent three weeks in the U.S.A. and Sweden to find new niches for high-quality Burundian coffee in the gourmet market. This trip also gave them access to market information. The total cost was \$36,817. A second group of five people traveled to Uganda to learn how FOREX bureaus function there and assess the possibility of using the same model in Burundi. The total cost for this trip was \$7,500. There was no budget for U.S. and third-country training in 1993.

D. Monitoring, Evaluation, and Audit

During the early stages of BEST, three surveys laid the groundwork for the project and are used as baseline data sources for monitoring and evaluating the effects of policy reforms:

- **The Household Income and Expenditure Survey (HIE)**, was conducted in 1989 and completed in November 1991. The objectives of the survey were to determine the sources and level of cash income and the patterns and levels of expenditure and

Table III-2
Workshops and Seminars Under Output 3

| Workshop/Seminar | No. of Participants | Costs (\$US) |
|--|---------------------|--------------|
| Course for coffee exporters (1992) | 8 | |
| Seminar on essential oils (1992) | 75 | |
| Workshop on the trip to Uganda (1992) | 73 | 404 |
| Forum on Norms and Quality Control (1993) | 72 | 370 |
| Workshop on the Free Zone Regime (1993) | 112 | 1,660 |
| Workshop on the Mandatory Preshipment Inspection Services (1993) | 65 | 240 |
| TOTAL | 405 | 2,674 |

consumption, mainly in rural areas. Several critical indicators related to household economic performance and needs were identified that will be used for monitoring and evaluation purposes. The survey revealed that the major source of cash income derived from sales of crops and processed agricultural products.

- **The Informal Sector Survey (ISS)**, was conducted in Bujumbura in the urban service sector in 1990. One of the conclusions was that the sector plays an important but far from predominant role in the economy of the capital. As this survey was limited to Bujumbura and to enterprises involved in service activities, it does not include the informal productive sector represented by rural microenterprises. Therefore, future surveys will cover rural microenterprises and economic sectors known to be very important to the country as a whole but neglected by the initial ISS.
- **The Formal Private Sector Survey (FPS)**, was completed in 1991 and provides a nearly complete picture of the formal private sector in Bujumbura and in three secondary towns. This survey concludes that there are important qualitative and quantitative differences between the formal private sector in Bujumbura and that in the interior towns: businesses in the capital are far wealthier and their owners much better educated than in the secondary towns. The results indicate that development efforts and business credit appear to be justified when applied to the formal private sector; however, the lending experience of GRB and private banks to this sector is not good.

When the BEST long-term team arrived, one of its missions was to set up a monitoring and evaluation (M&E) system, with three objectives: i) to assess the impact of the reforms sponsored by BEPP; ii) to carry out research activities to keep USAID in close touch with currents of socioeconomic change in the country; and iii) to contribute to national institutions' capacity to generate and analyze data for policy formulation and development planning.

A short-term consultant was fielded in May 1992 to assist in this regard, but the ensuing report did not lay out the system mentioned above. However, the conclusions of this initial effort, confirmed by the recommendations of the mid-term evaluation team in April 1993, were that the BEST team should focus more on M&E activities and that additional assistance would be needed for designing and implementing an appropriate M&E system. Following this advice, a long term specialist in surveys and statistical analyses (SSA) was recruited in October 1993 to update the baseline studies and contribute to an effective monitoring and evaluation of the results and impact of BEST's policy reform activities. It was expected that a full-time position would bring greater cost-effectiveness and improved quality in conducting the surveys. With the assistance of this team member, the following activities were completed:

- **A Study of Cash Economy and Quality of Life in rural Burundi**, conducted in 1992, updated and expanded the 1989 Household Income and Expenditure Survey. By providing data comparable to the 1989 survey, the 1992 study is useful in tracking the effects of reforms as they are implemented. However, since most BEPP/BEST reforms were enacted in or after 1992, no direct relationship can be established between BEPP/BEST and the indicators adopted for this study. Nevertheless, some findings deserve special attention:
 - The quality of life—measured in years of education, improved food consumption, water availability, agricultural production, housing, etc.—did improve from 1989 to 1992. The mean net cash income at constant prices of Burundian households increased from 139,059 FBu in 1989 to 147,589 FBu in 1992. However, the gap widened between the richest and the poorest households.
 - The average household size in rural Burundi increased for all regions of the country, from 5.4 resident members in 1989 to 6.02 in 1992.
 - Agriculture is the rural population's primary economic activity (75 percent of the population). But, the richest households have experienced an increase in their cash income by moving toward more commercial activities.
 - Ownership is the dominant mode of land tenure in rural Burundi, where 93 percent of the households surveyed in 1992 own land. Inheritance is by far the most common source of land ownership, followed by purchase. Most landowners do not have title to their land, while about 25 percent report that their land is legally registered.
 - Household expenditure for food is twice what is spent on education and six times more than health care and medicine. Expenditure on food, consumer goods, and services is nine times greater than expenditure on agricultural inputs, mostly for hiring labor, seeds, and tools. A mean household expenditure of 202,586 FBu, at current prices, resulting in a cash deficit of 22,589 FBu, underscores the urgency of cash-generating activity in rural Burundi.
 - Lack of credit is cited as the main constraint on business activity, followed by poor roads and bad transport, and lack of land. The unmet needs expressed by farmers are credit, employment and training, infrastructure and housing, and social services.
- **The first project report on Monitoring and Evaluation on the reforms enacted as of June 30, 1993 and their impact on the private sector**, was prepared by the project

team, with the assistance of Burundian counterparts and ISTEERU, and released in September 1993. This report examines input and output indicators as well as impact indicators that assess the effect of the first 16 reforms on target groups. For each reform there are a series of quantitative indicators, such as the value of goods cleared from customs at Gitega or the number of Free Zone certificates delivered, that will be updated on a yearly basis. The report introduces also several indicators of macroeconomic change in the private sector such as the rate of private investment, the number of companies registered, and the evolution of private employment. The report concludes that it is too early to correctly evaluate the impact of BEPP/BEST ones since some of the most important reforms were not yet enacted when the report was submitted. It also emphasizes the absolute necessity to focus on publicizing and explaining these reforms to inform potential beneficiaries and to help them fully benefit from the new environment.

After the October crisis, the SSA developed a mathematical model to determine the impact of the social upheaval and the late arrival of rains on agricultural production. A nutritional analysis in the model enables the user to determine to what extent agricultural production was sufficient to feed the population and the number of daily rations required.

E. The Project Support Office

The Project Support Office (PSO) was originally designed to support USAID's two major projects, the Small Farming Research Systems (SFSR) project (695-0108) and the BEST project. With the completion of the SFSR project in August, 1993, the PSO was temporarily reduced in size, pending the start-up of the Burundi Health Systems Support project (695-0134). As of October 1, 1993, the BEST project assumed responsibility for the management of the PSO. A PSO manager was recruited and included as a member of the project team, with the mission of continuing to provide all administrative and logistics support for the project.

The PSO activities described below have been carried out during calendar year 1993, with a special emphasis on results achieved during the last quarter, with the direction and support from USAID:

Demobilization of SFSR. PSO activities included a complete inventory of project furniture and equipment, identification of items for turnover to the GRB (ISABU), and identification of items for transfer to PSO and for use on other USAID projects; packout and travel arrangements for expatriate personnel; tracking and billing of shipments of personal effects to the contractor; movement and storage of furniture and equipment; limited transfers of equipment to ISABU; reduction in force; turnover of leased property to owners; and transfer of SFSR property to a BEST pilot activity implemented by NCBA/CLUSA.

Deployment and support of NCBA/CLUSA. In June 1993 NCBA/CLUSA initiated its efforts in the Burundi Rural Group Enterprise Development Pilot Activity. The PSO supported these activities, providing housing, temporary office space, and general administrative and logistics support. Other efforts included finding, renovating, and furnishing a permanent CLUSA office, purchasing equipment and supplies, budget tracking, and providing CLUSA with detailed accounting of all disbursement on a periodic basis.

Personnel. During the period encompassing the demobilization of SFSR and deployment of NCBA/CLUSA until the end of 1993, the PSO underwent significant personnel transitions

including ongoing training (internal, locally and outside Burundi), right-sizing (adjusting to new requirements after SFSR and with NCBA/CLUSA), job re-classifications (all positions analyzed on the basis of AID Handbooks and FSN regulations and changes as required), combining of positions (eliminating unnecessary hiring, utilizing existing human resources, providing opportunities for advancement), internal promotions, hiring and transfers to USAID and the U.S. Embassy. Personnel files, classifications, and procedures were revised or otherwise enhanced to coincide with USAID FSN guidelines and regulations.

Accounting. Accounting procedures were revised to include a three-person review of all disbursements, including voucher preparation by the accountant, verification by the PSO administrative assistant, and final authorization by the PSO manager. An accounting-specific software package was purchased from ASYST, a local distributor, with a purchasing agreement that incorporated ongoing programming support and software modifications tailored to meet USAID/GRB-PAS/PSO requirements.

Property control. Dbase Non-Expendable and Expendable property control systems developed by EXO for USAID/Bujumbura were transferred to the PSO to enhance property accountability and integrate the PSO with procedures currently used by USAID/Bujumbura. Use of these systems permitted enhanced auditing capability as well as the flexibility to develop a purchasing system with the capacity for line-item accounting, a feature designed to facilitate accountability for the simultaneous support of several projects by the PSO.

Audit. An audit of the PSO was conducted by SOGEAC, an independent auditor. No major problems in accounting or procedures were elicited by the audit and recommendations concerning the monitoring of fuel utilization and limiting payments on leases were incorporated.

Humanitarian assistance. In the aftermath of the attempted coup in October, the resources of the PSO in terms of equipment, facilities, and personnel were utilized by USAID to assist in humanitarian emergency relief.

BEST. Since the demobilization of the SFSR Project, the focus of PSO administrative and logistics efforts was centered on providing support to the BEST Project efforts.

SECTION III

BEST ACTIVITIES AFTER THE OCTOBER 1993 CRISIS

A. Transition—Rehabilitation and Restoration

In October 1993, the president of Burundi was assassinated in an attempted coup d'état. Immediately following his death, ethnic unrest spread throughout the country leading to a total disruption of the economy, especially in the rural agricultural sector. Much of the rural commercial sector suffered material damage with boutiques and stores being burned and looted. Many of the rural people fled to neighboring countries or to "displaced" camps within the country.

As a direct consequence of these events, U.S. assistance to Burundi was suspended for seven weeks. During this time, BEST activities centered around assisting the mission to evaluate and assess humanitarian relief requirements and their impact on their economy. Providing humanitarian assistance for the rehabilitation and restoration of people's lives to aid a post-crisis transition to normality became and remains a goal of USAID/Burundi. USAID/W supports the mission, stating in a policy paper that "humanitarian assistance is not an end in itself, but an integral part of an overall strategy for sustainable development." Technical assistance was therefore directed at incorporating a strategy to enable the transition from humanitarian to development assistance within the existing project.

After restoration of U.S. assistance to Burundi and resumption of BEST activities, the project team continued to contribute to monitoring and assessing humanitarian relief requirements in terms of food and material needs for refugees and displaced persons. BEST also funded the purchase and distribution of seeds to farmers in two provinces among the most affected areas.

Unfortunately, on April 6, 1994, the presidents of Burundi and Rwanda died in a plane crash in Kigali, Rwanda, setting off the terrible chain of events in Rwanda and creating a regional political crisis that totally disrupted the GRB's efforts towards social peace and economic recovery. As a result of the deteriorating conditions in Burundi, all but one of the BEST project team members were evacuated from the country on April 13, 1994 and remained under "ordered departure" through mid October 1994. The specialist of surveys and statistical analysis (SSA), however, was allowed to remain in the country and continued to assist the mission in evaluating and assessing the humanitarian relief requirements and the impact of the crisis on the economy.

As part of the ongoing assessment, in April 1994, the project engaged a local subcontractor (Futura) to conduct a survey in the most damaged areas, first to assess material damage and loss suffered by rural enterprises; and second, to determine appropriate forms of financial and technical assistance for repairing their premises and replenishing their stocks. The final report from this survey, *Etude sur l'assistance aux privées situées a l'intérieur du pays*, was used as a basis for determining in the proposed project extension.

Other ongoing activities of the BEST project also continued in spite of the evacuation of the team. The BEST project, through the local counterpart institution CS/PAS, has continued most activities scheduled in its work plan. All studies necessary to fulfill the main conditionalities of the 1993 BEPP agreement were conducted on time and specific actions were initiated to promote peace and national reconciliation.

B. Support to Humanitarian Assistance

The SSA has worked closely with the mission from the onset of the crisis in October 1993 in providing support to the USAID's humanitarian assistance efforts. This has included providing technical support to various delegations reviewing the humanitarian aid programs on the ground in Rwanda and Burundi and reviewing technical proposals from NGOs and PVOs seeking funding for providing humanitarian assistance. The SSA has also served as the mission's principal liaison with all humanitarian assistance agencies working in the region. The following is partial list of the activities of the SSA during the crisis period of October 1993 through December 31, 1994:

- Provided technical support and accompanied the Food for Peace delegation on trip to Burundi, Rwanda, and Tanzania
- Provided technical support and accompanied the General Accounting Office delegation on field trip to northern Burundi
- Advised the team evaluating the food distribution program in the region
- Accompanied the U.S. Ambassador on two field trips to evaluate the situation in Burundi
- Reviewed the Terre des Hommes proposal for street children for the mission
- Reviewed and advised on the CRS grant extension proposal for the mission
- Reviewed the CRS seed distribution project and made recommendations to the mission
- Served as mission liaison with the European Community Humanitarian Office (ECHO)
- Served as mission liaison with the World Food Program Office
- Liaised with OFDA on funding requests
- Provided technical support to Food for Peace on food aid questions

C. Demobilization of BEST and Other USAID Project Activities

During the evacuation period from April 1994 till mid-October 1994, as the only remaining PSO/BEST team member in the field, the SSA served as the acting PSO administrator and oversaw the ongoing administrative activities of BEST as well as all other projects in which expatriate staff were evacuated. After the mission and USAID/Washington decided to downsize the overall program, the SSA supervised the demobilization of most USAID projects. Projects affected included:

- **BEST**—During the evacuation period, the SSA served as acting COP for the project. In addition to his rigorous schedule as humanitarian assistance advisor, he continued to supervise the BEST local staff and coordinate ongoing project activities such as the Gitega study with CS/PAS and the local consulting firm. He also worked with CS/PAS to assure that all studies necessary to fulfill the main conditionalities of the 1993 BEPP agreement were being conducted on time.

- **CLUSA**—Soon after the April evacuation, it became apparent that NCBA/CLUSA would not be able to complete the pilot activity as scheduled. The SSA worked closely with the CLUSA staff involved in the Gitega survey. After completion of this work, he assisted the CLUSA staff in demobilizing all activities and closing the CLUSA office. This included laying off personnel, terminating office leases, and transferring all equipment and commodities to the GSO.
- **Pathfinder**—All activities under the Pathfinder project were terminated. During the close-out phase, The SSA was involved in financial oversight and signing of all bank payments and the closure of Pathfinder accounts in the PSO books. He also terminated all personnel and facilitated the transfer of the project administrator to USAID.
- **PSI**—Although the PSI project was not terminated, all U.S.-based advisors were evacuated and eventually reassigned to other countries. During the evacuation period, the SSA provided financial oversight and signing of all bank payments. He also provided general oversight of program activities and liaised with the PSI Washington office.
- **PSO**—During the evacuation period, all PSO functions were managed by the SSA. When the mission decided to downsize the USAID program, the PSO was officially closed. During the close-out period, the SSA initiated all activities necessary to demobilize this office. A partial list of activities undertaken relating to the PSO included:
 - Day-to-day management of PSO staff
 - Control and maintenance of empty properties and offices
 - Control of vehicle fleet
 - Financial oversight and signing of all bank payments
 - Close-out activities of all projects
 - Removal of all PSO/project equipment to GSO
 - Renewal of staff contracts held in suspense
 - Lay-off of personnel not transferable to USAID
 - Negotiations concerning transfer of staff to USAID
 - Sale of one vehicle
 - Sale of stock of old tires
 - Transfer of remaining vehicles to GSO
 - Regideso end-of-contract formalities
 - Onatel end of contract formalities
 - Terminated lease of all houses and PSO office with owners
 - Inventory of all items removed to GSO
 - Termination of City Security guards

SECTION IV CONSTRAINTS TO PROJECT IMPLEMENTATION

A. Political Instability

By far, the most important constraint to the implementation of the project has been the ongoing civil and political instability in the country. The project has been hampered by numerous disturbances, work stoppages, insurrections, and political crises. The following is a sample of the many crises the project had to deal with:

The November 1991 crisis. Widespread disturbances caused by rebel Hutu militia attacks first began in November 1991 and lasted for several weeks. This resulted in a total disruption of commercial activities and severely impeded progress in achieving project objectives.

The presidential elections, 1992-1993. Burundi's President Buyoya established democratic pluralism in 1992. From April 1992 to June 1993, the country went through a period of campaigns leading to legislative and presidential elections. Seven new political parties were established in opposition to UPRONA, the former single party. The victory of the FRODEBU party in the national elections led to the reshuffling of the ministerial cabinet and changes in the heads of many agencies. This caused delays for several months in implementing BEST policy reforms and other project activities.

The October 1993 crisis. Immediately after the assassination of the first elected President of Burundi in October 1993, ethnic unrest spread throughout the country leading to the total disruption of the economy, especially in the rural areas. Thousands of people were killed; agricultural production suffered severe damages; and houses, stores, and markets were burned and looted. A large percentage of the population fled to refugee displacement camps or to neighboring countries. As a result, U.S. assistance to Burundi was suspended for seven weeks. During this time, BEST activities centered around assisting the mission to evaluate humanitarian needs, and participating in relief operations.

The April 1994 crisis. On April 6, 1994, the Presidents of Burundi and Rwanda died in a plane crash in Kigali, Rwanda. This accident created a regional political crisis and was a blow to the GRB's efforts towards social peace and economic recovery. While the October crisis led to inevitable delays in meeting the conditionalities under the FY 1993 program agreement of BEPP, the April evacuation of the BEST team involved an important slow-down of all project-related activities for 1994. Upon return of the team in October, 1994, the country has continued to be plagued by ongoing political and ethnic unrest resulting in a delay in implementation of many of the reforms and the Phase II agenda.

B. Inappropriate Time Frame

In spite of all of the hardships listed above, the BEST project has shown its ability to carry out, in a volatile environment, most activities scheduled in its work plan, while being flexible enough to assist the mission when needed, especially for emergency humanitarian assistance. However, the project has not been able to assess fully the impact of the reforms, many which were promulgated late in the life of the project or to ensure that the reforms were disseminated to the firm level.

As stated in the project's mid-term evaluation: "the five-year project life is too limited to assure viability and sustainability of the reforms. The reform process is just well underway, the private sector has responded but not yet capable of responding fully, it is fledgling. For firm- and household-level impacts, firms need contact with and better information on foreign and domestic markets. And they need TA for marketing...." Continuity is necessary to bring BEPP/BEST reforms effectively to the firm level. Firms need continued contacts with and better information on outside and domestic markets. Appropriate assistance to entrepreneurs is needed. Firms will need technical assistance, such as simple accounting procedures. There is also a need for continued monitoring and dialogue on reforms considered to be in effect, to make sure they remain in effect. Fiscal reforms too will need continuing attention.

C. Communication with USAID

Up until October 1993, the BEST project was managed by four chiefs, three from USAID and one governmental. The Chemonics chief of party reported to the Labat-Anderson private-sector specialist/BEST project manager, who in turn, reported to the USAID direct-hire project officer. The BEST project director is the title of the GRB official in charge, who is also permanent secretary of the Structural Adjustment Monitoring Committee. The Chemonics chief of party had his main office at CS/PAS, while the international trade specialist worked at the export promotion agency (APEE) and the small business specialist at the Chamber of Commerce.

As indicated in the mid-term evaluation, not surprisingly, the above structure caused confusion among third parties trying to communicate with the project, as well as occasional problems of overlapping authority. Reversal by USAID of the Labat-Anderson PSA of decisions already negotiated with CS/PAS in the Liaison or Technical Committees were sometimes interpreted by GRB officials as lack of transparency. Having made a new but very firm commitment to openness in their own procedures, and having a tradition of formal protocol for every action, they were mystified by the fluidity and complexity of regulations and decision making at USAID.

The solution to the complexity of the communications required for reform has been meetings and decision by consensus. This has worked extraordinarily well in most cases; however, occasionally locally determined consensus has been overruled due to changing guidance or clarification from Washington. The BEST Technical Committee, instituted in the first year of the project, has provided a uniquely successful forum for negotiating reforms and supporting activities.

D. Domestic Obstacles

Important domestic obstacles to private sector development had to be faced by the BEST team. As a landlocked, mountainous country, Burundi is poorly placed to integrate its economy fully into world markets. The domestic market is extremely limited, due to low purchasing power and resource constraints. Further, Burundi is a latecomer to highly competitive export markets. Entrepreneurs lack both technical and managerial knowledge and experience, and there is a continuing lack of timely information on both domestic and foreign markets. The government maintains *de facto* monopolies in most sectors where interesting returns are possible, e.g., coffee, tea, cotton, and rice. Public and parastatal companies dominate the business sector in Burundi and continue to receive preferential access to tax favors and credit. People who are supposed to promote the private sector are also involved in public activities.

Consequently, it has been difficult for BEST to promote private sector development, given the following constraints (among others):

- Ethnic rivalries
- Predominance of subsistence agriculture
- Poor market organization
- Little traditional experience in business
- Little access to credit
- Erosion and declining soil fertility
- Low productivity
- Burundi's isolation, both geographical and intellectual
- Cultural conservatism
- Undereducated and untrained labor force
- Outdated fiscal system

E. Insufficient Budget for Out-country Training

BEST was intended to focus on policy, not training. However, training did play an important role in the project. Training was limited to short-term third country visits and in-country workshops and seminars due to a lack of a training budget in the original BEST contract. Consequently, until August 1993 when the original contract was amended to include this component, BEST was unable to fund sufficient out-country training activities. Fortunately, alternative funding through non-Chemonics BEST funds and BUHRD were available to finance three out-country training sessions in 1992.

SECTION V LESSONS LEARNED

A. Comprehensive Sustainable Approach

The BEST project has received high marks for implementing a successful reform program. The approach has been both comprehensive and sustainable and is still being used by the GRB to carry out further policy reforms, even without continuing BEST technical assistance in this regard.

Until the crisis in October 1993, most policy reforms initiated by BEST required a series of implementation steps. These included:

- Step 1- Pre-identification of reforms through government or private sector. The idea was to keep the agenda flexible to adjust to changing priorities. Each year a list of reforms was agreed upon by a technical committee with input from all concerned ministries, USAID, and other stakeholders. This became the basis for the project's annual work plan and formed the conditionalities required for the disbursement of annual cash transfers under the BEPP. These cash transfers were used very effectively by the GRB and USAID to keep the progress moving as rapidly as possible.
- Step 2- Carrying out studies on the viability of the reforms proposed. Studies were conducted by a team composed of expatriate and local consultants, whose participation was considered an important way to build up local consulting capacity.
- Step 3- Conducting public seminars and workshops on findings and recommendations.
- Step 4- Drafting of the legislation by qualified business lawyers, encompassing all recommendations. Upon receiving the final version of the draft law, the ad hoc committee could make further changes.
- Step 5- Holding public seminars and/or workshops to discuss the contents of draft and revising if necessary. This is a key step—getting feedback from all stakeholders, and testing conclusions and recommendations.
- Step 6- Presenting the final version to the Council of Ministers for promulgation. The Council of Ministers then debates and revises, if necessary.
- Step 7- Review by the Constitutional Court to assure the conformity of law with the Constitution.
- Step 8- Presidential signature and enactment of reform.
- Step 9- Practical implementation of reform at the firm level.

As indicated in the mid-term evaluation, "Before the reform process accelerated in the 1990s, these processes used to take years, even for minor changes. Bureaucratic inertia was a factor, as was the fact that any official concerned could block the process to assert his authority

or demand concessions from those pushing it. The GRB, USAID, and other donors agreed simultaneously in about 1990 to accelerate this process. The GRB made the decision through presidential leadership, after sometimes intense internal debate. The government agreed with donors on the direction of change, and on the need for outside assistance. Many Burundian officials had previously shunned such assistance as meddling. Through tight deadlines, continuous dialogue, and joint oversight built into the BEST/BEPP program, rapid fundamental change has actually occurred”!

B. Strong Support from Host Country

There is no doubt that the BEST project was able to successfully implement its reform agenda and carry out an impressive number of studies and training activities up through 1993. These achievements are due mainly to the dynamic interaction among the local administration, USAID mission in Bujumbura, the BEST long-term technical team, and the Burundian counterparts. More particularly, the political will of the GRB, as well as the active participation of the business community, deserve to be singled out as key factors of BEST's successful performance. As the mid-term evaluation stated, “The enactment of 1992 reforms has been accomplished with unforeseen rapidity from the GRB point of view...they have worked at a level unprecedented for USAID in Francophone Africa.”

Unfortunately, it is highly unlikely that this conducive environment will prevail in the foreseeable future. BEST's rate of achievements will certainly decline until the country achieves full restoration of democratic institutions and resumes economic activities in a sustainable peaceful climate.

C. Political Reform is Not Sufficient Alone

Political reform is not sufficient alone, especially if it is implemented in such a short time. True reform can be achieved only through comprehensive follow-up on the implementation of selected broad-based reforms that have been enacted. Further assistance will be needed to help the host government and the fledgling private sector to implement these reforms, beyond the promulgation of laws and decrees, to improve in reality the legal, administrative, and economic environment for SMEs and microenterprises (see proposed extension of BEST project).

D. Direct Assistance Should be Directed to Small and Microenterprises

The original Social Soundness Assessment (SSA) done for BEST in 1990 notes that Burundi has a history of persistent ethnic conflict and social discrimination. Current events in Burundi unfortunately confirm this analysis. The SSA also noted that although the historically disadvantaged rural population—mainly Hutus—should benefit from the potential economic benefits of the structural adjustment program instituted in 1986, parallel adjustments in ethnic relations are necessary to reduce the tribalism and nepotism that perpetuate Tutsi political and economic domination. The violent, armed struggle for political power between the two ethnic groups that began in October 1993 confirms that social adjustments in Burundi are just beginning. Thus the fundamental situation of ethnic disparities and conflict described in the original SSA has not changed. And the danger pointed out in 1990 obviously still exists today: the economic and political reforms supposed to move Burundi toward national reconciliation also are a source of ethnic conflict, as the gap between expectations and reality arms the Hutus and the loss of elite status arms the Tutsis.

As the original SSA also notes, the fact that most of Burundi's population is poor and rural means that BEST has a better chance of fulfilling its goals and having a broad-based impact by working with the informal sector that is linked to that population. The formal private enterprise sector in Burundi remains small and oriented mainly toward the small, well-off urban population, although the policy reforms implemented in collaboration with BEST have supported its growth in new directions. However, it is still true that BEST will have a wider effect on more people, particularly the poor, by concentrating resources on the informal as well as the formal sector.

The expected project impacts for the extension are essentially the same as those expected earlier. During the BEST extension, as in 1990, commercial development is expected to stimulate agricultural production by "expanding Burundi's limited domestic market for food and other agricultural commodities, and by expanding access to regional markets as well" (USAID 1990). Policy reforms that help create an enabling environment for private, micro-enterprise growth have political and social implications, as they will give the disadvantaged rural population opportunities for advancement (ibid). Project benefits will include income and employment growth in the rural population as well as benefits for the elite. It is still to be hoped that, over time, "this bipolar strategy should generate broad-based economic growth, while working to undermine one important source of ethnic conflict."

SECTION VI RECOMMENDATIONS

A. Recommendations to the GRB

A1. Continuation of CS/PAS

It is imperative that CS/PAS continue to promote BEST's purpose of fostering growth of the private sector. It should therefore continue assisting the GRB in improving the enabling environment for the private sector through reforms of laws, regulations, and practices. To reach the vast majority of Burundians beyond Bujumbura's elite will require increased attention to the rural sector and its linkages with the private sector. Therefore, CS/PAS should focus on agricultural and agribusiness reforms, and development in the near and mid-term future.

A2. 1994 Agenda Must Be Fulfilled

CS/PAS should assist the GRB to complete BEST 1993/94 Reform Agenda by:

1) Promulgating the Corporate Law and the Law permitting privatization of the profession of Public Notary; and

2) The adoption by the Ministerial Committee of the Structural Adjustment Program consisting of:

- the draft laws permitting privatization of process servers and surveyors;
- the new law on Norms and Quality Control;
- the draft law facilitating credit by using a collateral chattel held in bonded warehouses;
- the draft laws on process servers and surveyors;
- creation of the Income Tax Joint-Review Commission established by Decree No 1/012 of February 23, 1993.

It is crucial also that CS/PAS make sure that the GRB promulgate the laws permitting the privatization or creation of legal professions important to the conduct of business such as public notaries, process servers, auctioneers, and surveyors.

A3. Practical Implementation and Dissemination of BEST/BEPP Reforms

CS/PAS should follow up on the implementation of selected broad-based reforms that have been already enacted. The idea is to assist the GRB and the private sector to implement these reforms, beyond the promulgation of laws and decrees, to improve in reality the legal, administrative, and economic environment for SMEs and microenterprises. These activities will concern three main areas: the legal and regulatory environment commercial code, privatization of judicial professions), financial services (leasing, warrant and bonded warehouses) and the agricultural sector (custom duties and sales taxes on agricultural inputs, seed legislation). Other areas, such as labor and employment, may be included, but to a lesser extent. These activities will be primarily related to BEPP/BEST-supported reforms, but could also involve others (price liberalization, investment and fiscal codes) designed to create a conducive climate for the private sector. The following actions, *inter alia*, should be undertaken:

- Identification and removal of administrative obstacles at the national, regional, and local levels;
- Enactment of new ministerial orders and regulations to implement selected reforms (*mesures d'application*);
- Campaigns for explanation and public awareness with target groups.

A4. Establishment of Market Information and Credit Services to Private Rural Microenterprises and SMEs

These key components of the initial BEST project have been put on the back burner, but should be reinserted into the work plan of CS/PAS. This type of direct assistance will be designed and implemented with a view to help target groups derive full benefit from selected BEPP/BEST-supported reforms. Therefore, these activities will be closely linked to actions described above) and will have a long-lasting effect, beyond the BEST PACD. They will also benefit from the practical experience acquired by BEST through Emergency Assistance to Rural Enterprises and will be conducted in close cooperation with the BEST project and the project team.

A5. Policy-oriented Research

Three major studies should be carried out:

a) The most important, by far, is the revision of the Land Code, which should result in improving the system of acquisition and transfer of property rights in rural areas, and thus create an appropriate legal framework for good land use and better access to credit. After the promulgation of the revised Land Code, necessary steps must be taken to translate the text into Kirundi and organize a widespread campaign for explaining the changes and increasing public awareness. These actions will be conducted in coordination with the implementation of the reforms on public notaries and land surveyors.

b) To complete the modernization of the Commercial Code, BEST will revise the last section, on negotiable financial instruments, which deals with the most common means of payment and represents the basis of all business transactions.

c) Constraints to domestic trade will be examined in depth, to remove existing obstacles and promote more internal exchanges. New business opportunities based primarily on domestic needs (and regional markets) will be identified, especially for rural microenterprises and SMEs.

A6. Direct Assistance to Private Enterprises

The BEST project has been involved in identifying the needs of rural-based enterprises in the Gitega Province through a survey conducted during the crisis period. Results of the first phase of this study have shown that lack of credit is a major constraint to the restoration of enterprises damaged during the aftermath of the October crisis.

One of the most important recommendations coming from this study is that a mechanism is needed to encourage local private financial institutions to provide credit to the rural sector. A guarantee fund was proposed as a viable mechanism to provide a short-term stimulus to put rural

businesses back on their feet. As the situation in the rural countryside is urgent, there is an immediate need for CS/PAS to move forward on this recommendation. CS/PAS should extend the current terms of reference of the Gitega Survey in an effort to determine the feasibility of establishing a fund, as well as exactly how it would function and the mechanisms needed to set it in motion. They should work closely with the BEST project to engage a short-term credit specialist to work with the survey team.

A7. Contribution to Restoration of Peace and Local Governance

One of the main goals of CS/PAS could be to assist in improving the dialogue between ethnic groups, fostering a quick resumption of productive activities, and encouraging the return to normal functioning of governmental institutions throughout the country. The following activities are envisioned:

- A series of communal workshops with the major themes of peace, inter-ethnic reconciliation, and economic recovery. They should be aimed at local government leadership, members of the National Assembly, businessmen, and individuals who are playing a major role in the resolution of the present crisis. CS/PAS would assist with the running of these workshops, particularly in the selection of leaders and conference speakers.
- Programs on national radio and television including documentaries, interviews, and debates on the themes of peace, national reconciliation, and economic recovery; also a nationwide poster campaign on the same themes.

B. Recommendations to USAID: Extension of the BEST Project

As a result of the deteriorating situation in Burundi, the mission shifted the focus away from implementing projects of the approved strategic objectives to providing urgently needed emergency humanitarian assistance, and planning in the medium term to focus our assistance program on rehabilitation and further development of the rural areas.

In response to the impact of the crisis on the existing USAID assistance program in Burundi, the mission has reviewed its program focus, strategic objectives, projects, and programs, and prepared a revised strategy reflecting the most urgent needs of Burundi and the management capacity of the mission to address them. While the existing mission program goal of the Country Program Strategic Plan (CPSP)—to improve the quality of life for all Burundi people—has been retained, the mission is focusing on three revised medium- and long-term strategic objectives in its response to recent events: increasing popular participation and representation in government; increasing rural production and incomes; and increasing demand for and access to improved primary health care. This strategy supports an approach to broad-based growth by economically empowering the rural population through increases in rural production and incomes, while supporting activities that replenish rather than exhaust the resources of Burundi.

The goal of the BEST project is to increase employment and net income for Burundi's poor. Its purpose is to foster the growth of private enterprise, especially among small and medium enterprises (SMEs) and exporters, in Bujumbura and in secondary towns. The mission's review of the BEST project, reinforced by an external evaluation completed in August, 1993, indicates that within the mission's revised strategy BEST's original goal and purpose are still valid. However, Burundi's altered context requires adjusting the project's focus away from policy

reforms that emphasize putting in place an enabling environment to promote business and investment growth, to supporting activities that rehabilitate rural commerce and pave the way for a transition from humanitarian to development assistance.

BEST's evaluation in August 1993 and Burundi's current situation both point to the need for continuing technical assistance to help restore the private productive sector, particularly rural microenterprises (MEs), so that they can take full advantage of policy reforms and participate effectively in rebuilding and expanding the economy. BEST can fulfill this objective by providing increased direct assistance to the target groups and by focusing on the practical implementation of broad-based reforms already enacted.

Under the current conditions, the BEST project offers the most appropriate mechanism for achieving the mission's second objective of increasing rural production and incomes, and will allow for a more effective and efficient response to the most urgent needs of Burundi's rural sector.

B1. BEST - Phase II (1995-1996)

Under Phase II of the project, BEST's goal and purpose would remain the same, with one revised output, **Rehabilitation of the Rural Economy**, and the four following sub-outputs:

- **Humanitarian assistance**, as an integral part of an overall strategy for sustainable development;
- **Direct assistance to rural small and microenterprises**, especially in the most affected areas, to help them resume and expand their economic activities;
- **Contribution to peace restoration and strengthening of local governance**, to create an enabling environment for rural small and microenterprises;
- **Practical implementation of broad-based reforms**, to help rural small and microenterprises become aware and take advantage of BEPP/BEST most relevant reforms;

The revised output must be considered as the post-crisis continuation of the first BEST's output identified in the Project Paper: "Removing entry barriers to the formal sector," which focused on small and microenterprises. All activities related to the two other outputs, "alleviating constraints to doing business," and "promoting international trade" will be immediately terminated or phased out as soon as possible. No additional policy reforms would be promulgated, except those already agreed upon in the 1993 BEPP agenda.

B2. Expected Results of the BEST/BEPP

Under the revised BEST program, the project should encourage ordinary and well-motivated people in the target provinces to recommence commercial activities in their small and microenterprises. Results obviously depend on a reasonable security situation that will allow the project to fulfill its activities. It is expected that by 1996:

- Small and microenterprises will be operating and functioning normally again.

- Reconstruction of shops and workplaces in rural areas will be noticeable.
- Credit mechanisms will be in place and in use to facilitate rural microenterprise activity.
- A measure of confidence will have returned to the market place, in particular to the *centres de négoce*.
- Training will have been given for small businessmen, working in rural parts of the country, in the areas of credit obtention, simple accounting, and the development of a small profitable microenterprise.

B3. Scope of Work

B3a. General

The BEST project should provide technical assistance and training to achieve the BEST program's overall objectives. It would consist of three principal components:

- Long- and short-term technical assistance in humanitarian USAID, direct assistance to rural small and microenterprises, contribution to restoration of peace, and strengthening of local governance and practical implementation of broad-based reforms
- Training
- Monitoring, evaluation, and audit

B3b. Long-term Technical Assistance

Long-term technical assistance is the core activity of the BEST project and the institutional contract. The institutional contractor should provide a team of two specialists who will play a key role in fulfilling the project's objective of contributing to the rehabilitation of the economy by providing direct assistance to target groups, particularly rural microenterprises, and helping to restore a conducive environment. Under the present circumstances, an enabling environment means first and foremost the consolidation of peace and security, and the normal functioning of government institutions at all levels throughout the country. Therefore, in the interest of achieving economic recovery, BEST will also address the issue of peace and national reconciliation and contribute to strengthening local governance structures. The proposed team would consist of the following:

The Rural Enterprise Advisor/Chief of Party

a. Basic Functions

This individual will serve as team leader and chief of party for a team of two long-term advisors who will assist the GRB in implementing the revised BEST program. In this capacity, he/she will perform a full range of consultative, advisory, analytical, and administrative functions to ensure that the program is implemented effectively and with appropriate consideration not only to the requirements of sound economic policy, but also to the social, institutional, and political realities of Burundi.

to the requirements of sound economic policy, but also to the social, institutional, and political realities of Burundi.

b. Location

The Rural Enterprise Advisor/Chief of Party (REA/COP) will work within the GRB's Permanent Secretariat of the *Comité de Suivi* (CS/PAS), which is in turn responsible for coordinating the implementation of the GRB's Structural Adjustment Program. The CS/PAS is headed by a permanent secretary, who reports to the Prime Minister of Burundi. The REA/COP will be the direct counterpart of the Permanent Secretary of the CS/PAS, who will serve as the GRB Project Manager for BEST and BEPP.

c. Major Duties and Responsibilities

1. Provide overall direction and substantive guidance to all other technical advisors supported by the BEST project (both long- and short-term).
2. Initiate and direct a program of direct assistance to rural-based small and microenterprises to support their return to a pre-crisis level of activity. The individual will address fundamental issues such as entrepreneurial activity, credit management, agro-processing, marketing, costing, and record keeping. The REA/COP will emphasize enterprise development, but also will reinforce solidarity and a cooperative approach through training programs designed to meet the special needs and conditions of the project's target groups. In this capacity, the REA/COP will work with the GRB, private institutions, and the other member of the long-term team to develop scopes of work for all short-term technical assistance funded by BEST and to coordinate all project funded activities.
3. Assist the GRB in establishing a special credit mechanism in one or more private financial institutions designed to make credit available to small and microenterprises located in rural areas, particularly near market centers. Target groups will include farmer associations, cooperatives, and individually owned small and microenterprises. During the first phase, the credit mechanism will be backed by a special credit guarantee fund established by the BEST project through local counterpart funds. This guarantee fund is intended only as a short stimulus to put rural businesses back on their feet and intended to lead the way to a special and permanent "credit window" in private banks and financial institutions. The REA/COP will draft the scope of work and coordinate the study to identify the appropriate financial institutions to participate in the credit program and establish guidelines and operating procedures for managing the fund.
4. Initiate and direct a training program for Burundians from both the public and private sectors. In this capacity, the REA/COP will organize seminars, workshops, and communal meetings to emphasize the importance of peace and national reconciliation, and their impact on economic recovery. The individual will also organize in-country training to disseminate and explain the most relevant broad-based policy reforms. He/she will also identify and initiate training opportunities in other developing and/or middle-income countries for BEST staff, local civil servants, and rural-based small and microenterprise owners.
5. Initiate and direct a program for monitoring and evaluating the impact of the revised BEST output on the project target groups. The Rural Enterprise Advisor will work closely with the Specialist in Humanitarian Aid, Surveys, and Statistical Analyses (SHASSA), the GRB and relevant Burundian institutions to conduct all necessary surveys and other studies to monitor the

socioeconomic indicators identified during Phase I of the BEST project. He will collaborate with the SHASSA to compile and synthesize the results of their research for presentation to USAID/Burundi and the GRB.

6. Provide overall administrative/logistic support to all BEST-funded personnel and local currency tracking for BEPP-generated counterpart funds.

7. Provide quarterly financial and annual progress reports to USAID/Burundi.

d. Qualifications

The COP/REA must be a citizen or green-card holder of the U.S. Candidates proposed from a country included in USAID Geographic code 935 must be justified at the time of proposal and approved by the Mission Director. He/she must possess a MS, MBA, or equivalent experience in economics, business, or small and microenterprise management. He/she must have a minimum of five years experience in the area of private sector development in developing countries, especially with rural-based small and microenterprises. This expert must be fluent in French at the FSI 3+ level. Professional experience in Burundi or other Francophone African country is desired.

Specialist in Humanitarian Aid, Surveys, and Statistical Analyses

a. Basic Functions

A prior condition to any reconstruction of the rural economy of Burundi is a guarantee of basic human necessities. The Specialist in Humanitarian Aid, Surveys, and Statistical Analyses (SHASSA) will work for a return to self-sufficiency in the basic areas of human existence:

- Fresh, clean water supplies
- Agricultural production and food supplies
- Security for all people in all places
- Shelter
- Basic health and medical care

To these ends, the SHASSA will work in close collaboration with the Humanitarian and Disaster Relief Office of USAID Bujumbura and will assist USAID in its humanitarian aid program as requested. SHASSA will also work in close collaboration with the Rural Enterprise Advisor and other members of the BEST team to fulfill the revised project output, especially as it relates to small and microenterprises in the rural areas.

b. Location

The SHASSA will be assigned to the Humanitarian and Disaster Relief Office of USAID Bujumbura and will work in close collaboration with the Mission Disaster Relief Officer.

c. Major Duties and Responsibilities

The SHASSA will be a resource available to USAID and will be involved in duties as requested by USAID. Areas of activity can involve, but are not limited to, the following:

2. Monitoring of agricultural conditions and internal food production to assess what are the food aid requirements and at what point the country would again be self-sufficient in food production.
3. Monitoring of population movements both of internally displaced people and also of refugees.
4. Developing mathematical models as requested to help forecast future changes in affected populations, in internal food production, and in population movements.
5. Maintaining close contact with other organizations, including multilateral aid organizations, NGOs and other bilateral aid organizations, so as to have an overview of the humanitarian aid program in Burundi.
6. Maintaining close working relations with agencies receiving USG funding in humanitarian aid. In particular this will include project monitoring and oversight of OFDA- and FFP-funded grants.
7. Developing an ongoing assessment of the reconstruction process and advising on the timing of the reintroduction of economic development programs as opposed to disaster-response activity.
8. Preparing regular reports concerning the changing humanitarian aid situation as it affects not only internally displaced people and refugees within Burundi but also as it affects the USG's involvement in the reconstruction process.

d. Qualifications

The Specialist in Humanitarian Aid, Surveys, and Statistical Analyses must be a citizen of a country included in AID geographic code 935. He/she must possess an advanced degree (MSc) in economics, mathematics, or an equivalent degree in a related discipline. The individual should have a thorough knowledge of USAID humanitarian assistance programs and be skilled in monitoring of affected populations, in particular as concerns food, water, shelter, and medical needs. He/she should also have a good professional knowledge of the economic impacts of reforms on rural-based small and microenterprise development and the population as a whole.

B3c. Short-term Technical Assistance to Conduct Specialized Studies

Research Activities, FY 1994

- a. Final revision of the Corporate Code (local consultants; 1 p/m)
- b. Final revision of the law permitting privatization of notaries public (local consultants, 2 p/m)
- c. Final revision of the laws permitting privatization of process-servers and land-surveyors (local consultants, 4 p/m)
- d. Revision of the bankruptcy legislation (local consultants, 2 p/m)

- e. Final revision of the law on the Burundian Bureau of Norms and Standards (local consultants, 1 p/m)
- f. Final revision of the study on export promotion services (local consultants, 0.5 p/m)
- g. Study on the impact of the October 1993 crisis in the province of Gitega and recommendations for credit mechanisms in favor of target groups (Local consultants, 6p/m)

Short-term Assistance in 1995 and 1996

The institutional contractor should be prepared to provide approximately 6 person-months of short-term assistance for the following studies:

- a. Study on the establishment of a guarantee fund to help provide adequate credit to small and microenterprises in the province of Gitega (1995; 2 p/m)
- b. Study on the establishment of a special window for rural-based small and microenterprises in a private financial institution (1996; 2 p/m);
- c. Study to improve the institutional framework that provides technical assistance to small and microenterprises (1995; 1p/m)
- d. Study on improving market information services for rural-based small and microenterprises (1995; 1 p/m)

The institutional contractor should also be prepared to provide approximately 6 person-months of short-term assistance for unspecified analyses.

B3d. Training

The institutional contractor should be responsible for organizing and administering all training provided under the BEST project. The contractor should ensure that all training plans and all proposals are submitted to the mission for concurrence. The contractor shall also ensure that competitive procedures are used in selecting candidates. All training plans and individual nominations should be approved by the GRB BEST project manager prior to concurrence from the Burundi mission.

Under the revised BEST program, the training component will be aimed at strengthening peace and local governance, as well as at assisting operators of rural small and microenterprises in improving their business skills, so that they may fully benefit from the newly created enabling environment. Two broad types of training will be sponsored by BEST:

Out-Country Training:

- One group visit, with five participants, to study financial institutions targeting rural-based small and microenterprises in more advanced developing countries;
- One group visit, with five participants, to study small agribusinesses opportunities in more advanced developing countries;

- One group visit, with five participants, to study successful local governance structures and their impact on small and microenterprises;

In-Country Training:

- Training sessions for communal administrators and communal meetings to emphasize the importance of peace and reconciliation and their impact on economic recovery;
- A special workshop on the role of youth in economic recovery;
- Workshops to disseminate and explain the most relevant broad-based reforms to rural-based small and microenterprises;
- Special seminars on credit, basic management principles, and appropriate technology for rural small and microenterprises;
- Radio programs to promote peace and provide market information for rural-based small and microenterprises.

B3e. Monitoring and Evaluation

The monitoring and evaluation component of BEST has two objectives. The first is to carry out a series of research activities that will keep USAID/Burundi in close touch with currents of socioeconomic change in the country as the nation works towards reconstruction and as the structural adjustment program moves forward. The second is to establish within appropriate Burundian institutions the capacity to generate and analyze an appropriate range of empirical information to strengthen national policy making and development planning.

This monitoring and evaluation plan encompasses four levels of program implementation and progress: inputs, outputs, purpose-level indicators, and goal-level indicators.

- **Inputs:** The first step is monitoring the disposition of inputs associated with the project activity. These are input-level indicators.
- **Outputs:** The second step (and the first step in measuring impact) is to establish whether the resources provided as inputs have accomplished anything; in particular, whether the loan-guarantee fund and other micro-enterprise reconstruction activities are operational. These are output-level indicators.
- **Purpose-level indicators:** The next step is to establish whether intermediate objectives have been met, for example, on-the-ground implementation of credit facilities together with indications of the impact this is having on small and micro-enterprises. These are purpose-level indicators.
- **Goal-level indicators:** The last step is to establish the effect that these intermediate outcomes may have had on people's lives, which entails an assessment of goal-level indicators. As with all monitoring and evaluation activities, this will require a long-term perspective, good baseline data, a comprehensive monitoring system embedded in the implementation process, and willingness to accept that many causal linkages might be difficult or impossible to substantiate from the data collected.

The overall project purpose is "The Rehabilitation of the Rural Economy." Achievement of this purpose will be associated with the following empirical indicators of change:

- Small and microenterprises will be operating and functioning normally again.
- Reconstruction of shops and workplaces in rural areas will be noticeable.
- Credit mechanisms will be in place and in use to facilitate rural microenterprise activity.
- A measure of confidence will have returned to the market place, in particular to the *centres de négoce*.
- Small businessmen, working in rural parts of the country, will have a basic understanding of credit obtention, simple accounting, and the development of a small profitable microenterprise.

In the area of purpose-level monitoring, the contractor will be responsible for the following studies, which will be implemented in collaboration with a national consultancy bureau:

- A second update of the Household Income and Expenditure Survey. This would provide new information on household economic activities in post-crisis Burundi.
- A first update of the Gitega Rural Microenterprise Study. This study would be performed towards the end of the project to assess the impact of project activities in restarting the rural economy.

B3f. Project Organization

Overall responsibility for the BEPP program and supporting BEST project rests with the Government of Burundi's *Comité de Suivi*, which is responsible for coordinating and implementing the GRB's Structural Adjustment Program. The *Comité* is comprised of key economic ministries; responsibility for coordinating the agenda rests with the Permanent Secretariat of the *Comité de Suivi* (CS/PAS).

The principal GRB official responsible for the daily management of the BEPP/BEST activities will therefore be the permanent secretary of the CS/PAS, the designated director of BEST. He or she reports to the president of the *Comité de Suivi*, the Minister of Planning, through the Secretary of State for Planning. The contractor's chief of party will work directly with and be functionally assigned to the CS/PAS. Furthermore, the key decision-making body for BEST project issues will be the BEST Management Committee comprised of the Permanent Secretary of the CS/PAS, the contractor's chief of party, and USAID's development assistance specialist.

To assist in the office administration of the CS/PAS, local currency counterpart funds generated under BEPP will be used to finance the services of a five-person staff (one program assistant, one training assistant, one monitoring and evaluation counterpart, one accountant, and one secretary). For administrative support of the BEST team, local currency counterpart funds will also finance the required support staff and a facility for housing those services. The

contractor shall have responsibility for tracking local currency counterpart funds created under the companion BEPP NPA cash transfer program.

B3g. Administrative and Logistical Support

The GRB will assign the members of the BEST technical assistance team office space at the CS/PAS in administrative and organizational support of BEST.