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A.I.D. Program No. 695-0134  
Dollar Appropriation No. 72-113/41037  
Budget Plan Code: GES3-93-31695-KG39

**PROGRAM GRANT AGREEMENT**  
(the "Agreement")

for the

Burundi Democracy and Governance Program (the "Program")

Between

The Republic of Burundi (the "Grantee")

and

The United States of America,

acting through the Agency for International Development ("A.I.D.")

**ARTICLE 1: The Grant**

For the purpose of supporting and sustaining the process of democratic governance in Burundi as shall be demonstrated by the successful convening of the National Assembly, and assisting the Grantee in reducing its budget and balance of payments deficits and thereby supporting the economic and political stability of Burundi as further described in Annex A (Program Description), attached hereto, A.I.D., pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, (the "Act") hereby grants to the Republic of Burundi under the terms of this Agreement, an amount not to exceed One Million United States ("U.S.") Dollars (U.S.\$1,000,000) (the "Dollar Grant").

**ARTICLE 2: Conditions Precedent to Disbursement**

**SECTION 2.1 Conditions Precedent to Disbursement of the Dollar Grant**

Prior to the disbursement by A.I.D. of the cash transfer funds appropriated to A.I.D. for the Grantee during U.S. Fiscal Year 1993 in the amount of One Million U.S. Dollars (U.S.\$1,000,000) or to the issuance by A.I.D. of documentation pursuant to which such disbursement will be made, the Grantee shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

A. An opinion of legal counsel, acceptable to A.I.D., that the Agreement has been duly authorized by, and executed on behalf of, the Grantee and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms;





B. A statement of the name of the person or persons holding or acting in the office of the Grantee specified in Section 7.2, and of any additional representatives, together with a specimen signature of each person specified in such statement; and

C. Evidence that the National Assembly has convened at least one session during Calendar Year 1993, and that its duly elected representatives have been duly assembled to participate therein.

D. Documentation confirming that the Grantee has established a separate, non-commingled, interest bearing Special Dollar Account entitled "Democracy Program Dollar Account - 1993" (the "Special Dollar Account") in a commercial bank in the United States of the Grantee's choosing into which exclusively all Grant funds from the Dollar Grant are to be deposited by A.I.D. The permitted utilizations of said deposit and the required accounting for said utilizations are set forth in Article 4 of this Agreement.

E. A written schedule, provided to A.I.D., of multilateral debt for which the Dollar Grant shall be used which shall describe, at a minimum, the name of the multilateral lending institution, the names and purposes of the loans to be serviced with the Dollar Grant funds, a list of anticipated payments: (1) by month; (2) by amount (both principal and interest) sufficiently in excess of the anticipated One Million United Dollars (\$1,000,000) to cover proposed debts which may be later deemed ineligible for relief by using funds from the Dollar Grant and for the anticipated interest which will be earned once the Dollar Grant is deposited in the Grantee's U.S. bank account, described more fully in Section 2.1 (D) above; and (3) by multilateral institution.

## SECTION 2.2 Notification

As A.I.D. determines that the Conditions Precedent to the disbursement of the Dollar Grant have been met, it will promptly so notify the Grantee by Implementation Letter issued pursuant to Section 7.1 of this Agreement.

## SECTION 2.3 Terminal Dates for Meeting Conditions Precedent

### A. Conditions Precedent to Disbursement of the Dollar Grant

If all the Conditions Precedent specified in Section 2.1 of this Agreement have not been met within 120 calendar days after signature of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

## ARTICLE 3: Disbursement

### SECTION 3.1 Request for Disbursement

After satisfaction of the Conditions Precedent set forth in Section 2.1 of this Agreement applicable to the Dollar Grant, the Grantee may request A.I.D. to disburse the Dollar Grant into Grantee's U.S. bank account.

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**SECTION 3.2**      Terminal Date for Request for Disbursement

Except as A.I.D. may otherwise agree in writing, the terminal date for requesting disbursement of funds under this Agreement shall be 180 calendar days after the signature of this Agreement.

**ARTICLE 4:**      Cash Transfer Special Dollar Account

Pursuant to the Condition Precedent set forth in Section 2.1.C of this Agreement, the Grantee has agreed to establish a separate, non-commingled interest-bearing account ("Special Dollar Account") for the deposit of the Dollar Grant.

**SECTION 4.1**      Permitted Utilizations of Dollar Grant

A. Unless otherwise agreed to by A.I.D. in writing, the Dollar Grant provided pursuant to this Agreement will be allocated, in order of priority, to:

- (1) payment of Burundian debt service owed to the Government of the United States of America, if any; and
- (2) payment of Burundian debt service owed to multilateral banks and multilateral lending institutions.

B. After debts in category 4.1.A(1) above, if any, have been paid, priority shall be given to the payment of debts owed by the Grantee to multilateral development banks and multilateral lending institutions of which the United States is a member. When all such debts have been exhausted, the Grantee shall next utilize the grant funds for debt service to other multilateral banks and multilateral lending institutions. The Dollar Grant shall not be used for the service of debts that do not fall in any of the above categories set forth in this Section 4.1, unless agreed to by A.I.D. in advance in writing.

**SECTION 4.2**      Prohibited Utilizations of Dollar Grant

The Dollar Grant shall not be used to service debts incurred, in whole or in part, for law enforcement, military or paramilitary requirements of any kind, including the procurement of commodities and/or services for these purposes, for luxury goods, for equipment or services for abortions, for gambling equipment, for surveillance equipment, for weather modification equipment or for such other uses as shall, from time to time, be notified to the Grantee by A.I.D.

**SECTION 4.3**      Interest on Disbursed Dollar Grant

In the event that any of the Dollar Grant deposited into the Special Dollar Account established pursuant to Section 2.1.C, of this Agreement earns interest prior to utilization by the Grantee for eligible transactions, such interest earned shall be retained in the Special Dollar Account to be used in the same manner and for the same purposes as required for the Dollar Grant under this Agreement.

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**SECTION 4.4**      Redeposits of Dollars

If A.I.D. determines that any of the Dollar Grant deposited in the Special Dollar Account established pursuant to Section 2.1.C of this Agreement is utilized by the Grantee for purposes not permitted under the terms of this Agreement, or for permitted purposes which lack supporting accounting documentation satisfactory to A.I.D., the Grantee shall redeposit, within 60 days after receiving notice from A.I.D. of such impermissible utilization or inadequate supporting accounting documentation, an equivalent amount of dollars into the Special Dollar Account. The right to request such deposits shall continue for three (3) years from the date of last disbursement into the Special Dollar Account.

**SECTION 4.5**      Terminal Dates for Utilization of Funds

Unless otherwise agreed in writing by A.I.D., the Grantee shall disburse all funds deposited in the Special Dollar Account within nine months of the deposit of those funds into the Special Dollar Account. A.I.D. may, at its option, request a refund of any funds remaining undisbursed in the Special Dollar Account if the terminal date for disbursement of funds in that Special Dollar Account has expired.

**SECTION 4.6**      Reports, Records, Inspections, Audit

A. The Grantee will maintain, or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, such books and records relating to this Agreement as are necessary to show adequately, without limitation, deposit into and withdrawals from the Special Dollar Account and compliance with this Agreement. Such books and records will be audited annually and in accordance with generally accepted auditing standards, and shall be maintained for three (3) years after the date of last disbursement under this Grant.

B. The Grantee will provide quarterly reports as to deposits into and disbursements out of the Special Dollar Account, monthly bank account statements, and such additional information as A.I.D. may request from time to time relating to the activities financed from the Special Dollar Account. These reports will contain such information and include such supporting documentation as may be required by A.I.D. In addition, the Grantee shall furnish to A.I.D. such further information and reports relating to this Agreement as A.I.D. may reasonably request.

C. The Grantee will afford authorized representatives of A.I.D. the opportunity at all reasonable times to inspect the books, records, and other documents relating to this Agreement and to all uses of the Dollar Grant made pursuant to this Agreement.

**ARTICLE 5:**      Miscellaneous

**SECTION 5.1**      Consultation

The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties will, at the request of either, at least once annually while funds remain undisbursed in the Special Dollar Account, exchange views on the progress of the

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program, the performance of obligations under this Agreement, and other matters relating to the Program.

**SECTION 5.2**      Completeness of Information

The Grantee confirms:

(a) That the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete to the best of the Grantee's knowledge and belief after due inquiry and include all facts and circumstances that might materially affect the program and the discharge of the Grantee's responsibilities under this Agreement;

(b) That it will inform A.I.D. in a timely fashion of any subsequent facts and circumstances that might materially affect, or that it has reason to believe might so affect, the program or the discharge of the Grantee's responsibilities under this Agreement.

**SECTION 5.3**      Taxation

This Agreement and the amount to be granted thereunder shall be free from any taxation or fees imposed under any laws in effect in the Republic of the Burundi or which may become effective during the term of this Agreement.

**ARTICLE 6:**      Suspension, Cancellation or Termination

**SECTION 6.1**      Suspension

A. If at any time:

(1) the Grantee shall fail to comply with any provision of this Agreement, including any amendments thereto; or

(2) an event occurs which A.I.D. determines makes it improbable either that the objectives of the Program will be attained, or that the Grantee will be able to perform its obligations under this Agreement; or

(3) any disbursement by A.I.D. would be in violation of the laws and regulations governing A.I.D.;

then A.I.D. may suspend, in whole or in part, or cancel any disbursement of Grant funds under this Agreement upon giving the Grantee ten (10) days written notice.

**SECTION 6.2**      Termination

This Agreement may be terminated by mutual agreement of the Parties at any time. Either Party may terminate this Agreement by giving the other Party thirty (30) days written notice. Termination of this Agreement shall terminate any obligations of the Parties to provide financial or other resources pursuant to this Agreement. Notwithstanding any suspension or

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termination, the provisions of this Agreement shall continue in full force and effect with respect to any portion of the Grant provided prior to or notwithstanding such suspension or termination.

**ARTICLE 7: Communications**

**SECTION 7.1 Implementation Letters**

From time to time, for the information and guidance of both parties, A.I.D. will issue program implementation letters (PILs) describing the procedures, requirements, and restrictions applicable to the implementation of this Agreement. Except as permitted by particular provisions of this Agreement, implementation letters will not be used to amend or modify the text of this Agreement, however, such letters shall be binding on the parties unless revoked, modified or superseded by subsequent PILs or amendments to this Agreement.

**SECTION 7.2 Representatives**

For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of the Minister of External Relations and Cooperation, and A.I.D. will be represented by the individual holding or acting in the Office of the Director, USAID/Burundi, each of whom, by written notice, may designate additional representatives. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

**SECTION 7.3 Correspondence**

Any notice, request, document or other communication submitted by either party to the other under this Agreement will be in writing or by telegram or cable and will be deemed duly given or sent when delivered to such party at the following address:

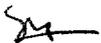
To the Grantee: Republic of Burundi

To A.I.D.: USAID/Burundi  
c/o American Embassy  
Bujumbura, Burundi

Other addresses may be substituted for the above upon giving of notice.

**SECTION 7.4 Language of Agreement**

All such correspondence will be in English and French, both texts being equally authentic. In the case of ambiguity or conflict, the English language version shall govern.





IN WITNESS WHEREOF, the Republic of Burundi and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

GOVERNMENT OF THE  
REPUBLIC OF BURUNDI

UNITED STATES OF AMERICA

  
BY: \_\_\_\_\_

  
BY: \_\_\_\_\_

NAME: Ntibantunganya Sylvestre

NAME: Myron Golden

TITLE: Minister of External Relations  
and Cooperation

TITLE: Mission Director  
USAID, Burundi

APPROPRIATION: 72-113/41037  
BUDGET PLAN CODE: GES3-93-31695-KG39  
AMOUNT: U.S. DOLLARS 1,000,000  
PROJECT NUMBER: 695-0134  
PAAD NUMBER: 695-T-602

CLEARANCES:

REDSO/ESA/LEG:RSarkar	<u>in draft</u>	DATE: <u>08/27/93</u>
USAID/Burundi:CONT:MSOlson	_____	DATE: _____
USAID/Burundi:PDO:CWTHagelman3rd	_____	DATE: _____
USAID/Burundi:TDY:HSharlach	_____	DATE: _____

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## ANNEX A

**PROGRAM DESCRIPTION**

**PROGRAM TITLE:** Burundi Democracy and Governance Program

**PROGRAM NUMBER:** 695-0134

**PROGRAM PURPOSE:** To provide support for the development of democratic values and improve governance in Burundi

**I. BACKGROUND**

The objective of the A.I.D. democracy initiative under the democracy and governance policy agenda is to support democratic political development by helping to establish enduring political practices, institutions and values which mobilize participation, channel competition, respect basic human rights, and promote open, lawful and accountable government.

As pointed out in the recently approved USAID/Burundi Country Program Strategic Plan (CPSP), the Government of the Republic of Burundi (GRB) has embarked on a process of creating a democratic society that will ensure meaningful political participation, peaceful competition, lawful governance and strong democratic values. This undertaking is of immense historical significance in a country that has been marked over the past half-century by ethnic tensions and where the minority control power. This reform movement, because it will ensure political stability, is a key element of economic stability for the country.

The CPSP designates improving democratic governance as a target of opportunity and a central factor in our program. Indeed, unless a political and social equilibrium becomes better established in Burundi, prospects for sustained economic development are limited, at best.

Efforts by the GRB to develop a sound democratic society have included the creation of a new multi-party Democratic Constitution, a new Charter of National Unity, the creation of twelve political parties and the establishment of a timetable for presidential, parliamentary and local elections. This timetable is being adhered to.

The U.S. Government is willing to support the GRB and the people of Burundi in the effort to build a multi-party democracy.

## **II. PROGRAM DESCRIPTION**

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

## **III. IMPLEMENTATION ARRANGEMENTS**

### **PERFORMANCE DISBURSEMENT/CASH TRANSFER**

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

- A. Debt to the U.S. Government;
- B. Debt to approved multilateral donors; and
- C. Debt to approved bilateral donors.

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

USAID/Burundi uses cash transfers for external debt services in other areas of its program. The Democracy and Governance program will use the same disbursement mechanism (i.e. U.S. bank account into which the disbursement is made and from which subsequent debt servicing payments are made to eligible lenders).

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

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

Source: National Bank of Burundi, GRB Ministry of Finance

Drafter: JSchulman:S/PDO

Clearances: MSchulman:PROG draft  
Monica Stein Olson:CONT draft  
Rumu Sarkar:REDSO/ESA/RLA draft

FUNDS AVAILABLE  
USAID BURUNDI  
INITIALS : ..... *JS* .....  
DATE : ..... *9/24/93* .....