

Early Economic Recovery in Fragile States
Case study Burundi: operational challenges

Leontine Specker and Ivan Briscoe
with Jean Marie Gasana

January 2010

Contents

Executive Summary	1
1. Introduction.....	8
2. Political and economic context.....	10
2.1 Political and economic developments in Burundi: two sides of the same coin.....	10
2.2 Historical background.....	12
2.3 Economic reforms and challenges.....	13
2.4 The peace settlement and Burundi's political economy.....	15
2.5 The Rwandan comparison	18
2.6 Conclusion.....	19
3. Operational challenges and donor responses	20
3.1 Political priorities and strategy development.....	20
3.2 Lack of implementing capacity for economic recovery	25
3.3 Lack of sustainability	28
4. Challenges to project implementation in economic priority areas	32
4.1 Economic reintegration of ex-combatants	33
4.2 Employment creation and income-generating activities.....	36
4.3 Agriculture and rural development	39
4.4 Infrastructure and energy supply	41
4.5 Private sector development (PSD).....	43
4.6 Access to finance	45
People interviewed for this study.....	49
Abbreviations	51
Bibliography	53

Executive Summary

Rationale

This paper aims to illustrate the need to prioritize economic recovery in Burundi as a requirement for creating a peace dividend and maintaining stability. In addition to this, it underlines the fact that early economic recovery is also of critical importance because it produces the impetus that will increase the chances for sustainable development. International efforts in Burundi are still aimed mainly at security sector development (SSD) and democratic governance through the organization of elections. Even though these efforts can represent a major step in the process of political stabilization and the consolidation of new state institutions, the legitimacy of the democratization process depends largely on an improvement in the population's standard of living. In Burundi, this peace dividend has not yet been achieved for the population. The forthcoming elections planned for 2010 and the newly developed Vision 2025 offer a window of opportunity to redirect the focus on to economic recovery.

The years since the Arusha accords have been marked by a number of milestone achievements in terms of peace and stabilization. Furthermore, the combined effects of debt relief, regional integration, long-term economic planning and relative democratic stability offer excellent opportunities for recovery. But efforts to consolidate the initial peace dividend also face huge challenges. Burundi must do more than just avoid conflict and achieve macro-economic stability; it must also engineer a form of governance that radically changes incentives for public and private actors alike, in a regional context in which a different model of governance – that of Rwanda – is becoming a focus of attention and admiration.

Operational challenges and donor responses

Economic recovery is not yet being treated as a peacebuilding priority in Burundi. This includes the current lack of comprehensive strategy development and clear priority-setting for key economic areas. As a result, current economic recovery efforts in Burundi consist of a variety of small-scale programmes that are mainly of a standard development nature, rather than being designed to contribute to peacebuilding efforts. This is despite a number of indications that what is needed, in fact, is larger-scale economic recovery projects such as infrastructure and bigger employment projects that can make a real contribution to the creation of a peace dividend. Strategy development for economic recovery in Burundi is hampered by the limited in-country implementation capacity (at the level of national government as well as that of donors). This has resulted in the current tension between the political pressure to create immediate results on the ground in terms of economic recovery (peace dividend) and the insufficient implementing capacity. Main policy considerations are:

- **Adjust level of expectations and ensure political involvement.** The appropriate response to engaging in highly politicized environments like Burundi is not simply to press for quick disbursement of funds through the proliferation of quick-impact (economic recovery) projects; patience and tolerance for dialogue are also required. At the same time, prioritize parallel programmes aimed at strengthening local structures and capacity, and integrate capacity-building aspects into socio-economic recovery programmes.
- **Define a political strategy on what political and security reforms it is feasible to pursue and align socio-economic projects to that strategy.** If, for the sake of peacebuilding and stability, a more inclusive and democratic management is considered by donors to be a priority, then there should be activities to support Government of Burundi (GoB) incentives for reform (as either carrots or sticks).
- **Draw clear guidelines in project proposals for economic recovery programmes** to: a) demonstrate that thought is being given to how the project links to other activities (ongoing and planned) in the same area; and b) sketch out a preliminary plan for follow-up fundraising as required and for eventual sustainability of exit.

Challenges to project implementation and economic priority areas

The paper has identified a number of economic priority areas that are considered critical in terms of peacebuilding and economic recovery in Burundi.

Economic reintegration of ex-combatants

Reintegration processes for ex-combatants have had only a limited impact,¹ especially in urban areas (the most heavily war-affected communities in the periphery of Bujumbura). The poor state of the economy and the lack of economic opportunities are among the main factors underlying the disappointing results of the past national reintegration efforts under the Multi-Country Demobilization and Reintegration Program (MDRP).² As a result of the targeted approach, there is a clear need to embed reintegration assistance to ex-combatants and their dependants within broader economic recovery programmes. Main policy considerations are:

- **Set up development programs parallel to the national Disarmament, Demobilization and Reintegration (DDR) process. Focus on high-risk groups, but within the larger community context.** Efforts should directly target youth as a high-risk group, the majority of whom participated as formal or informal combatants during the conflict.
- **Establish links with the respective line ministries,** so that they can: 1) take over responsibility for dealing with specific problems once the DDR programme has been terminated and 2) embed these initiatives into general development policies. A dynamic partnership between, on the one hand, an implementing partner that will focus on community reintegration and, on the other, a technical line ministry is expected to increase effectiveness of delivery and sustainability of results on the ground.

1 P. Douma with Specker, L. and Gasana J.M., *Reintegration in Burundi: between happy cows and lost investments*, Clingendael Conflict Research Unit, October 2008.

2 Ibid. See also UNDP's project evaluation: *Evaluation du Programme d'Appui à la Réhabilitation, Réintégration des Sinistrés et de la Lutte contre la Pauvreté*, Evaluation Mission, November–December 2008.

Employment creation and income-generating activities

Some areas in Burundi are characterized by a high risk of conflict, and this could have spill over effects on the country's political and economic situation as a whole. Areas of great concern in this regard are Bujumbura Rurale, Bururi and Makamba, and Bujumbura Mairie. So far, however, such areas have not always been prioritized by employment programmes, including the larger employment programmes funded by the World Bank.³ Efforts have been minimal in relation to the needs, and overall they have not targeted areas where there is the risk of unemployment making instability worse. The run-up to the 2010 elections in Burundi coincides with an ongoing shortage of job opportunities for ordinary people, above all unemployed youth who are distanced from an agricultural way of life.⁴ Few agencies work in these areas and there are alarming signs of anger and frustration among ex-combatants and other unemployed youth. Main policy considerations are:

Carry out a thorough economic analysis, including needs and labour assessments. On the basis of the assessments, identify areas where unemployment has a potentially destabilizing effect, and also target these areas in employment programming. Economic hardship and lack of employment can be a source of instability.

Set up more labour-intensive (Haute intensité de main d'oeuvre – HIMO) public works schemes, which can temporarily address unemployment and the needs of conflict-affected groups (women, ex-combatants and refugees).⁵ Working in target communities to construct and rehabilitate communal infrastructure should provide beneficiaries with immediate opportunities to earn wages. Communities could also be involved in infrastructure maintenance.

Agriculture and rural development

In terms of human development, Burundi's agricultural sector is without doubt the most pressing concern. Although it makes up only 48 per cent of the country's gross domestic product (GDP), it accounts for the lion's share of employment, estimated at over 80 per cent and, despite acute land scarcity, it is set to absorb an estimated 120,000 returning refugees over the next three years. The effects of conflict, internal displacement and unhelpful government intervention have been severe. Despite the sector's importance, only 3.6 per cent of the GoB budget is allocated to agriculture.⁶

Access to land has been an important driver of conflict. Land scarcity creates serious tensions among the population. Migration to urban centres or to neighbouring countries seems the only viable alternative for people without land. Providing people with small plots of land on which they could grow mainly subsistence crops will merely further break up the already over-fragmented land holdings (or even cause further tensions). This dynamic is expected to worsen with the return of former combatants and displaced people. Main policy considerations:

- **Prioritize structural land reforms as part of the peacebuilding process in Burundi.** Fertile land is a finite resource and the limit has been reached in Burundi. Structural and durable solutions must be formulated and implemented. Within Burundi

3 Bell, E., *The World Bank in fragile and conflict-affected countries: 'how', not 'how much'*, International Alert, May 2008, p. 44.

4 Ibid.

5 The EU and Belgium, among others, have started a number of labour-intensive projects, including the construction of several roads within Bujumbura.

6 République de Burundi, Cour des Comptes, Commentaires sur le projet de budget général de l'état, exercice 2009, December 2008, www.arib.info, p. 36.

these problems cannot be solved and regional solutions must be sought after and lobbied for.

- **Diversify the rural economy.** The most severe obstacle is the economic system, in which there are very few opportunities to find a job and secure an income. Pressure on land is so high that it is vital to develop alternative livelihoods or more modern agricultural methods to improve land exploitation and increase crop diversity.

Infrastructure and energy supply

Developing infrastructure and energy supply is of critical importance to economic growth in Burundi. Despite the importance of agriculture, only a relatively small proportion of the rural population has access to all-season roads.⁷ Infrastructure is a key enabler for shared growth, notably because it links producers to markets and because it is labour-intensive. The inadequacy and unreliability of energy generation and distribution has prevented development and processing activities that would provide much-needed added value to, for instance, agricultural produce.⁸ Main policy considerations are:

- **Carry out assessments** to identify the most strategic locations for (transport) or energy infrastructure and to ensure the biggest possible impact on poverty reduction and economic growth. Assessments are also critical, as infrastructure development can have major political implications.
- **Consider investing heavily in infrastructure development, as well as energy supply.** The lack of infrastructure and the lack and unreliability of energy supply are critical constraints to growth and competitiveness and addressing this problem is essential for the recovery of other sectors, including the agriculture.

Private sector development

Despite major advances in fiscal and monetary management, the environment for private business remains one of the worst in the world. Besides the problems concerning access to credit and trading across borders, Burundi performs particularly badly in terms of the rules for closing a business, registering a property and enforcing contracts.⁹ To judge from the World Bank's Doing Business report, the country has made only four noteworthy reforms to its regulation of the business environment over the past six years,¹⁰ and has proved somewhat reluctant to liberalize a number of controlled markets.

- **Support the GoB in creating a business-enabling environment** by improving both the physical and the non-physical infrastructure.
- **Support both existing and new entrepreneurs.** Direct support can take the form of micro-credits or grants. The Burundi Business Incubator, soon to be established by the Dutch MFA and USAID, is a good example of direct support to entrepreneurs just starting up.

7 *An Infrastructure Action Plan for Burundi: accelerating regional integration*, African Development Bank, September 2009, p.9; Burundi Country Strategy Paper 2008-2011, African Development Bank p. 38.

8 *An Infrastructure Action Plan for Burundi: accelerating regional integration*, African Development Bank, September 2009, p. 9.

9 African Development Bank, op. cit., 2008, p. 7.

10 See historical table of reforms from the World Bank's *Doing Business* database at: <http://www.doingbusiness.org/Reformers/>.

- **Identify sectors in which to subsidize entrepreneurs to take on ex-combatants.** The GoB should establish programmes in which ex-combatants' salaries are subsidized, partly as an incentive for private entrepreneurs to take them on board and help train them.

Access to finance

Without access to reasonably priced credit, it is clear that Burundi's small businesses, including its farmers, will be unable to invest and improve productivity. Credits tend to be allocated on the basis of short-term gains (less than three per cent of loans are not short-term) and are subject to excessive political influence, while the micro-finance business may be unable to generate the sort of development-oriented, stable loan portfolio that Burundi requires in order to sustain high growth.¹¹

The report highlights a number of key challenges to (micro-) finance in Burundi, which should be addressed in any forthcoming (micro-) finance programming. These include: i) the current lack of outreach of micro-finance programmes, particularly with respect to rural areas and agriculture, which is a major constraint to rural growth;¹² ii) the overall lack of institutional capacity of micro-finance institutions (MFIs) in Burundi – technical capacity in particular; iii) the lack of professionalism of micro-finance delivery; iv) the limited solidarity lending schemes, which are particularly suitable for providing small loans to the poor in rural areas; v) the low literacy rates, which may increase the elite's access to finance disproportionately.

- **Prioritize access to rural finance.** Consider rolling out group-lending schemes, which particularly serve the rural poor who do not have regular salaries or collateral with which to back loans. Monetize the rural economy by raising people's awareness on how to make and manage money. The radio is a potentially significant programmatic medium for raising people's awareness of how to manage money and invest wisely.¹³ Any programming should be based on a thorough context and needs assessment and should take the above-mentioned factors into account.
- **Prioritize strengthening capacity of the micro-finance institutions.** Reinforce accountancy, financial management and procedures as well as the micro-finance supervision department of the Bank of the Republic of Burundi. In the meantime, develop technical and financial assistance to enable MFIs to diversify their client base and design financial products adapted to rural areas.¹⁴

11 Nkunrunziza, J., 'Why is Burundi's Financial Sector Not Development Oriented', Presentation for European Report on Development, 2009, Accra.

12 *Breaking the Cycle: A Strategy for Conflict sensitive Rural Growth in Burundi*, World Bank, 2008, p. 119.

13 EU Strategy Document Burundi, June 2009.

14 *Breaking the Cycle: A Strategy for Conflict sensitive Rural Growth in Burundi*, World Bank, 2008, p. 119.

1. Introduction

This paper is part of a larger research project on early economic recovery under the ‘Peacebuilding and Stabilization Research Programme’ (PSRP), the cooperation framework between the Clingendael Conflict Research Unit (CRU) and the Peacebuilding and Stabilization Unit (PBSU) of the Netherlands Ministry of Foreign Affairs.¹⁵ The overall programme’s objective is to support the PBSU in identifying a number of economic priority areas as part of the broader Dutch policy on fragile states and to identify the main challenges to the implementation of early economic recovery projects.¹⁶

The rationale is that most donor policies on fragile states generally focus on humanitarian assistance, rebuilding the security sector and supporting democratic processes, often leaving economic issues rather vaguely described and to be dealt with later on in the peacebuilding process.¹⁷ It is now increasingly being recognized by policy-makers that economic initiatives can also be *tools for fostering stability and peacebuilding*, by producing visible results, which contribute to the creation of a peace dividend.¹⁸ Nevertheless, practice indicates that efforts to bring about such an immediate impact through economic programmes encounter numerous difficulties, arising from the often complex political situations on the ground and the lack of (technical) capacity to implement these programmes.

15 The authors would like to thank, among others, Pyt Douma, Hugo de Vries, Louise Anten and Jeroen Kelderhuis for their invaluable input and comments on earlier drafts of this paper. In addition, we are grateful to all interlocutors for receiving us and for their time in contributing to our project.

16 De Vries, H. and Specker, L., *Economic Recovery in Fragile States: identifying priority areas and challenges to project implementation*, Clingendael Conflict Research Unit, December 2009; R. Maier, *Economic Recovery in Fragile States: conceptual study*, Clingendael Conflict Research Unit (forthcoming).

17 M. Van Beijnum and L. Specker, *Economische Wederopbouw na Conflict: een beleidsverkenning*, Clingendael Conflict Research Unit, December 2007.

18 See, among others: *Stabilisation through Economic Initiatives: private sector development*, DFID Issue Note, 2009; *A Guide to Economic Growth in Post Conflict Countries*, USAID, October 2007; *Sustainable Economic Development in Conflict Affected Environments*, GTZ, June 2009; G. Del Castillo, *Rebuilding War-Torn States: the challenge of post-conflict reconstruction*, 2008.

The *main objective* of the current case study on Burundi is to illustrate the need to prioritize economic recovery as a requirement for creating a peace dividend and stability. In addition, it underlines the fact that early economic recovery is also crucial because it produces the impetus that will increase the chances for sustainable development. Nevertheless, international efforts in Burundi are aimed mainly at security sector development (SSD) and the development of democratic governance through the organization of elections. Even though these efforts can constitute a major step in the process of political stabilization and the consolidation of new state institutions, the legitimacy of the democratization process depends largely on an improvement in the population's standard of living. In Burundi, this peace dividend has not yet been achieved for the population. The socio-economic perspectives have hardly changed and issues of socio-economic insecurity are not dealt with as a priority. The main reasons for this are a lack of political will and of technical capacity to implement an appropriate policy, including strategy development and clear priority-setting for the most pressing socio-economic needs.

2. Political and economic context

2.1 Political and economic developments in Burundi: two sides of the same coin

As Burundi approaches its elections in 2010, serious consideration is being given to the country's future path of development. Having overcome with apparent success a recent history of ethnic conflict, military dictatorships and political brutality, Burundi has nevertheless yet to show that it can escape its current status as one of Africa's and the world's poorest countries. Five years of modest growth and broad macro-economic stability since the first post-conflict elections in 2005 have been encouraging, but the country's growth requirements are substantially higher than what has been achieved so far. If Burundi maintained its historical growth rate, then it could expect to halve its current poverty rate of close to 70 per cent within 225 years. Its chances of reaching a per capita income of US\$900, the threshold for moving out of the group of low-income countries, would be minimal.

Making fast and lasting inroads into these poverty rates would depend on radical shifts in Burundi's historical capacity for attracting public and private investment. The level of investment as a proportion of GDP, both public and private, stands at half the average for sub-Saharan Africa. This investment shock would entail profound changes to a host of national institutions and sectors, notably infrastructure, agriculture, private finance, and public financial management. It would depend on higher productivity, greater access to credit, vastly improved human capital, and a reliable and relatively efficient public sector. Trading potential would need a major boost, as would Burundi's integration into a regional economic platform. Furthermore, the success of much of the above would depend on the way in which this small, landlocked and highly vulnerable country of seven million people is affected by its insertion in the global economy, and copes with changing terms of trade.

On the basis of its suggested programme of radical economic surgery, the International Monetary Fund (IMF) estimates that Burundi will graduate from its low-income status as soon as 2035. However, the efforts made so far to reshape the national economy so as to boost competitiveness have proved lacklustre. Burundi is currently at the bottom of the Global Competitiveness Index, which ranks 133 countries, and is placed 176 out of 183 countries in the World Bank's latest *Doing Business* report. In short, the country is still deeply unattractive as a location for business activity.

This chapter will seek to explore the background to Burundi's economic plight in order to understand the extent of the challenges faced by the country's leaders and international donors alike. As well as analysing the problems that beset Burundi's main economic sectors, which have given rise to the current dominance of subsistence agriculture as a means of survival for well over half the population, it will explore the interface between economic development and the nation's traumatic political history. In this respect, the exploitation and distortion of economic policies and levers – along with a range of other public policies – in order to entrench the powers of ethnic Tutsis from the region of Bururi, is a hallmark of post-colonial Burundian history. One analyst of the country's economic history argues that the Tutsi-dominated regime that came into existence in the mid-1960s, reaching its apogee under the rule of presidents Michel Micombero (1966–1976) and Jean-Baptiste Bagaza (1976–1987), crafted “predatory bureaucracies” that manipulated market regulation and state-led development to cement its political hegemony.¹⁹ Many of these regulations and institutions are still partly in place, and whereas ethnic Tutsi political dominance formally came to an end following the Arusha accords of 2000 and the conclusion of the country's internal conflict, the legacy of such preferential and discretionary systems for managing and distributing resources remains clearly in evidence. As will be seen, political power and economic power remain tightly intertwined in contemporary Burundi.

The effect of the politicization of economic policy can be witnessed in the ruling elites' ambivalence towards broad-based and sustainable development. In the years after independence, elites showed little interest in the country's private sector, which remained an enclave in the hands of largely expatriate groups. Yet in present-day Burundi, questions are still being raised over emerging inequalities, worsening corruption, and short-sighted political approaches to economic policy. The huge difficulties that have been faced in extricating Burundi from conflict certainly account for many of these failings, and on a more positive note there is no doubt that significant institutional reforms have been carried out in the public sector over the past four years. However, the current patterns of economic governance do not appear well suited to a concerted, medium- to long-term project for development – of the sort that arguably is being implemented in neighbouring Rwanda; nor is it yet evident that such a policy for rapid growth could be handled in a way that would prevent the emergence of new social fault-lines, and possibly a resumption of ethnic tensions. As the recent European Report on Development observes, economic growth can also aggravate state fragility.²⁰

Burundi's rulers and engaged foreign donors are certainly aware of the importance of tackling the country's economic misery. Work is now under way on 'Vision 2025', the overarching plan for national development that will replace the 2006 Poverty Reduction Strategy Paper, while both Burundi and Rwanda in July 2009 formally joined the East Africa Community's Customs Union, meaning that goods between the bloc's five members should be traded without tariffs.²¹ The country has also benefited this year from US\$832 million in debt relief under the Highly Indebted Poor Countries (HIPC) initiative. This ambitious framework for growth and regional integration, however, contrasts with a landscape of mass poverty, limited markets and questionable political will. It is thus vital to assess the real obstacles in the path of Burundi's development, with the aim of shaping a more effective set of donor interventions at a crucial moment in the country's history.

19 Ndikumana, L., *Distributional conflict, the state and peacebuilding in Burundi*, UNU-WIDER research paper, Helsinki, 2005, p. 6.

20 European Report on Development, *Overcoming Fragility in Africa*, Brussels: European Commission, 2009, chapter 4.

21 Burundi joined the EAC in July 2007.

2.2 Historical background

Burundi's history as an independent nation has been characterized, regrettably, by two overriding trends: repeated outbreaks of ethnic violence and almost relentless economic decline. Following the economic trauma of separation from the larger territorial entity under Belgian colonial rule, which included Rwanda and Congo, Burundi enjoyed a modest average rise in GDP until recently, with the exception of a sharp fall between 1993 and 1996 caused by the outbreak of conflict following the assassination of President Melchior Ndadaye. Population increases, however, meant that per capita income fell by an average of 0.6 per cent each year in the period 1970–2007.²²

The cause of this economic sclerosis can be broken down into a number of component elements, not least of them the country's colonial legacy.²³ But from the perspective of political economy – namely, the way political competition has affected the formulation of economic policy and distribution of key resources – three factors stand out.

First, the disaster of the mid-1990s clearly demonstrated the critical role played by conflict in undermining economic activity across the nation. In the years after the crisis of 1993, the total quantity of livestock fell by 31 per cent, while manufacturing output declined by an average of 13 per cent a year until 1997; huge numbers of internally displaced people seriously weakened basic structures of production, while sabotage damaged electricity supply. More broadly, the war economy has tended to encourage short-term, risk-averse behaviour, stalled the development of free-flowing business finance, and can be held largely responsible for the extremely low levels of investment recorded in Burundi (10.8 per cent of GDP, approximately half the African average). The long-term effects of the conflict mentality can still be detected in the bias of the current financial system towards guaranteed short-term gain, and away from longer-term gambles on the productive infrastructure: the services sector, which accounts for 2.5 per cent of employment, receives a total of 72 per cent of loans granted by banks in the country. Remarkably, a large portion of this credit goes to coffee traders, while at the same time very little is invested in coffee production or agriculture more generally.²⁴

Second, the instability and ethnic tensions that plagued Burundi's political life were translated by ruling elites into the systematic deployment of economic policies and levers in favour of their own interests. This process was at its height in the 1970s, when a Tutsi administration, itself divided into different sparring regional and caste elements, embarked on a programme of massive state intervention in social and economic life. While public investment spiralled upwards with the help of foreign debt, around 100 state-owned companies were created between 1977 and 1982 alone.²⁵ By the mid-1990s, the assets of the parastatals were estimated to represent 77 per cent of national GDP, effectively reducing the private sector to a marginal and utterly dependent role: state-run companies controlled foreign trade and determined producer prices for coffee, cotton and tea, while an opaque system of taxation afforded leeway for discretionary exemptions and selective harassment. Furthermore, public investment was targeted at particular areas, mostly urban centres favoured by Tutsi elites.

22 Basdevant, O., *How Can Burundi Raise Its Growth Rate? The Impact of Civil Conflict and State Intervention on Burundi's Growth Performance*, IMF Working Paper, Washington DC, p.4. It is worth noting, however, that in the 1970s and 1980s, driven by a process of massive (and discretionary) state investment, Burundi's growth rate was higher than the African average.

23 European Report on Development, *Overcoming Fragility in Africa*, Brussels, EC, 2009, chapter 3.

24 Nkunrunziza, J., 'Why is Burundi's Financial Sector Not Development Oriented', Presentation for European Report on Development, 2009, Accra.

25 Nkunrunziza, J. and Ngaruko, F., 'Why has Burundi Grown so Slowly?', in Ndulu, Benno et al (eds), *The Political Economy of Economic Growth in Africa 1960-2000*, Cambridge, CUP, 2008, p. 77.

This framework for regulation and investment, which the ruling regime defended as part of the effort to bring about national economic mobilization, provided the means to pursue a project of sectarian political domination. Efforts to dismantle the system have proceeded alongside the peace process, but it is clear that the legacy of biased and patronage-based public policy has not been completely eradicated. As will be discussed in more detail below, Burundi continues to suffer a chronic lack of control over its public spending, caused largely by the top-heavy political management of ministerial activity: according to a report in 2006 for USAID, while aggregate spending has been made to fit revenue, “in budget execution, the observance of physical and financial monitoring procedures went from haphazard to nonexistent”.²⁶

A third, critical factor shaping the economic landscape in Burundi is inequality. Though far from being one of the world’s most unequal countries, it has an elaborate and complex history of social segregation, in which considerations of income, class and ethnicity have tended to align, coalesce and separate from one epoch to the next. Thus, as historian René Lemarchand observes, the vision of a country saddled with binary ethnic bloodlines, Hutu and Tutsi, in fact fails to accommodate the similarities between the two (intermarriage is common), the presence of other ethnic groupings (the aristocratic Ganwa and the marginalized Twa) and, most importantly, the subtle interweaving of wealth, economic activity, inheritance and patronage in deciding who fits into which category, and what the categories actually signify.²⁷

The ferocious inter-ethnic rupture that marked the country from the early 1960s to the end of the civil war has, in the eyes of many observers, subsided rapidly.²⁸ But this is not to say that the tradition of social inequality and privileged access to resources has been overturned. Indeed, a major study based on focus group consultations throughout Burundi points to a resurgence of vertical inequality, in which new pan-ethnic political and economic elites – clustered around parties once rooted in the Hutu militia movements, namely the CNDD-FDD and the recently formed FNL – are constituting a class apart, while the majority of the population continues to languish in rural subsistence, including in their number the internally displaced and foreign refugees (estimated at close to half a million).²⁹ In the country’s slum areas, resentment at the privileges enjoyed by national elites is palpable: “The interethnic war has now finished, but the war led by the people at the bottom, the hardest war to stop, is still there.”³⁰

2.3 Economic reforms and challenges

Conflict, discretionary public intervention and social stratification represent lines of continuity in Burundi’s political economy. Their effect, combined with the structural circumstances of the country’s economy – namely its landlocked status, its extreme vulnerability and its war-torn and destitute neighbours – together account for the gravity of the crisis in the economy, and the scale of the task that lies ahead if economic recovery is to be achieved.

The years following the Arusha accords have been dominated by the initial pacification of the country, the drive to demobilize the warring factions – the last phase of which is now under way following the final peace agreement with Palipehutu-FNL in December 2008 – and the

26 USAID/Nathan Associates, *Managing Public Finance in Burundi*, 2006, p. 8.

27 Lemarchand, R., *Burundi. Ethnic Conflict and Genocide*, New York, CUP, 1996, pp. 6-16.

28 Vandeginste, S., ‘Burundi: Entre le Modèle Consociatif et Sa Mise en Oeuvre’, in: Marysse, S. (ed) *L’Afrique des Grands lacs: annuaire 2007-2008*, Paris, Harmattan, 2008, p. 65.

29 Interpeace/Cenap, *Défis a la paix durable*, Bujumbura: Cenap, 2009, p. 14.

30 Ibid., p. 24.

fundamentals of macro-economic stabilization, notably through prudent fiscal and monetary policies. Early efforts by President Nkurunziza's government to improve public access to education and health through free primary school education and medical care for pregnant women and children up to five were extremely well received by the population, above all in rural areas.

Meanwhile, a host of donor-driven institutional innovations have sought to implement sound budget practice, reduce corruption and improve governance ahead of Burundi's elections next year. A battery of new mechanisms introduced since 2006 aim to crack down on corruption, including a special anti-corruption brigade, the anti-corruption court and the State General Inspectorate, described by Transparency International as "the supreme institution for the inspection and control of all public services".³¹ Poor control of public funds, criticized by a USAID report in 2006, have been addressed through a new system of computerized public financial management, the creation of an inspection body within the Finance Ministry, and new rules on public procurement. The immediate effect of these measures has been to stall public spending commitments on capital investment.³² Meanwhile, the first steps have been taken in dismantling the edifice of inefficient state intervention in the national economy, with the introduction of value-added tax, the application of the common East African Community customs tariffs, and the commitment to begin privatization of coffee production – starting with the liberalization of coffee marketing and the tendering for sale of the government's coffee washing stations.

On the basis of these reforms and of its progress in education and health, the Burundian state was awarded in January 2009 HIPC debt relief worth US\$832 million. Yet at the very same time, the global rise in commodity prices followed by the credit crunch of late 2008 exposed the vast structural vulnerabilities of the national economy, and the difficulties that Burundi is likely to face even if it were to achieve sound economic governance at home. The IMF has noted that Burundi was one of the world's worst-hit economies in the wake of the surge in food and oil prices. This follows naturally from the country's extreme dependence on imports, of which oil and food make up one-quarter, and which represent almost 50 per cent of the country's GDP. Such extreme vulnerability to the fluctuating prices of imports saw inflation shoot up to 22 per cent in 2008; this in turn produced a nutritional crisis across the country as people were unable to meet their basic dietary needs. In this respect, it is worth noting that Burundi, a verdant country with over 90 per cent rural population, is among the countries at the bottom of the Global Hunger Index produced by the International Food Policy Research Institute.

This conjunction of apparently successful institutional reform and worsening economic hardship raises difficult issues for the future path of Burundi's economy. On one level, it reflects the arduous task of overcoming the unfavourable economic conditions of the country's location, disease-causing environment (notably its malarial plains), and inhospitable regional neighbourhood. Yet it also points to the question of how far institutional and organizational reform can manage to alter the substance of economic policy-making in Burundi, or to breathe life into business sectors that have long been moribund, without a more substantial drive by the country's elites to achieve rapid development.

31 Transparency International, *Global Corruption Report 2009*, Cambridge, Cambridge University Press, 2009, pp. 166-167.

32 African Development Bank, *A Shock analysis of Burundi's economy*, 2008, p. 14. See also the list of reforms in public financial management in: International Monetary Fund, *Burundi: Enhanced Heavily Indebted Poor Countries Initiative*, Completion Point Document and Multilateral Debt Relief Initiative, Washington DC, IMF, 2009, p. 14.

2.4 The peace settlement and Burundi's political economy

The impediments to achieving sustained growth in Burundi are numerous and interdependent. However, analysis of the comparative trajectories of developing countries tends to show that poverty, geographical conditions and even ethnic tensions can be overcome as long as political actors unite behind a focused effort to stimulate economic growth. In these cases, it is not so much the policies to generate growth that matter as the way they are implemented: their timing and sequencing, their fit with economic needs, their capacity to align with profitable and productive activities, and their continuity.³³

In contrast, post-colonial political history in Burundi clearly shows how misrule, divisiveness and the systematic distortion of state intervention could reverse the process of development. However, the introduction of a complex system of ethnic quotas and power-sharing following the Arusha accords represents a significant change in the distribution of political power when compared with the highly militarized, one-party state under a Tutsi hegemony. Therefore, it might be expected that political incentives would change radically as a result, shifting from the radicalism and ethnic preferentialism of a clientelistic state (i.e. a state run through political patronage; 'patrimonial' describes an inheritance) towards a competitive, inter-ethnic arena in which consensus is vital for generating policy, and in which monitoring by opponents is more effective.

a) Corruption and poor governance

This indeed is the logic behind the consociational political system in Burundi. But the evidence from recent years is mixed as to its results. Whereas the process of demobilization has proceeded apace, and the prospects for peaceful elections in 2010 are relatively good, the country's governance remains decidedly fragile and is still marked by the abuses of the past. In the words of one expert, "the regime has slipped rapidly towards practices that would destroy its legitimacy: embezzlement, corruption, attempts to muzzle the opposition, press and civil society".³⁴ Above all, political patronage still appears to exert enormous influence over the allocation of state jobs and important investment decisions. Public service remains overstuffed and represents a major drain on resources, with salaries accounting for around 25 per cent of government expenditure. It is widely acknowledged that jobs are filled through political contacts, as are judicial nominations and posts in the security forces;³⁵ the labour market as a whole operates almost entirely through informal channels of selection, with only about 20 per cent of employees recruited through job advertisements.³⁶

Moreover, spending decisions in government ministries are determined by choices based on political criteria. A large survey supported by the World Bank on corruption in Burundi found, among many other things, that 59 per cent of public officials believed budgets were drawn up with such political calculations in mind. The findings of this survey, which was published by the Burundian government, are extremely revealing: only 16 per cent of officials believe development objectives helped shape the formulation of budgets, while 74 per cent affirmed that there was evidence of wrongdoing in the previous year's spending in their ministry.³⁷

33 There is a vast literature on the issue of the suitable conditions for developmental states. A substantial bibliography can be found at <http://www.trackingdevelopment.net/publications.html>. See also Briscoe, I. *Chasing the Tigers: Can Fragile States Copy the Asian Miracle?*, FRIDE conference report, Madrid: FRIDE, 2009.

34 Reyntjens, F., 'Chronique politique du Rwanda et du Burundi, 2007-2008', in: Marysse, S. (ed) *L'Afrique des Grands Lacs: annuaire 2007-2008*, Paris, L'Harmattan, 2009.

35 Interpeace/Cenap (2009), op. cit., pp. 10-11.

36 Nkunrunziza, J. and Ngaruko, F. (2008), op. cit., p. 65.

37 République du Burundi, *Étude Diagnostique sur la Gouvernance et la Corruption au Burundi*, Bujumbura, 2008, p. 62.

According to the survey, a very small minority of officials with strong links to the ruling political forces are directly involved in budget preparation, while levels of general oversight were reported to be minimal.

The evidence of a continuing tight hold by political actors over state spending is merely one aspect of a post-conflict settlement that appears tainted by major flaws in governance and public sector standards. The level of corruption remains at one of the highest in the world,³⁸ and evidence from various surveys and studies suggest this may be getting worse. Burundi's Country Policy and Institutional Assessment (CPIA) rating in the area of transparency, accountability and corruption has fallen sharply in recent years, while the leading anti-corruption non-governmental organization (NGO) in the country, OLUCOME, has argued that embezzlement between 2006 and 2007 involved around US\$200 million³⁹ – a vast sum for a country with a GDP of under US\$1 billion dollars a year. The corruption survey supported by the World Bank uncovered graft in all public institutions, but found the customs service and the tax authority to be particularly affected. In both cases, dense and arbitrary regulations are exploited by front-line officials as the means of extracting supplementary income; indeed, special rules for small businesses allow them to avoid filling in tax forms by paying an estimated sum, or forfeit, directly to the inspector.

Lastly, it is worth mentioning the traces of authoritarianism and violence that remain in Burundi's political landscape. The tensions that surfaced during the parliamentary deadlock of 2007 to 2008 revealed that the delicate architecture of power-sharing, enshrined in the Constitution of 2005, could be circumvented by intimidation and manipulation of key institutions. Fears about the proliferation of youth factions attached to major political parties and about the use of political terror in the run-up to elections are frequently voiced.

b) The new patronage incentives

Substantial evidence now points to an array of brakes on a coherent and decisive programme of national development. These obstacles are, importantly, part of the inheritance of Burundi's political history and of the effects of the peace settlement; indeed, as will be seen below, the peace accords have done much to consolidate a set of patronage incentives in political life. For donors seeking to encourage a locally owned process of development, acknowledgement and an understanding of these dynamics will prove essential.

Yet perhaps the most important factor explaining the short-termism and divisiveness of political life in Burundi is the background of extreme poverty. In a country whose economy is overwhelmingly blighted, public employment – which accounts for just under three per cent of the workforce – remains the only stable source of income, and political access the only means of obtaining a job in the public sector. So long as the prospects for prosperity and influence outside politics remain dismal (wage-earning jobs in the private sector make up only 1.5 per cent of total employment),⁴⁰ politicians will naturally do everything within their power to exploit the levers of the state for their own benefit, or even to 'capture' the state. An army officer, interviewed for a recent report, explained that "politics has become the synonym for a bazaar. It's as if there's no life after leaving office."⁴¹

Secondly, the power-sharing arrangements of Burundi's peace place special emphasis on the inclusion of minority forces groups as a form of guarantee for the former Tutsi ruling elite

38 According to Transparency International's Corruption Perceptions Index for 2008, Burundi was 158th out of 180 countries.

39 Transparency International (2009), op. cit., p. 168.

40 Employment figures from International Monetary Fund, *Burundi: Poverty Reduction Strategy Paper – Annual Progress Report*, Washington DC, IMF, 2009, p. 22.

41 Interpeace/Cenap (2009), op. cit., p. 11.

against the spectre of a majority (i.e. Hutu) tyranny. As a result, a host of clauses provide for ethnic quotas in the executive – where at least 40 per cent of ministerial posts are reserved for Tutsis – as well as in parliament, political parties, state-run businesses, and in the security and armed forces. For the purpose of understanding the country’s post-conflict economic governance, two particular elements in this system of ethnic reservations are relevant. The first of these concerns the specially weighted majorities that are required for passing legislation and constitutional amendments in parliament, meaning that coalition formation is essential to effective management of the legislature; this point will be dealt with below. Second, in an effort to maximize the new system’s inclusiveness, parties winning at least five per cent of the vote are guaranteed the right to at least one ministerial post in the government.

This clause proved pivotal in the political crisis that unfolded in 2007 following the schism in the ruling party, the CNDD-FDD, caused by the arrest of one of the party’s power-brokers, Hussein Radjabu. Over the ensuing year, attempts to form a new majority coalition in parliament were based on efforts to include smaller parties (notably Frodebu and Uprona) in government, although the executive initially sought to do so by co-opting ministers from the opposition without the support of the parties’ organizations. Furthermore, there was intense debate over the powers given to the new ministers, their relationship to deputy ministers from rival parties, and their entitlement to pick senior civil servants. The wrangling culminated in a breakdown of the coalition after several months and a sharp rise in political tension – to the extent that opposition parliamentarians warned the United Nations of a campaign to assassinate them.⁴²

What is clear from this and other recent crises is that there exist strong incentives to form new political parties or to create splits in existing parties so as to gain access to a share of state resources. Indeed, it is possible to argue that the peace settlement is anchored in the financial pay-off for switching from military operations – whose benefits were increasingly limited in Burundi’s impoverished rural economy – to political participation, and thus access to tax revenues and donor funds. An expression heard across the country, according to a recent report, is that “the others wouldn’t have stopped the war if they had not got postings in the state”.⁴³

The financial leverage deployed in the peace process inevitably leaves traces in the political system in the form of a quest for power and office as resources for personal benefit and in exercising patronage. Indeed, the perceived worsening of corruption in the state is closely linked to this process. But there is also a third element in the new political economy of Burundi that is hampering the drive towards coherent and continuous economic policy-making. Although it was political parties which first signed the peace settlement at Arusha, and which are now the principal mediators between population and state (as is to be expected in a consociational model), they themselves have been profoundly weakened by the requirement that they be ethnically mixed, and by the above-mentioned inclination to fragment. As analyst Stef Vandeginste argues, the three main political parties until this year have “all constantly suffered internal fights, schisms, divisions and resignations”. The Frodebu party, once the political insignia of the Hutu majority, has splintered into four or five groups over the past 15 years. Even the newly formed FNL has recently split. Given the crucial role played by parties in coordinating the legislature and executive – not to mention their informal role as the chief employment agency for the state – it seems that their internal weakness is bound to translate into a general lack of institutional coherence and capacity, which in turn must have a major impact on the possibility of economic recovery.

42 International Crisis Group, *Burundi: Restarting Political Dialogue*, Brussels, ICG, 2008, p. 6; Vandeginste, Stef (2008), op. cit., pp. 5-8.

43 Interpeace/Cenap (2009), op. cit., p. 9.

2.5 The Rwandan comparison

Domestic discontent with the economic results of the Burundian peace settlement thus far is in sharp contrast to international praise for the economic ‘miracle’ in neighbouring Rwanda. Whereas Burundi has been sluggish in improving the environment for private business and raising its growth rate, the government of President Paul Kagame has rushed through a simplification of business regulation (lifting the country 76 places in the World Bank’s *Doing Business* report for 2010), sought to boost agricultural productivity, and made a pledge that the country will move out of the low-income bracket within a decade. Despite their similar population and territorial sizes, dismal economic starting points – Burundi’s most recent civil war was more drawn-out, but its death toll was lower – and intimately connected political histories, the two nations appear to be on increasingly divergent tracks. Rwanda’s growth rate in 2008 was five per cent higher than Burundi’s, its investment rate twice as high, and its income per capita three times higher.

The comparison between the two is all the more compelling in light of the demand among certain elements of Burundi’s political elite, including parts of the ruling CNDD-FDD and the new FNL party, that their country moves towards a more Rwandan-style post-conflict model, albeit dominated by the Hutu majority. Unlike in Burundi, the outcome of the Rwandan holocaust gave rise to a polity in which discussion of ethnic identity is forbidden as the sign of a racist and *génocidaire* ideology. Moreover, a highly authoritarian system of one-party rule, with power concentrated in the hands of the president, affords the sort of scope for uncontested economic reform that is characteristic of the high-growth developmental state. This contrasts with the deadlock that affected the Burundian parliament from 2007 to 2008 as a result of the ruling party’s infighting and disputes with the smaller parties. Over this period, very few laws were even considered by parliament.

Given the obstacles to such concerted economic development in Burundi, should then some elements of the Rwandan model be imported? Leaving aside the enormous difficulty of judging the merits of rival trade-offs between executive efficiency, economic reform, democratic openness, and party political competition, it is worth pointing to two theories that favour slightly different responses to the choice between the two countries’ approaches, based largely on the prospect of future sectarian violence and instability. The first of these tends to view the Rwandan growth spurt as the product of an elite stranglehold over society, born in the wake of the genocide when the Rwandan Patriotic Front established power over a “voiceless mass of peasants”,⁴⁴ and outlawed ethnic-related debates as a way of silencing all opposition. While growth is certainly the result, the tight discipline that it depends on – and the elite rent-seeking that it gives rise to – has created an “enormous chasm” in society, in which “structural violence, sooner or later, will end up exploding”.⁴⁵

On the other hand, rapid growth under conditions of one-party rule has been employed by some societies that are highly fragmented along ethnic lines – here Malaysia’s New Economic Policy of 1971 stands out – as a means to compensate for ethnic grievances while maintaining the loyalty of formerly privileged ethnic communities. To justify this, there is statistical evidence to indicate that ethnic fragmentation is much less damaging to growth and productivity in countries with higher levels of income while at the same time, ethnic diversity is

44 Former Rwandan military officer, quoted in Prunier, G., *From Genocide to Continental War*, London, Hurst, 2008, p. 21.

45 Reyntjens, F., ‘Chronique politique du Rwanda et du Burundi, 2007-2008’, in : Marysse, S. (ed) *L’Afrique des Grands Lacs: annuaire 2007-2008*, Paris, L’Harmattan, 2008, p. 27.

also less damaging under democracy.⁴⁶ In other words, an argument could be constructed to the effect that Rwanda is escaping the worst effects of its ethnic composition by racing to become a moderately affluent country. As the country finance minister has explained, “We want to lift as many people as possible out of poverty... in such a way that we carry on becoming a united country free from all backward divisions.”⁴⁷ For the moment, it is evident that the many defects of Rwandan democracy have not diminished the regime’s attractiveness as a pole of growth, or as a possible panacea for a legacy of historical inter-ethnic strife.

2.6 Conclusion

At the heart of the political economy of contemporary Burundi is the issue of the ruling elite’s resolve to bring about transformative national development. For the first four decades after independence, governance in Burundi was characterized by an obsessive and highly depredatory style of ethno-political competition, in which control over the state was the key objective while control over business merely served this greater purpose. The substitution of the system by a new formula for power-sharing appears to have enabled Burundi to transcend ethnic tensions, while also allowing the practices of short-term, self-interested political life to flourish.

Against this backdrop, donors are supporting Burundi with significant aid contributions, valued at almost half of the national budget in recent years. The years since the Arusha accords have certainly been distinguished by a number of landmark achievements in terms of peace and stabilization. Furthermore, the combined effects of debt relief, regional integration, long-term economic planning and relative democratic stability offer excellent opportunities for recovery. But efforts to consolidate the initial peace dividend also face huge challenges: Burundi must do more than just avoid conflict and achieve macro-economic stability, it must also engineer a form of governance that radically changes incentives for public and private actors alike, in a regional context in which a different model of governance – that of Rwanda – is becoming a focus of attention and admiration. The following chapters of this paper will explore how donors might maximize the gains from the reforms already made, and seek to encourage recovery in the key sectors that will determine the country’s economic future.

46 These two correlations, with the correlation to income seemingly “more robust”, are discussed in: Alesina, Alberto and La Ferrara, Eliana, “Ethnic Diversity and Economic Performance”, discussion paper 2028, Harvard Institute of Economic Research, 2003.

47 Rwandan Finance Minister James Musoni, quoted in *Financial Times* special report on Rwanda, 22 September 2009.

3. Operational challenges and donor responses

Sustainable stability and legitimacy of the democratization process in Burundi will depend largely on an improvement in the population's standard of living. However, a peace dividend has not been achieved so far, and socio-economic instability has not yet been dealt with as a priority. The main reason for this seems to be a lack of political will and (technical) capacity, on the part of both the local government and the donor community, to implement an economic recovery policy. This includes the current absence of comprehensive strategy development and clear priority-setting for key economic recovery areas, as the present chapter aims to illustrate.

3.1 Political priorities and strategy development

A number of political challenges to strategy development for economic recovery are worth highlighting. First, national political developments in Burundi have affected the process of longer-term strategy development for economic recovery and clear priority-setting of key economic activities. National actors seem to have little ability to focus on the core objectives of economic recovery following the cessation of hostilities, and their immediate priorities have been other ones, i.e. humanitarian and political.⁴⁸ Political priorities are currently centred on the forthcoming elections in 2010, challenging the development of a longer-term vision for development. Politicians and related officials are primarily motivated to secure election support or maintain their authority within a political grouping of (former) armed groups. The resulting predominant short-time perspective and high turnover of political figures has thus been an important factor hindering the strategic planning of economic activities, follow-up financing and the early-start up of longer-term programmes. This lack of proper government prioritization has also resulted in donors implementing projects individually, spreading out their efforts in different areas, which limits the real impact of these efforts in terms of economic recovery on the ground.

48 Also note that on the basis of the PSRP 2007–10, most donor pledges have been committed to security- and governance-related aspects. The new strategy document, Vision 2025, in accordance with which the World Bank will take over the supporting role from UNDP, focuses much more on the importance of economic recovery and is thus expected to attract more donor pledges to this sphere.

Second, economic recovery programming in Burundi is likely to touch on highly politicized issues, such as economic inequality between ethnic groups and regions, and land rights. State-controlled industries and, for instance, tea, sugar and energy-importing companies are often politicized, which presents problems for any larger-scale reforms or privatization of these sectors.

Third, corruption and lack of capacity continue to limit the effectiveness of the Burundian state, hindering the overall level of cooperation and dialogue between donors or private companies and Burundian state institutions. The administrative structures are still highly politicized, which has led to the replacement of former dignitaries or high-ranking civil servants by influential figures from within the CNDD-FDD. Donors have indicated their main concerns over the quality of governance in Burundi, including GoB economic priorities, but the international community has not always adopted a sufficiently critical stance towards local authorities.⁴⁹ At a more structural level, the state and the resources it commands are the only potential sources for political patronage and co-optation available to the incumbent political elite.

Fourth, *donors*, too, face challenges in developing their strategy, as a result of the local political developments. Despite the fact that most European Union (EU) member states have a longer-term engagement strategy in the country, the majority are able to commit new funding only on an annual basis. A recent report by the European Centre for Development Policy Management (ECDPM) indicated that interviewees attributed this restriction to the unpredictability of the current context and the planned elections in Burundi.⁵⁰ In order to cope with such uncertainty, some donors have developed scenarios to guide their support to the country from 2010 onwards. Nevertheless, the confidential and sensitive nature of such planning may not always allow these donors to commit long-term funding windows or to inform the GoB about these. On the other hand, some donors emphasized that any drop in development finance following the elections may lead to instability,⁵¹ and officials of the GoB who were interviewed expressed their concern about a possible decline in aid.

The difficulties in terms of strategy development and priority-setting have led to a variety of smaller-scale economic programmes which are primarily of a ‘standard’ developmental nature, focusing on life-saving and humanitarian aspects. This is despite various indications that what is needed is in fact the larger-scale economic recovery projects such as infrastructure and bigger employment projects which can make a real contribution to the creation of a peace dividend. The limited attention to economic recovery is also reflected in the fact that the GoB has reduced its spending on economic sectors overall in 2009 by 26.3 per cent.⁵²

49 This is reflected by the fact, among others, that members of the Peacebuilding Commission (PBF) were reluctant to challenge the GoB to include governance concerns in the peacebuilding strategy.

50 The EU’s response in situations of fragility: the case of Burundi, Report by ECDPM, September 2009, p. 4.

51 Ibid.

52 République de Burundi, Cour des Comptes, Commentaires sur le projet de budget général de l’état, exercice 2009, December 2008, www.arib.info, p. 36.

Box 1: A coordinated approach for economic recovery within the EU?

In November 2007, the European Council (EC) adopted a set of conclusions related to an EU Response to Situations of Fragility. Burundi was selected as one of the pilot countries as a means to spearhead and monitor the conclusions to inform subsequent policy discussions. The experiences in these selected pilot cases, which involved intensified cooperation between EU member states in Brussels and in the field, are a basis for the EC's preparation of an 'Implementation Plan on Fragile Situations'.

The evaluation report of the pilot in Burundi confirmed that it was easier to take joint action on a diplomatic level than in the arena of development cooperation. The main reason given relates to the locus of aid programming, which is mainly situated at the respective headquarters, where the level of interaction and consultation with the other member states is lower. Although the EU member states engaged in Burundi frequently exchange information in both informal and formal ways, and although there are a number of joint interventions, one cannot speak of a 'Whole of EU' approach in this area. Reasons cited include disbursement pressures linked to particular financial years, different programming cycles, differing degrees of delegation of responsibilities in the field among member states, difference in the strength of field offices (ranging from limited local representation to a fully fledged embassy). Joint analysis in the area of state-building as well as economic recovery could support a synchronized focus in these areas among donors.

Source: The EU's response in situations of fragility: the case of Burundi, *Report by ECDPM, September 2009*

a) The PSRP and the peacebuilding agenda in Burundi

As development is so heavily dependent on foreign involvement in Burundi, it is worth elaborating on the Peacebuilding Fund (PBF): the main international aid instrument for the GoB. Experience with the PBF in Burundi so far illustrates the difficulty of developing an overall strategy, of ensuring local ownership and setting clear priorities for economic development early on in the process. In addition, it is also a reflection of coordination problems among donors as well as between donors and the GoB.

The international approach to peacebuilding was often depicted as being too *compartmentalized*, and this included the case of Burundi'.⁵³ An early and central innovation of the Peacebuilding Commission/Peacebuilding Support Office (PBC/PBSO) was therefore to initiate Integrated Peacebuilding Strategies and bring this myriad of actors together within a common strategy, i.e. the Strategic Framework for Peace Consolidation, establishing the PBF as a project-implementing institution in October 2006.⁵⁴

The PBF is part of the efforts that the international community provided for a more sustained engagement during the *early stages* of a post-conflict context.⁵⁵ It supports interventions of direct and immediate relevance to the peacebuilding process and addresses critical gaps in that process, in particular in areas for which no other funding mechanism is available. Use of the

53 *Taking stock report, Looking Forward: A Strategic Review of the Peacebuilding Commission*, New York Centre on International Cooperation and International Peace Institute, April 2008, p. 13.

54 Security Council resolution S/RES/1645.

55 Ball, N. and Van Beijnum, M., *Review of the Peacebuilding Fund*, June 2009, p. 1. It is also envisaged, however, that there may be circumstances in which the PBF could meaningfully extend support to countries at a more advanced stage of their peacebuilding process when no multi-donor trust fund has been established and/ or critical peacebuilding interventions remain underfunded.

PBF's resources is meant to have a catalytic effect, and create a short-term peace dividend. The objective is to create more sustained support from development agencies and donors to work on longer-term issues. Burundi was selected as one of the first PBC pilots and was made eligible for PBF funding in 2007. In comparison with the PRSP, the PBF aimed for a more comprehensive framework, integrating development with security and governance strategies.

The development of the *Strategic Framework for Peace Consolidation* in Burundi illustrates the challenges to priority-setting and strategy development, also with respect to economic recovery. It is widely recognized by actors at headquarters level and in the field that the process got off on the wrong foot, especially owing to an over-emphasis on the Peacebuilding Fund.⁵⁶ This was particularly striking at country level, where the focus on developing PBF projects (as a result of political pressure for quick disbursement of funds) fostered an operational approach that treated the question of peacebuilding on a short-term, project-by-project basis, at the expense of analysing the overarching strategic priorities and the political risks to peace.

From the start, donors and the GoB placed heavy emphasis on the quick start-up of projects and disbursement of funds from the PBF, without *first* agreeing on a broader framework for the peacebuilding process. For one thing, there was little discussion about strategic priorities. When it was later explained to actors on the ground that they would need to begin discussing strategic priorities in order to develop an Integrated Peacebuilding Strategy, there was a widespread feeling that the process was out of sequence, because the operational approach was already developed before clear strategic priorities were set.⁵⁷ It was only *after* the approval of the PBF projects that several members of the international community belatedly voiced criticism about the PBF projects being of a primarily development nature, instead of (economic) projects aimed at peacebuilding as such.⁵⁸

Nevertheless, the consultations on the Strategic Framework did foster a broad and inclusive dialogue among the various actors. It addressed the political risks and priorities that were absent from existing strategies and linked them to the economic challenges.⁵⁹,⁶⁰ The credibility of the framework and the inclusion of the political dimension were emphasized in interviews by donors and by government and civil society representatives as being critical to the monitoring process.⁶¹

Preparations for a follow-up strategy are on the way (under the 'Vision 2025' initiative'), led by the World Bank Consultative Group. Whereas under the PSRP the focus has been mainly on security, governance and social aspects, the Vision 2025 strategy will shift the emphasis to the need for large-scale economic recovery, thus offering a window of opportunity. It highlights four sectors as priority areas for the coming years – infrastructure, energy, agriculture and tourism – and it aims to push donor funding and investments towards these sectors.

56 *Taking stock report, Looking Forward: A Strategic Review of the Peacebuilding Commission*, New York Centre on International Cooperation and International Peace Institute, April 2008, p. 14.

57 Ibid.

58 Ball, N. and Van Beijnum, M., *Review of the Peacebuilding Fund*, June 2009, p. 20.

59 *Taking stock report, Looking Forward: A Strategic Review of the Peacebuilding Commission*, New York Centre on International Cooperation and International Peace Institute, April 2008, p. 14.

60 Ibid.

61 Ibid.

Box 2: Integrating the PSRP and the peacebuilding agenda

Even though the PBF was welcomed for its efforts at quick fund disbursement in an early post-conflict period, the introduction of the peacebuilding agenda under the PBF also led to coordination difficulties in areas where it overlaps with activities under the PSRP.

The National Committee of the Coordination of Aid (*Comité national de coordination des aides – CNCA*) is the highest-level national coordination body in Burundi. It defines the objectives of aid coordination structures and the commitments made by the international community for development aid effectiveness. It conducts a dialogue with international partners and aims at improving harmonization through the *Groupe de coordination des partenaires (GCP)*. Basically, the organizational structure of the GCP consists of two pillars: the PSRP, which is divided into 13 socio-economic and political sectors, and the UN peacebuilding strategy (derived from the Peacebuilding Fund), which is made up of five clusters.⁶²

Efforts to integrate these various frameworks under both agendas (the peacebuilding agenda and the PSRP) has resulted in the formation of numerous working groups in order to bring them together, limiting a clear government-led process of identifying key priority areas, including economic recovery. It is interesting to note, however, that the two agendas in Burundi initially served a political goal of power-sharing, as negotiated under the Arusha Agreement. The two vice-presidents each have a leading role, one within the development agenda and the other within the peacebuilding agenda.

Policy considerations: priority-setting and strategy development

- **Adjust the level of expectations and ensure political involvement.** Stakeholders should recognize that the appropriate response of the international community's engagement in highly politicized environments like Burundi is not simply to press for quick disbursement of funds, for example through the proliferation of quick-impact projects. It requires patience and tolerance for the often slower process of dialogue. At the same time, the creation of immediate results on the ground (which was often the main objective of projects started in the early aftermath of conflict) is important for political reasons (to maintain the peace momentum). However, they should to the extent possible be combined with enhancing political commitment to capacity-building.
- **Define a political strategy on what political and security reforms it is feasible to pursue, and align socio-economic projects with that strategy.** The main constraints encountered have been the serious governance and latent security problems. If, for the sake of peacebuilding and stability, a more inclusive and democratic management by the GoB is considered by donors to be a priority, then activities should be used to support GoB incentives for reform (as either carrots or sticks).
- **Focus on areas of tension, through flexible approaches in terms of project type, timing and target groups.** To prevent tensions from rising and to build a peace dividend, there is a strong need to start prioritizing a number of socio-economic activities in order to have some basic structures ready for larger-scale recovery processes after the elections. Initiating programmes early on in relatively unstable areas is needed precisely as

62 Linked to this pillar is the *Cadres de Dialogue Projet*, launched by the GoB and BINUB and aimed at strengthening the link between national partners and trust through continuous and inclusive dialogue.

part of a stabilization strategy, even though up until now recurring instability has often made donors reluctant to implement economic programmes in such regions.⁶³

- **Recognize the importance of the geographical locations of economic programming.** Inequality among the various regions in Burundi requires caution in order to avoid too much focus on certain areas, as this could potentially increase tension. Inequality, for instance, between core and periphery in respect of service delivery has long been an important source of conflict; reaching out to hitherto ill-served regions may be a conflict-mitigating strategy. The location of sub-projects should be based on clear criteria to ensure equitable distribution and to avoid project concentration in a few major urban centres (in the capital, for instance, as was the case with previous projects). It should be taken into account, however, that this is likely to meet with resistance on the part of the GoB. Also, the push for immediate results should not lead to a concentration of programmes in areas in which implementation seems easiest, i.e. the most stable areas or those with the greatest implementation capacity.
- **Build government capacity to set priorities for economic recovery,** for instance by setting up technical units within line ministries so that international and local experts can help the government in its strategy development. Funding allocations should then be made on the basis of high priority objectives. Setting up technical units has the potential to be significantly more sustainable than sending international experts on a rotational basis. Any such establishment should be preceded by a thorough needs assessment and actor analysis of the sector. Note, though, that it will always be difficult to get round the political influences in politicized ministries.
- **Link up with sector line ministries.** The development of socio-economic infrastructures (roads, school and health facilities) promotes local development, but alignment with strategic priorities is essential. Local investments have to be consistent with social sector strategies and national norms. Therefore, an efficient collaboration with line ministries is needed. Attention must also be given to maintenance issues through the establishment of funding mechanisms and management entities.⁶⁴

3.2 Lack of implementing capacity for economic recovery

Another key challenge to strategy development for economic recovery in Burundi is the limited in-country implementation capacity. This is reflected in the current tension between the political pressure to create immediate results on the ground and the lack of sufficient implementing capacity. The pressure for immediate results tends to overlook that insufficient in-country capacity is available, at the government level (local and national), as well as on the part of the donors and their implementing partners (such as NGOs).⁶⁵

63 UNDP's recently started socio-economic reintegration project in Burundi is a clear example of a strategic choice for project initiation in less stable areas in order to prevent further destabilization and mitigate risks. See also Box 6.

64 See also: *Community and Social Development Project (PRADECS)*, project information document, World Bank, March 2007, p. 13, in which linking up with sector line ministries is also identified as good practice.

65 Ball, N. and Van Beijnum, M., *Review of the Peacebuilding Fund*, June 2009.

a) Lack of implementing capacity of local actors

The lack of local implementing capacity has made economic programming difficult and can be identified at the national and local level, as well as among civil society actors. There is a need for capacity development early on in the process, to enable priority-setting to take place and so that greater planning capacity can be established to accomplish those priorities.

First, experience in Burundi has shown that the lack of **national government capacity** at all levels has significantly hindered effective project implementation on the ground, which is one of the core objectives of early socio-economic recovery.⁶⁶ Under the PBF in Burundi, priority therefore has now been given to projects that strengthen national implementation capacity; this has led to the majority of projects being implemented by project management units (PMUs) established within government line ministries and entities that support national authorities in the daily implementation of projects.⁶⁷

Second, lack of transparency and predictability in public resource management as well as **over-centralization of government power still limits economic recovery efforts at a local level**. Many local governments have insufficient financial resources to assume their responsibilities. This can be explained by several factors: i) the tax base is not clearly identified and many citizens do not pay taxes; ii) there is a lack of detailed land and property registration; iii) the management of tax collection is hampered by manual, very outdated procedures and the filing system. The communal resources do not match the responsibilities delegated to communities, resulting in communities having a very low self-financing capacity. More than 80 per cent of the budget is spent on operating costs, which leaves very little for investment.⁶⁸ However, donors should be aware that too much external involvement with the decentralization process and raising expectations at this stage could be risky. The decentralization strategy is still being discussed at cabinet level and major progress is not expected before the 2010 elections.

Third, only a limited portion of project funding reaches the lower links in the chain such as **local implementing partners, including NGOs**. This is primarily a result of the often long implementation chains, and of corruption. Visits to rural areas, for instance, revealed that there were very competent local integration officers who could not function as they were in dire need of support in terms of human and financial resources. Smaller organizations progressively end up with less money to get the job done, whereas larger organizations use up a large proportion of their funding on expensive supervision and coordination overheads, which cannot always be accounted for in an examination of field presence, time and staff allocated.⁶⁹ Implementation chains can contribute to the effectiveness of programme implementation, but policy-makers should carefully take into account the side-effects when planning and designing (early economic) programmes. Related problems are that corruption, and the exclusion of smaller, local organizations may hinder the local-capacity building process. This can potentially constrain the ability of local actors to set up subsequent programmes to take over the task of longer-term economic reconstruction.

66 *First Consolidated Annual Progress Report*, Peacebuilding Fund, p. 16; Ball, N. and Van Beijnum, M., *Review of the Peacebuilding Fund*, June 2009, p. 20.

67 *Ibid*, *Review of the Peacebuilding Fund*, p. 20

68 *Ibid*, *Review of the Peacebuilding Fund*, p. 20.

69 Douma, P. with Specker, L. and Gasana J.M., *Reintegration in Burundi: between happy cows and lost investments*, Clingendael Conflict Research Unit, October 2008.

b) Donors and implementing agencies

With regard to the speed of disbursement and project implementation of socio-economic activities, some delays were a result of capacity problems within recipient agencies or implementing partners or both, of the slowness of UN (especially UNDP) procurement processes, and sometimes of political delays. Current planning has been based on the assumption that the PBF agenda could be implemented using the *existing* capacities of the UN system, which are generally aimed at supporting longer-term development. This basic assumption has proved to be incorrect, however. Without dedicated staff, resources are unlikely to be used to maximum effect. Burundi is a striking example of a state where the ambitious goals of the donor community have not matched the capacity on the ground, resulting in a significant lack of agency resources to manage and implement activities.

Some difficulties are related to the UN's institutional conditions and cannot be resolved in the context of early economic recovery alone. The very fact that UNDP does not have an execution modality tailored to countries recovering from conflict limits its ability to respond adequately.⁷⁰ Therefore, a priority for UNDP should be to start discussing ways of developing fast-track operational procedures that can be applied in the immediate aftermath of conflict. Consideration should be given to the creation of a specific sub-agency, possibly within UNDP, mandated and equipped to deliver fast-track, tailor-made early economic recovery projects.

Policy implications: capacity development

- **Integrate the strengthening of local structures and capacity**, and capacity-building aspects, into socio-economic recovery programmes. Do not underestimate the time needed to strengthen national capacity. The delays experienced during the start-up phase of projects may sometimes be necessary to ensure that government structures are adequately staffed and equipped.
- **Carefully assess the need for specific support to the decentralization process.** The nascent decentralization process and the forthcoming elections in 2010 will strengthen the mandate of local governments. However, local government entities often lack organizational frameworks and human and financial resources.
- **Provide a larger share of overall project funding for use at the lowest implementing levels**, i.e. at the level of direct beneficiaries, and make sure overheads receive a carefully calculated share. Local non-government actors need more implementing space, judicial and technical, without the involvement of petty officials and local government cronies.

70 Ball, N. and Van Beijnum, M., *Review of the Peacebuilding Fund*, June 2009, p. 19.

Box 3: Integrating capacity-building with socio-economic programming: experiential learning

Donors faced with the dilemma of either ‘outsourcing’ implementation of programmes through multilateral organizations or international NGOs (INGOs), or working through an often incapable state, may choose the ‘middle way’ of local capacity-building by *Learning-by-Doing*, such as that developed by PADCO and identified by the World Bank as good practice.⁷¹ The establishment of decentralized implementation arrangements in Burundi takes time and the incentive to provide rapid results on the ground should not take precedence over capacity-building, which may be the condition for sustainable and cost-effective delivery of sub-projects in the medium and long term. Experiential learning is an effective means to develop capacity and achieve sustainable results.⁷²

In late 2005, the National Commission for Disarmament, Demobilization and Reintegration (NCDDR) issued a call for proposals for reintegration projects, but at that time DDR had become highly politicized and a limited group of NGOs only reluctantly decided to participate. At the end of 2005 CNDD had just been elected, and control of the NCDDR had shifted from FRODEBU to CNDD. CNDD strongman General Silas Ntigurirwa had been appointed head of mission of the Executive Secretariat. Although the participating NGOs had been urged to speed up their proposals, their contracts were not approved until September 2006, by which time the bulk of ex-combatants had already been waiting one year for the reintegration trajectory. Meanwhile, many promises had been made to the ex-combatants by government representatives, but unfortunately, contradictory messages regarding the size and form of reintegration support were circulating.

The late start-up of the reintegration programme for ex-combatants, and increasing donor pressure to show results led to the initial outsourcing of the programme’s implementation to (national DDR organization) PADCO, sidelining the involvement of local officials. PADCO quickly realized that it needed the cooperation of local officials: there is a disconnect between the state and the communities in Burundi, and local officials were the ones who knew the area best and could reliably identify high-risk groups. PADCO therefore built up the capacity of local institutions through a learning-by-doing process: the level of local officials’ involvement was gradually increased in the course of the reintegration programme. Local officials were initially involved in budget planning for activities, and were taught basic accounting principles and programmes. In due time this was extended to actually handling the disbursement of funds, supervised by PADCO to prevent mismanagement. Finally, PADCO handed over the entire implementation of the programme to local officials, although it retained its supervisory role. In this way it successfully built local capacity and ownership of the process and prevented the setting-up of ‘parallel structures’. A learning-by-doing approach, however, takes time, patience and commitment to put into practice.

3.3 Lack of sustainability

Quick-impact economic projects have been criticized because of their over-emphasis on short-term results, which means inadequately addressing the sustainability of projects. This problem is not unique to Burundi, but is nonetheless worth highlighting. Several partners involved in the implementation of early economic recovery projects expressed the view that projects generally have too short a time frame and lack longer-term planning.

71 *Community and Social Development Project (PRADECS)*, project information document, World Bank, p. 13.

72 *Ibid.*, p. 13.

Generally, stakeholders in Burundi mentioned that up to now, inadequate attention was given to two components that are crucial for the sustainability of (early) economic recovery projects. First, only limited attention has been paid to how funded activities can **link better** with ongoing or planned activities of a similar nature. Second, **follow-up funding** is often not identified early on in the project, if at all. Both of these aspects are illustrated in Box 4.

The short time frame for the funding of early economic recovery activities affects the sustainability of project outcomes.⁷³ Extension of funding and project duration is likely to increase the chances of impact and facilitate follow-up activities. A longer time frame for the project funding would enable, for instance, a continuation of cash-for-work programmes, and labour-intensive (infrastructure) projects could be started by building roads and connecting villages to marketplaces. So far, however, donors have been understandably reluctant to extend funding time frames because of uncertainty over the effect of political developments on programme outcomes. The perception of a high degree of risk and the uncertainty regarding the outcome of programmes makes this a tough call for donors.

Box 4: The need for follow-up activities – PARESI

PARESI is a government agency known in English as the *Project for the Support of the Repatriation and Reintegration of War Affected Persons*. PARESI is the main implementing partner of the *Ministère de la solidarité nationale* of the government of Burundi. It builds ‘integrated villages’ for returning refugees and internally displaced persons (IDPs) (from the 1972 war) who have no land or communities to return to. This project is (mainly) funded by the UN High Commissioner for Refugees (UNHCR) and tries to set up more sustainable livelihoods than these vulnerable groups would have in refugee camps. Based on the cash-for-work principle, the building of these villages provides returnees with temporary jobs.

Unfortunately, however, the programme lacks sustainability. For one thing, no follow-up activities to the infrastructural work had been planned, leaving people with houses but no income or way of supporting themselves. Second, UNHCR has not succeeded in getting the Burundian government or other donors to take charge of the programme and contribute financially. This leaves the programme, meant as a transitory phase between taking high-needs groups off the streets and more durable development, running the risk of petering out without funding after UNHCR leaves the country.

Policy implications: increasing project sustainability

- **Draw clear guidelines in project proposals for economic recovery programmes** to: a) demonstrate that thought is being given to how the project links to other activities (ongoing and planned) in the same area; and b) sketch out a preliminary plan for follow-up fundraising and for eventual sustainability of exit. Ensure proper planning of follow-up projects and link with medium- to longer-term development programmes. Complementary programmes should focus on a broader target group than quick-impact projects. Follow-up activities to livelihood or reintegration projects could include, for instance, paying more attention to commercial social activities such as micro-finance.
- **Extend early economic recovery funding (project duration) to at least 24 months.** The time frame of most socio-economic recovery projects under the PBF in Burundi has

73 Interview with Emmanuel Douvon, Assistant Country Director, CARE Burundi, May 2009.

been 12 months, with a possible extension to 18 months.⁷⁴ Early economic recovery projects may require at least 24 months to be implemented, given the necessary start-up activities and the likelihood of slow implementation in a fragile environment like Burundi. As mentioned, extending programme duration can, however, be a tough call for donors, owing to the perception of a high degree of risk and uncertainty regarding programme outcomes.

- Paying attention to **capacity-building of training centres** ensures durability as well. There is, in general, a lack of trainers and formal training institutes, owing to the recent war. Training trainers is a durable way of leaving capacity behind once the international community leaves. Training should be considered, however, only when there is a clear demand and when incentives are right for the trained people to apply their new insights and capacities.
- **On a programmatic level, consider phased payment within employment projects in order to encourage investment.** For instance, participants could be paid only 50 per cent of the total wages during the implementation phase. The remaining 50 per cent could be paid upon completion of the programme to provide lump sum capital for a future investment, thereby offering immediate economic opportunities to individuals, their families and the communities at large and giving individuals further incentives to complete training.

74 Ball, N. and Van Beijnum, M., *Review of the Peacebuilding Fund*, June 2009.

4. Challenges to project implementation in economic priority areas

This chapter provides an overview of some key challenges to project implementation (technical as well as contextual) in relation to economic priority areas in Burundi, including:

- The economic reintegration of ex-combatants;
- Employment creation and income generating activities;
- Agriculture and rural development (including land issues);
- Infrastructure and energy development;
- Private sector development (PSD);
- Access to finance.

The selected areas are in line with the PSRP 2006 and follow-up documentation of the GoB aimed at further operationalization of the PSRP.⁷⁵

Box 5: Economic priority areas as identified in the PSRP 2007–10⁷⁶

Development of growth sectors

The main source of growth identified within the framework of PSRP is agriculture. Other important sectors are: trade, industry, mining, tourism and handicrafts. In the agricultural sector, the main objectives identified are: 1) recovery and promotion of agro-forestry and livestock farming; 2) recovery and diversification of the export and import-substitution portfolio; 3) rehabilitation of infrastructure in support of productive activities; and 4)

75 République du Burundi, Programme d'Actions Prioritaires de mise en oeuvre du CSLP 2007-2010 – Table Ronde des Partenaires, 24-25 mai 2007 (www.csplminiplan.bi) pp. 29-53.

76 *Poverty Reduction Strategy Paper Burundi* 2006; Document aimed at the operationalization of the PSRP, based on a GoB Round Table in May 2007: République du Burundi, Programme d'Actions Prioritaires de mise en oeuvre du CSLP 2007-2010 – Table Ronde des Partenaires, 24-25 mai 2007 (www.csplminiplan.bi) pp. 29-53.

rehabilitation and reintegration of target groups within the recovery process for the agricultural sector.

Creation of employment and income opportunities

There is an acute need to increase employment and income opportunities because the working population is expanding rapidly and there is a severe job shortage. Main objectives are to: 1) improve access to micro-credit; 2) promote labour-intensive activities; and 3) strengthen income-generating activities.

Development of the private sector

Private sector development is considered to be critical for the process of accelerated and sustainable economic growth. In order to make the private sector the engine of growth, a number of emergency are identified: 1) reform of the legal and financial sector in support of the private sector; 2) implementation of appropriate mechanisms of support for economic operators, particularly through reconstruction activities; 3) establishment of a private sector recovery fund; 4) reform of the financial and banking sector and revitalization of the role of the Chamber of Commerce (CCIB); and 5) reinforcement of the arbitration centre to settle disputes between private enterprises.

Development of infrastructure in support of production

The development and rehabilitation of (rural) infrastructure is important for creating more favourable conditions for other sectors of the economy to develop, to improve access to remote areas, to facilitate commercial transactions, to support productive activity and to ameliorate internal security. Infrastructural projects should be carried out so as to promote labour-intensive and local employment and to build (human) capacity for the construction and maintenance of infrastructure.

Current priority areas identified, among others, under the 'Vision 2025' strategy (as supported by the World Bank) are: *energy, infrastructure, agriculture and tourism*.

4.1 Economic reintegration of ex-combatants

Strictly speaking, the reintegration process for the FNL and other former combatants is not a 'separate' economic category on the agenda, being heavily linked to the (political and strategic) balance of power under the peace agreement. Nonetheless, considering the impact the return of thousands of ex-combatants to civilian life has had on the already strained Burundian economy and the overall stability of the country, and the international attention paid to the DDR process, it is worth looking into this area more closely.

The formal reintegration programme in Burundi, financed by the World Bank (Multi Country Demobilization and Reintegration Program – MDRP – and later single country trust fund)⁷⁷ and led by the Burundian DDR commission CNDDR, has demobilized roughly 26,000 official ex-combatants since the start of the MDRP.⁷⁸ At the end of 2008, the CNDDR had

77 The Multi Country Demobilization and Reintegration Program (MDRP) is a multi-agency effort that operated from 2002 to 2009 to support the demobilization and reintegration of ex-combatants in the Great Lakes Region of Central Africa. After the closure of the MDRP in Burundi in December 2008, a single country trust fund was set up. The Transitional Demobilization and Reintegration Program is, like the MDRP, targeted and has a short-term perspective, but will link up with community-based reintegration programmes run by UNDP. The programme officially runs from March 2009 until December 2011.

78 <http://www.mdrp.org/burundi.htm>. Roughly 23,000 beneficiaries received reinsertion support and around 22,000 received reintegration support.

demobilized ex-combatants from the rank and file of the Burundian Defence Forces (FDN) and the National Police (PNB) and of the CNDD-FDD. The MDRP applied a targeted approach, focusing largely on the individual ex-combatants. Even though donors advocated for the wider approach, owing to the acute necessity of demobilizing thousands of ex-rebels and army soldiers, the GoB preferred an individual approach. This targeted approach, however, requires embedding reintegration assistance to ex-combatants and their dependants within broader economic recovery programmes.

Even though the reintegration programme should be given credit for what it has achieved, it has had a limited impact so far,⁷⁹ especially in urban areas (the most heavily war-affected communities in the periphery of Bujumbura). For one, reintegration was seriously delayed (by, among other things, the lengthy procedures of the organizations involved, CNDD-FDD and donors alike), by which time the bulk of the ex-combatants had already been waiting in poverty for about one year, causing disturbances and sometimes resorting to violence to obtain some form of income in the countryside. Moreover, the Burundian context into which former combatants were reintegrating was (and still is) not the most favourable for the absorption of large groups of people. The poor state of the economy and the lack of economic opportunities are some of the main factors underlying the disappointing results of the past national reintegration efforts under the MDRP.⁸⁰

In Bujumbura and provincial cities, slums are overflowing with unemployed people, mostly former combatants and other young men (traditionally a high-risk group), drawn there to look for employment. These groups tend to concentrate in particular urban locations, often with limited access to water and electricity, forming hotbeds of potential disturbance. Tensions exist between the various groups that make up this ‘slum population’: former fighters who self-demobilized or fought in the war as part of a street gang are resentful of ex-combatants being ‘officially’ reintegrated, who receive acknowledgement, money and in-kind material support from the DDR programme. Youths are purposely kept away from the DDR programme and are shunned by their communities, being perceived as opportunists, thieves or ‘hatchet men’ doing dirty jobs for politicians. Different *quartiers* in the cities tend to be populated by different ethnic groups, leading to a stratification of urban society. Moreover, the important province of Bujumbura Rural remains insecure.

A *Transitional Demobilization and Reintegration Programme* (TDRP) has recently been established as a follow-up to the MDRP, funded from a single country trust fund (as opposed to the regional MDRP). At the start of the new TDRP, a number of areas in need of improvement can be identified. First, the targeted approach of the former DDR programme did not address the urban dynamics of Bujumbura and the other urban centres in the country. Second, a differentiated approach to the various groups of ex-combatants waiting to be mobilized may be required. At least four categories of combatants can be identified at present: the FNL and other ‘formal combatants’, the *militants combattants*,⁸¹ the *Gardiens de la Paix*⁸²

79 Douma, P. with Specker, L. and Gasana, J.M. *Reintegration in Burundi: between happy cows and lost investments*, Clingendael Conflict Research Unit, October 2008.

80 Ibid. See also UNDP’s project evaluation: *Evaluation du Programme d’Appui à la Réhabilitation, Réintégration des Sinistrés et de la Lutte contre la Pauvreté*, Evaluation Mission November–December 2008.

81 Individuals are assigned to each *colline* by rebel factions (previously CNDD-FDD, now also FNL) to disseminate the ideology of the cause, collect money from the population, and entrench the respective movement’s political activities.

82 These combatants were mobilized at communal level and acted as a local defence force on the governmental side.

(former youth gangs, such as *Sans Echec* and *Sans Défaite*) and the self-demobilized.⁸³ Third, there is a clear need to link short-term DDR (focused mainly on providing security by taking the high-risk groups off the streets) with longer-term development planning, and this linkage has not proceeded in the way it should have. The MDRP's institutional mechanism to guarantee close collaboration between bodies responsible for short-term and medium-term assistance (like the World Bank) on the one hand and longer-term assistance to communities on the other (like UNDP) was not working as it should have. The international community's limited time horizon meant that resources were focused mainly on the first few years, aiming for quick and visible results.

Donors still seem to be generally reluctant to put extra resources into parallel reintegration programmes, as the perception is that reintegration has already been covered as part of the formal DDR programmes. The negative impact on stability of their not doing so seems significant, though, as the new programme is likely to provide only limited support in terms of the reintegration process (partly as the new programme design had to be careful to offer benefits comparable to those received by other groups who have already received reinsertion and reintegration support). Overall, it is widely recognized today that any subsequent DDR process in Burundi will not and cannot be firmed up until real development and recovery efforts become available outside the framework of the formal DDR process.

It should be noted, however, that a number of lessons learned from the MDRP have been taken into account in the Transitional Demobilization and Reintegration Programme. The new programme aims, among other things, to improve the link between World Bank- and UNDP-led activities. When ex-combatants are registered, for instance, they are handed over to other development programmes. Even though such changes are welcome, the contextual challenges to reintegration will remain prevalent.

Policy implications: economic reintegration of ex-combatants⁸⁴

- **Embed the short-term national DDR programme into longer-term reintegration programmes that include the wider communities.** Jobs and income generation are a principal concern of local people and combatants alike and must be a central focus of an effective reintegration programme in Burundi.
- **Set up development programmes parallel to the national DDR programme. Focus on high-risk groups, but within the wider community context.** Projects should directly target youth, the majority of whom participated as either formal or informal combatants during the conflict. Activities could include securing paid jobs, skills training, training in entrepreneurial skills, and the provision of capital through savings schemes.
- **Establish links with the respective line ministries,** so that they can: 1) take over responsibility for specific problems once the programme has terminated, and 2) embed

83 Bayer, L., *Supplementing Burundi's DDR Process: The Argument for a Community Wide Reintegration Program*, concept paper note, October 2008. For other challenges to the reintegration process, particularly under the MDRP, and the major issues in terms of implementation of the programme, see also: Douma, P. with Specker, L. and Gasana, J.M., *Reintegration in Burundi: between happy cows and lost investments*, Clingendael Conflict Research Unit, October 2008.

84 The following suggestions are largely based on recommendations by PADCO and its experience as main implementing partner of the national reintegration programme under the MDRP in Burundi. PADCO has, among other things, strongly advocated for a reintegration programme to be run in parallel with the new national DDR programme.

these initiatives into general development policies. Also, it is important to share vital information to enable the identification of the services that the target group and the ex-combatants need to access.⁸⁵ A dynamic partnership between, on the one hand, an implementing partner that will focus on community reintegration and, on the other, a technical line ministry is expected to improve effective delivery of results on the ground.

Box 6: Prioritizing unstable areas: UNDP socio-economic reintegration project⁸⁶

The recently started UNDP reintegration programme aims to focus on relatively *unstable areas*. The programme makes a general distinction between: 1) West Burundi (Bubanza, Cibitoke and Bujumbura Rural), requiring attention to security issues and transformation from political conflict; 2) Northern Burundi, requiring the monitoring of natural resources; and 3) Southern Burundi, requiring attention to more sustainable settlement and support to end local conflicts. These three regions are characterized by the highest population density, a large number of isolated areas and vulnerable zones where the security situation has limited food production and agricultural activities. These zones are also known to be the poorest areas, and they were so, even before the start of hostilities. In addition, also as a consequence of the insecurity, these zones have benefited relatively less from the international assistance over the last couple of years. Instability has been an important factor in that reconstruction projects and economic recovery in these areas could not be implemented earlier. The programme does not target ex-combatants but, rather, vulnerable groups who have not been included in the national DDR programme. The programme is thus complementary to the reintegration process under the national DDR process.

4.2 Employment creation and income-generating activities

a) General challenges to employment creation

Employment is vital to short-term stability, economic growth and sustainable peace in Burundi. It can (a) support ex-combatants and returnees while sustainable reintegration efforts are put in place; (b) bring home the peace dividend to communities most affected by conflict; and (c) provide the groundwork for a new development trajectory. International support in employment creation seems particularly important in the Burundi context because directly investing in job creation is more of a budgetary challenge than the government is able to handle. Some donors, such as the European Union, have started programmes in which a fairly large number of ex-combatants have been employed as manual labourers, but these projects have a short time span and do not create new jobs for the medium to long term. Very little data on employment is available, but a recent study conducted in four cities in Burundi indicates a high urban unemployment rate, coupled with massive under-employment.⁸⁷

With respect to the reintegration process in particular, this tight urban labour market has been a major constraining factor. There are hardly any economic alternatives for returning ex-combatants, and this situation is aggravated by refugees and IDPs returning to Burundi at the same time. Also, target groups generally lack basic 'employable' skills, as many ex-rebels had

85 Douma, P. with Specker, L. and Gasana, J.M., *Reintegration in Burundi: between happy cows and lost investments*, Clingendael Conflict Research Unit, October 2008.

86 *Socio-economic reintegration for war affected populations and community development*, project document. The project is implemented by UNDP and the Ministry of National Solidarity, Refugee Repatriation and Social Reintegration in Burundi and financed from Peacebuilding Fund Burundi, PBF/ BDI/ F-2.

87 *Public Works and Urban Management Project*, World Bank Project Appraisal Document, May 2009.

dropped out of school at a young age. This problem is exacerbated by the educational (secondary and vocational) system, which is not equipped to absorb ex-combatants who are either still of education age (under 25) or who wish to acquire professional skills. A related issue, as mentioned before, is whether there is an existing or potential market in which to make a living. Past experience under the MDRP has shown the need for ex-combatants to change to a 'civilian' mindset, instead of relying on their former colleagues or war associates to provide for them, and to become accustomed to working for a living.⁸⁸

In addition to this, there is only a small amount of money circulating in Burundi and purchasing power is limited. Economic recovery should therefore also deal with the question of post-war cash flows in an economically deprived country such as Burundi. This was not taken into account, for instance, when most ex-combatants opted for income-generating activities as a reintegration package under the MDRP. Hence, supply was increased, whereas there was no increase in demand.⁸⁹ There are simply too many pedlars, small shops and food traders, and turnover is slow. Many ex-combatants ended up using their stock in order to survive and after some time they went bankrupt.

b) Targeting areas for employment creation

Despite the recognition that the number of areas with a high risk of conflict could have spillover effects on the country's political and economic situation as a whole, such areas have not been prioritized by donors, including the World Bank, which has funded activities on employment creation.⁹⁰ Although welcome, the efforts have been minimal in relation to the needs and overall they have not targeted areas where there is the risk that unemployment will worsen instability. The run-up to the 2010 elections in Burundi coincides with an ongoing shortage of job opportunities for ordinary people, above all unemployed youth distanced from an agricultural way of life.⁹¹

Areas of great concern in this regard are *Bujumbura Rurale* (of which the areas closest to Bujumbura Mairie have suffered substantially from the two years of violent confrontations between the FNL and government forces), *Bururi and Makamba* (in Rumonge and Nyanza-Lac communes, palm oil lands have been long been contested as a source of wealth and there may be intensified intra-Hutu confrontations), and *Bujumbura Mairie*, where many are suffering from extreme economic hardship and are divided ethnically and by faction. Few agencies work in these areas and there are alarming signs of anger and frustration among ex-combatants and other unemployed youth.

Despite these warning signs of increased risk of instability in particular areas, the World Bank has in the recent past not prioritized these areas. Initially, there was hope that the PRADECS community and social development project, funded by the World Bank, would change this. PRADECS was approved in March 2007 and was to cover 16 rural provinces. The projects would not be implemented everywhere with the same intensity, some areas receiving 'light' and others receiving 'stronger' support. However, PRADECS did not base its priorities on stability impact, but rather on a poverty map, an assessment of other externally funded activities and on

88 Douma, P. with Specker, L. and Gasana, J.M., *Reintegration in Burundi: between happy cows and lost investments*, Clingendael Conflict Research Unit, October 2008.

89 Ibid.

90 Bell, E., *The World Bank in fragile and conflict-affected countries: 'how', not 'how much'*, International Alert, May 2008, p. 44.

91 Ibid., p. 44.

discussions with the governing party.⁹² “Given the WB’s internal pressure to reduce ‘risky projects’, the impression is that risks to disbursement have also been taken in as a factor in area selection; this despite the fact that it could constitute a major ‘opportunity cost’ for the country’s fragile transition towards growth and development.”⁹³ In May 2009, however, the World Bank started a new Public Works and Urban Management Program,⁹⁴ in which some of these high-risk areas have been prioritized. Bujumbura, Ngozi and Gitega have become priority areas (whereas under PRADECS Gitega and Bujumbura were selected as ‘light touch’ areas).

Policy implications: employment creation

- **Prioritise conflict-sensitive programmes, on the basis of thorough economic analysis (including needs and labour assessments) of the post-war political-economic situation** (including economic causes and consequences of conflict) and the political economy.⁹⁵ On the basis of the assessments, identify areas where unemployment has a potential destabilizing effect and include those areas in employment programming. Economic hardship and lack of employment can be a source of instability.
- **Set up more labour-intensive (HIMO) public works, which can (in most cases only temporarily) address unemployment and the needs of conflict-affected groups (women, ex-combatants and refugees).**⁹⁶ Working in target communities to construct and rehabilitate communal infrastructure should provide beneficiaries with immediate opportunities to earn wages. Communities should also be involved in the maintenance of infrastructure. Labour-intensive programmes could focus on the construction of roads or a railway in Burundi. The immediate goal should be employment creation, but a strategic choice of location could also foster private sector development by linking major markets to currently isolated villages.
- **Improve employment opportunities as well as the employability of workers through skills training, business training and apprenticeships.** Adding such elements to labour-intensive projects is likely to contribute to the sustainability of the projects.
- **Use local materials for labour-intensive infrastructure projects.** Burundi has abundant local materials and has developed labour-intensive methods that have been successfully used for paving roads and for building schools, markets and health care centres. This approach has been used in the past and been shown to significantly reduce the need for imported materials, and it has reinforced the capacity of the local construction industry.

92 Ibid., p. 44. Bujumbura Rurale, for example, was selected for a ‘light touch’ and the activities of agriculture-focused work set up by the International Fund for Agricultural Development (IFAD) were far from being adequate to mitigate the conflict risks.

93 Ibid., p. 44.

94 *Public Works and Urban Management Project*, World Bank Project Appraisal Document, May 2009.

95 The absence of reliable data on urban activities (infrastructure, services, municipal finance and population) has so far seriously hampered sound planning and programming of construction activities at the local as well the national level.

96 The EU and Belgium have started, among others things, several labour-intensive projects, including the construction of a number of roads within Bujumbura.

4.3 Agriculture and rural development

In terms of human development, Burundi's agricultural sector is without doubt the most pressing concern. Although it makes up only 48 per cent of the country's GDP, it accounts for the lion's share of employment, estimated at over 80 per cent, and despite acute land scarcity, it is set to absorb an estimated 120,000 returning refugees over the next three years. The effects of conflict, internal displacement and unhelpful government intervention – particularly through the aggressive promotion of coffee production in the 1970s – have been severe. Formerly self-sufficient in food production, with a diversity of livestock, vegetable and fruit production, Burundi now relies upon food imports; calorific intake per capita is among the lowest in Africa.⁹⁷ Of the overall GoB budget, only 3.6 per cent is allocated to agriculture.⁹⁸

Surveys have revealed that farm producers consume almost two-thirds of what they produce, while the difficulties of growing food with rudimentary tools and transporting perishable products to local markets means the incentives to generate surpluses are minimal.⁹⁹ Furthermore, the country has been unable to escape its long history of vulnerability to climatic shocks, which over the years have been partly responsible for a momentous increase in social and political unrest. Drought in the north and heavy rains in the centre of the country combined to devastate harvests in 2006 and 2007, and drive a fresh wave of displacement to Tanzania.

Recent World Bank-led research also indicates that privatizing the coffee and tea sub-sectors is vital to increasing export crops' contribution to growth.¹⁰⁰ Public investment in cash crops (particularly coffee) has been skewed toward particular geographical areas and groups and has been used by politicians to gain political support. To date, the Burundian private sector has largely ignored the agricultural sector apart from small-scale investments in upstream production of cash crops.

Access to land has been an important driver of conflict in overpopulated Burundi.

Basically, there is just not enough fertile land available for all Burundians. Land scarcity creates serious tensions among the population. Migration to urban centres or to neighbouring countries seems the only viable alternative. Providing people with small plots of land on which they could grow mainly subsistence crops will merely further break up the already over-fragmented land holdings and not enhance economic growth (or it could even cause further tensions). This dynamic will probably worsen with the return of former combatants, as the reintegration process is primarily dependent on whether ex-combatants can return to their former livelihood and to their family land.¹⁰¹ Also, many peasants simply do not have any choice, as large numbers of Burundians were uprooted from their farmsteads through successive rounds of violence and killings. Many refugees, for example, returned home after sometimes more than 30 years of absence, without any assistance, often to discover that their

97 European Report on Development (2009), op. cit., p. 46.

98 République de Burundi, Cour des Comptes, Commentaires sur le projet de budget général de l'état, exercice 2009. December 2008, www.arib.info, p. 36.

99 Nkunrunziza, J. and Ngaruko, F. (2008), op. cit., p. 70.

100 Ibid, p. xvii.

101 In order to tackle land issue problems stemming from the wave of refugees who re-enter the country, and to create favourable conditions for the resettlement of the displaced persons, the government of Burundi in 2006 established the National Commission of on Land and Other Assets. The strengthening of the institutional and operational capacities of this Commission has allowed the launching of the process of litigation regarding land issues. However, the Commission cannot fill the gap existing in other branches of conflict management, which are linked to the 'Bashingantaha' and the tribunals are too few and remain clogged. From: *Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi*, World Bank Working Paper No. 147, 2008.

land had been taken over by others. Migration in the region is often not an option for poor peasants, resulting in them either ending up in UNHRC villages, depending on food aid, or trying to find alternative livelihoods.

Land issues are likely to spark tensions in an already fragile society, thus potentially endangering peace. Ad hoc solutions are being implemented by local communities throughout the country on a day-to-day basis, rather than fundamental rethinking of land rights in Burundi. Land registration in Burundi is such a highly political and expensive process that donors are looking for compromises in their programming in order to engage with the issue. The Swiss Development Cooperation agency (SDC), for instance, works with the National Land Commission to facilitate land registration.¹⁰² Its approach is not to ‘fully’ register landowners, but to make an agreement with them. This form of land registration has no particular legal value, but it can, for instance, be used as a basis for micro-finance projects. Moreover, it was highlighted by the SDC that registration, even in its most basic form, makes people less reluctant to invest, thus linking to both private sector development and providing access to finance. The SDC and the Netherlands Ministry of Foreign Affairs (MFA) have recently agreed to form a partnership to strengthen intervention at the national level. The agreement involves, among other things, the deployment of a technical expert at ministerial level and the provision of training to the National Land Commission.

Box 7: Customary and statutory land laws on land rights

A main obstacle to the implementation of an efficient legal land system in Burundi stems from the coexistence of customary and statute law. According to customary law, for instance, farmers who have cultivated and managed plots after a certain amount of time gain ownership rights over them. This has led to harsh conflict over the status of some state-owned lands, in particular in swamp areas. Moreover, in some regions, customary law separates ownership of the land from ownership of the buildings placed on the land, whereas statute law does not recognize such a distinction. Women’s access to property is another matter of concern, because according to customary law, family land cannot be transmitted to daughters, although this is contradicted by statute law. Finally, issues pertaining to the resettlement of long-term refugees provide yet another striking illustration of contradictory legal frameworks. According to the Arusha Agreements, long-term refugees should be given the right to retrieve their property or, should this be impossible, to receive fair compensation. However, statute law in Burundi stipulates that a 30-year prescription applies to land-related claims. The situation is further complicated by the somewhat unclear answers provided by customary law, which does not recognize the 30-year prescription, but does acknowledge that long-term occupants have gained some rights over the land they live on.¹⁰³

In addition to this, the efficiency of the judiciary and institutional systems is gravely affected by an unclear delineation of responsibilities and overlapping functions. The judiciary system intervening in land issues relies on three entities: the Bashingantahe, local authorities which arbitrate disputes, using statute law, and local tribunals (*tribunaux de résidence*). The institutional level is also confusing because at least four different ministries are involved with land issues. As a result, local authorities have been implementing ad hoc solutions to land disputes – especially where refugees are concerned – without prior consultation with relevant government bodies.

102 This approach is based on previous experience with land registration in Madagascar.

103 *Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi*, World Bank Working Paper No. 147, 2008, pp. 101-102.

There are many organizations engaged with resettling refugees, and this also raises legitimacy issues. The CNRS (*Commission Nationale pour la Réhabilitation des Réfugiés*) was created under the terms of the Arusha Agreement to solve refugee-related issues, and its sub-commission *Terres et Autres Biens* is more specifically in charge of disputes related to land. But NGOs, religious organizations and local institutions, such as provincial authorities and local tribunals, have each been arbitrating land disputes and sometimes even setting up programmes to address these issues. These numerous bodies often offer flexible interpretations of conflicting laws and because their status does not always enable them to enforce the agreements that they helped to draw up, their role in dealing with these issues might be called into question in the future.

Source: *Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi*, World Bank Working Paper No. 147, 2008.

Policy implications: agriculture and rural development

- **Consider structural land reforms as part of the peacebuilding process in Burundi.** Fertile land as a resource is finite and the limit has been reached in Burundi. Structural and durable solutions must be formulated and implemented. Improved agricultural production requires even more smallholders to opt for alternative livelihood practices. These problems cannot be solved within Burundi and regional solutions must be sought and lobbied for. Donors and external organizations should help negotiate regional solutions. The external Burundian refugee problem should figure high on the agenda in this respect.
- **Investigate the possibilities for intensification of agriculture**, e.g. through the introduction of horticulture, floriculture and other high-yielding crops.
- **Diversify the rural economy.** The most severe obstacle is the economic system, in which there are very few ways to find a job and secure an income. Pressure on land is so high that it is vital to develop alternative livelihoods or more modern farming methods to improve land exploitation and increase crop diversity.

4.4 Infrastructure and energy supply

Developing infrastructure is a priority area for Burundi and critical for economic recovery. Burundi lags behind any measure of infrastructure coverage, i.e. road density, power generation capacity, telephone density, or service coverage, when compared with other countries in the region. Despite the importance of agriculture (90 per cent of the population live in rural areas), only a relatively small portion of the rural population has access to all-season roads – 89 per cent of the road network is unpaved.¹⁰⁴ Infrastructure is a key enabler for shared growth, notably because it links producers to markets and because it is labour-intensive. “In a country like Burundi where agriculture is the main contributor to growth, infrastructure matters even more.”¹⁰⁵ Transportation is a particular concern as Burundi is landlocked and is heavily dependent on the transport system of neighbouring countries.

104 *An Infrastructure Action Plan for Burundi: accelerating regional integration*, African Development Bank, September 2009, p. 9; Burundi Country Strategy Paper 2008-2011, African Development Bank, p. 38.

105 *Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi*, World Bank Working Paper No. 147, 2008, p. 103.

Furthermore, not only is access to infrastructure services limited, the poor state of infrastructure leads to substantially higher costs. Prices for services or transport, for instance, are estimated to be two to three times that of other countries, further undermining the competitiveness of Burundian business in regional and global markets.¹⁰⁶ The costs and adequacy of these services affects commercial opportunities for small farmers, entrepreneurs and businesses, both small and large. Business surveys in Burundi consistently identify the cost of power and the unreliability of the service as the single most important obstacle to increased business investment.

The insufficient energy supply is a critical constraint on growth and competitiveness in Burundi.¹⁰⁷ Only two per cent of the population in Burundi has access to electricity¹⁰⁸ and the fact that power generation and distribution is unreliable or even non-existent in many areas prevents development and the starting-up of processing activities that would provide much-needed added value to, for instance, agricultural produce. “The country currently relies on fuel based generators (in 2005/06 the actual capacity was about 20 MW), while demand was peaking at 42 MW. With the abundance of water resources the potential capacity is estimated at 250 MW.”¹⁰⁹

Fuelling growth through improved infrastructure, however, requires large-scale and effective expenditure. Moreover, donors should be aware that provision of infrastructure depends on the context of political developments, and in this, Burundi is no exception. “One of the critical questions, for instance, is who captures the benefits of infrastructure services and who bears the costs. Governments, consumers and service providers all have an interest.”¹¹⁰

It is interesting to note that the African Development Bank (AfDB) has recently developed an Infrastructure Action Plan for Burundi,¹¹¹ which aims to provide the GoB, the donor community and the private sector with a detailed assessment of infrastructure investment opportunities in Burundi. Also, the Vision 2025 strategy for Burundi, as mentioned earlier, places great emphasis on economic recovery and has identified infrastructure development and energy as priority areas for the near future.

Policy implications: infrastructure and energy

- **Identify the most strategic locations for (transport or) energy infrastructure**, in order to ensure the greatest impact on poverty reduction and economic growth. Assessments should also address the political implications of infrastructure development.
- **Invest heavily and strategically in infrastructure development, as well as in energy supply.** The lack of infrastructure and the absence or unreliability of energy supply are critical constraints on growth and competitiveness and tackling this problem is essential for the recovery of other sectors, including agriculture.

106 *An Infrastructure Action Plan for Burundi: accelerating regional integration*, African Development Bank, September 2009, p. 9.

107 *Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi*, World Bank Working Paper No. 147, 2008, p. 104.

108 *An Infrastructure Action Plan for Burundi: accelerating regional integration*, African Development Bank, September 2009, p. 9.

109 *Ibid.*, p. 12.

110 *Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi*, World Bank Working Paper No. 147, 2008, p. 104.

111 *An Infrastructure Action Plan for Burundi: accelerating regional integration*, African Development Bank, September 2009, p. 9.

4.5 Private sector development (PSD)

Leaving aside the serious concerns over institutional capacity, which were discussed in Chapter 3, it is essential to enquire whether there is sufficient momentum and consensus in the new political system to embrace a concerted strategy for development. Despite major advances in fiscal and monetary management, the environment for private business remains one of the worst in the world. In addition to the problems of access to credit and trading across borders, Burundi performs particularly badly with regard to the rules for closing a business, registering a property and enforcing contracts.¹¹² To judge from the World Bank's *Doing Business* report, the country has made only four noteworthy reforms to its regulation of the business environment over the past six years,¹¹³ and has proved somewhat reluctant to liberalize a number of controlled markets.

While integration into the East African Community (EAC)¹¹⁴ has advanced rapidly since Burundi joined the bloc in 2007, the country is far from being able to realize the possibilities for economies of scale and trading potential. It is evident that a major regional bloc, with sea access, could help the Burundian economy to overcome its geographical obstacles (responsible for high transport costs) and its size limitations, while also encouraging it to adopt standardized rules for business.¹¹⁵ However, the Ministry for Regional Integration has only four full-time staff members, while many of the promised benefits of membership of the EAC will depend on expansion of the country's transport infrastructure and improvement of its electricity supply. At present, only 15 per cent of Burundi's exports are destined for other countries in Africa.

Burundi's private sector has a number of characteristics that are worth highlighting. First, the trading sector (i.e. coffee and tea), which still leads in Burundi, is dominated by foreigners with direct connections to the political elites, which means the sector is heavily politicized. For example, a fairly large number of Greek entrepreneurs are currently active in Burundi, and they who were instrumental to the elite largely control the import and export. At the same time, however, they themselves carry no political weight as most of them have never become citizens of Burundi and have no legal status.

Second, there are still many semi-state-controlled companies, including the sugar and fuel sectors. The private sector is largely confined to the import of luxury and durable consumer goods, a limited number of services (hotels, restaurants, security guards, car rental and so on) and a few industries (notably beer brewing). Local entrepreneurs remain reluctant to invest because of political instability in the country, as exemplified by the unrest surrounding the forthcoming elections.

Third, the still nascent private sector in Burundi is characterized by a structural incapacity to be self-sustaining and has only limited absorption capacity, even for highly qualified staff. Nevertheless, the private sector could be a useful tool in the stabilization process. In the short term, the private sector could play an important role in the process of reintegrating ex-combatants, by creating employment opportunities.¹¹⁶ Furthermore, the development of the

112 *Burundi Country Strategy Paper 2008-2011*, African Development Bank, 2008, p.7.

113 See historical table of reforms in the World Bank's *Doing Business* database at: <http://www.doingbusiness.org/Reformers/>.

114 Composed of Kenya, Uganda, Tanzania, Rwanda and Burundi.

115 *Burundi Country Strategy Paper 2008-2011*, African Development Bank, 2008, pp. 8-9.

116 Ex-FAB members, for instance, are nowadays working in security firms. Douma, P. with Specker, L. and Gasana, J.M., *Reintegration in Burundi: between happy cows and lost investments*, Clingendael Conflict Research Unit, October 2008.

private sector may contribute to medium- to long-term employment for target groups *other than* high-risk groups.

Fourth, there is no organized private sector lobby that could engage with the state and the donor community to initiate strategies. The chamber of commerce in Burundi long ago ceased to be functional, and every enterprise in Burundi is on its own and struggling to survive. Contacts between actors in the private sector are random and the result of independent initiatives. However, the EU has recently supported the creation of a Federated Business Chamber of Commerce in Burundi and the GoB has also issued a decree creating a new Framework for Consultation for Development of the Private Sector (CCPD). It is too early, though, to comment on the effectiveness of these initiatives.

There are some recent developments, however, which may contribute positively to the PSD process. The GoB has recently revised and adopted the Investment Code, which provides for a simplified system for starting up a business in Burundi. Other initiatives include the creation, with IMF and World Bank support, of a business-enabling environment, which will include the expansion of micro-finance and investment lending by the Dutch MFA and USAID, and forthcoming support for domestic and regional market development from the EU.¹¹⁷ Also, it is worth mentioning that UNDP is currently working on a private sector development strategy for Burundi (expected to be finalized by the end of 2009).

Policy implications: private sector development

- **Support the GoB in creating a business-enabling environment** by improving both the physical and the non-physical infrastructure.
- **Create a credible interface between actors, including the private sector.** If the formal private sector is to play a role there needs to be a credible interface that allows communication with the relevant players.
- **Support both existing and new entrepreneurs.** Direct support can take the form of micro-credits or grants (see next section). The Burundi Business Incubator established by the Dutch MFA and USAID is a good example of direct support to entrepreneurs just starting up (see Box 8). Assistance to new entrepreneurs can also support the sustainability of reintegration programmes, for ex-combatants as well as broader target groups.
- **Include larger private sector actors in PSD programmes.** The current focus in post-conflict settings has largely been on support to small and medium enterprises (SMEs) in the form of micro-finance. However, especially in Burundi where the need for employment creation is enormous, support to larger companies using labour-intensive production processes should be considered in parallel with that to smaller companies.
- **Identify sectors in which to subsidize entrepreneurs to take on ex-combatants.** The GoB should work with donors and establish programmes in which ex-combatants' salaries are subsidized, partly as an incentive for private entrepreneurs to take them on board and help train them.

¹¹⁷ Burundi Business Incubator Program Outline, USAID and Netherlands Ministry of Foreign Affairs, 2009.

Box 8: Burundi Business Incubator (BBI)

The Netherlands MFA and USAID have been working jointly on the establishment of a BBI since September 2008. The BBI is not yet operational, but will be in the near future.

As a result of the decades of war in Burundi, people have been disconnected for a long time from supply chains and, for instance, technology. The BBI aims to reconnect them and to provide technical assistance. It serves as a central point for both starting-up and existing entrepreneurs to gather information and receive support to set up up or continue their businesses. It thus provides a structure for business support by facilitating the sharing of costs for services (Internet, operating costs, etc). It will do this on the basis of an *innovative model* designed to share risk, stimulate investment and support the development of enterprises of varying capacities, scale and geographical mix. Also relatively new is the fact that the BBI is intended to be self-sustaining and to increase its impact on development over time through a *business-oriented model*. The BBI's internal training centre, for instance, will be made a private entity. The profit from this exercise will be reinvested in the BBI. Its activities could also support reintegration programmes by providing support to ex-combatants willing to start up small enterprises. One of the main challenges, however, will be how to encourage clients to pay for training. The BBI needs to establish and pursue clear operational plans for:

First, linking BBI clients to credit opportunities through existing credit guarantee programmes such as the USAID support loan guarantee programme with Interbank Burundi, the Dutch-supported loan fund through the National Development Bank (BNDE), Dutch-supported programme of co-funding between African and Dutch entrepreneurs (Private Sector Investment-PSI plus programme) and Dutch- and African Development Foundation (ADF)-supported micro-finance institutions such as CECM and UCODE. **Second, linking BBI with other relevant programmes** including, for instance, the Dutch PUM programme (involving retired business experts), USAID's BAP programme and UNDP's micro-enterprise programme.

4.6 Access to finance

Without access to reasonably priced credit, it is clear that Burundi's small businesses, including its farmers, will be unable to invest and improve productivity. However, Burundi's seven commercial banks, in all of which the state owns a substantial stake, have remarkably little penetration: there are currently only two bank accounts for every 100 citizens. As mentioned above, credits tend to be allocated on the basis of short-term gains (less than three per cent of loans are not short term) and are subject to excessive political influence, while the micro-finance business, accounting for some 300,000 loans at present, may be unable to generate the sort of development-oriented, stable loan portfolio that Burundi requires in order to sustain high growth.¹¹⁸ It is worth highlighting a number of key challenges to micro-finance programmes that are particularly relevant for Burundi:

There is a lack of outreach in current micro-finance programmes. This is particularly true with regard to access to financial services in rural areas and agriculture, which is a major constraint to rural growth.¹¹⁹ Commercial banks currently focus on wealthy urban clients and Burundian companies. Financing of agriculture is restricted to the coffee industry and to a

118 Nkunrunziza, J. (2009), op. cit.

119 *Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi*, World Bank Working Paper No. 147, 2008, p. 119.

lesser extent the rice industry, as agriculture in general is still considered a risky sector by the banks (particularly because of weather- and price-related risks), so they are reluctant to finance this sector.¹²⁰

There is an overall lack of institutional capacity among micro-finance institutions (MFIs) in Burundi. There are currently only some 400,000 micro-finance clients in Burundi.¹²¹ As MFIs, unlike banks, generally focus on low-income households in urban and rural areas, they play a particularly important role in rural and agricultural development. However, as a result of the weak institutional capacity of the MFIs in Burundi, technical capacity in particular, and the lack of local capacity to develop and execute bankable sub-projects, they are largely unable to exploit this potential.¹²² This is also illustrated by the fact that MFIs in Burundi are, for instance, found to lack the ability to analyse the financial feasibility of proposal even though micro-finance is of course a business activity.

Burundi is characterized by a lack of professionalism in micro-finance delivery. Burundians have had several negative experiences with micro-finance projects. Providers of micro-credits have been known to run off with clients' credits, with dire consequences for the already tight economic situation of those affected. This lack of professionalism is also the reason why MFIs are so inefficient in serving their clients with productive micro-credit and why MFIs simply put the population's savings in deposit accounts with banks in town.¹²³ Any micro-finance programme in Burundi should closely monitor its providers and pay attention to introducing confidence-increasing measures.

There is only limited attention to solidarity lending methods. Most MFIs in Burundi offer individual loans (salary advances or loans against collateral), which is not an efficient and effective way of providing small loans to the poor in rural areas. It excludes those who do not have regular salaries or property.¹²⁴ Very few MFIs in fact operate group and solidarity lending models, which is practically the only way to serve the rural poor without regular salaries or collateral to back the loans they need. The largest micro-finance player by far, FENACOBUR, uses no group lending methods at all and nor does it lend on the basis of the principle of an individual's loan being guaranteed by fellow members of a cooperative or other groups. The absence of sound group lending models means that Burundian micro-finance can never reach its potential as a key instrument in rural poverty reduction.

The value of solidarity lending is illustrated by the example of the '*village civilian loan system*' as implemented by, among others, the NGO CARE. Practice has indicated that micro-finance programmes implemented in Burundi to date have faced the risk that people might not be able to repay their loans. The solidarity approach aims to minimize this risk by bringing together women's groups to put money in a communal fund. Those in need of financial support can apply for it. It is thus comparable to the creation of an *internal banking system*, which could be established in parallel to micro-finance institutions. According to CARE Burundi, this approach has been quite successful so far, as the risks are lower compared with those borne by

120 Ibid.

121 Van Maanen, B., *Financial Sector Development Programme- Burundi*, Sixth monitoring mission, September 2008.

122 *Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi*, World Bank Working Paper No 147, 2008, p. 120. The difficulty of developing bankable proposals was mentioned particularly in relation to the Agricultural Rehabilitation and Sustainable Land Management Project (PRASEB). *Agricultural Rehabilitation and Sustainable Land Management Project (PRASEB)*, Project Information Document, World Bank, May 2008.

123 Van Maanen, B., *Financial Sector Development Programme – Burundi*, Sixth Monitoring Mission, September 2008, p. 20.

124 Ibid., pp. 20-23.

ordinary micro-finance projects. WISE is another example of an NGO implementing micro-finance projects on a group basis, also with a view to sharing risks.

Burundi is characterized by low literacy rates. Literacy gives the elite disproportionate access to finance, as they have privileged access to information, and this limits the positive impact that the availability of finance can have on shared growth. For Burundi, promoting productive investments through the offer of matching grants is particularly challenging because the ruling elite has often been the main beneficiary of public investments. There is also the risk of triggering conflicts of interest, which could escalate into violence. Support to functional literacy and numeracy programmes could be a necessary investment in human resources with large spin-off.

Box 9: Financial sector development programme Burundi

The Netherlands-funded financial sector development programme for Burundi was part of the *Plan d'urgence 2005*, aiming to support Burundi in its return to peace. Specifically, the programme aimed to restart investment in small and micro enterprises in Burundi. To this effect, it consisted of the following elements: i) a programme of grants to rehabilitate MFIs; ii) the launch of a credit line for SMEs; and iii) the establishment of an MFI refinancing facility. The programme ran from December 2006 until December 2009. It had a particularly short-term outlook and aimed for rapid results of great visibility, including the physical reconstruction of MFI structures. The programme is by far the largest intervention to date in the micro-finance sector in Burundi. It was preceded by a substantial INDP project, which produced a new regulatory framework for the micro-finance sector. No other donors have worked across the sector or have opened up their programmes to all MFIs.¹²⁵

With several donors on the ground, it is logical and indeed imperative that any follow-up to the Netherlands-funded programme seek collaboration and synergies with other development initiatives in the micro-finance sector in Burundi. Evaluation documents relating to the programme indicate that any follow-up programme is recommended to: i) undergo a strategic shift by looking for medium-term development and sustainability, along with poverty reduction orientation; ii) seek complementarity with other local initiatives and donor interventions in Burundi for increased efficiency, effectiveness and impact. No follow-up programme to the FSDP has been approved so far.

Source: Programme and evaluation documents, Financial Sector Development Programme for Burundi, September 2008

Policy implications: access to finance

- **Prioritize access to rural finance.** Consider rolling out group-lending methods in Burundi, which particularly serve the rural poor without regular salaries or collateral to back their loan. Monetize the rural economy by raising people's awareness on how to make and manage money. The radio is a potentially significant programmatic medium for raising people's awareness of how to manage money and invest wisely.¹²⁶ Any programming should be based on a thorough context and needs assessment and take the above-mentioned factors into account.

125 Van Maanen, B., *Financial Sector Development Programme – Burundi*, Sixth Monitoring Mission, September 2008, p. 19.

126 EU Strategy Document Burundi, June 2009.

- **Prioritize strengthening the capacity of the micro-finance institutions.** Consider reinforcing accountancy, financial management and procedures, etc. as well as the micro-finance supervision department at the Bank of the Republic of Burundi. In the meantime, develop technical and financial assistance to enable MFIs to diversify their client base and design financial products adapted to rural areas.¹²⁷

¹²⁷ *Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi*, World Bank Working Paper No. 147, 2008, p. 119.

People interviewed for this study

Bayer, Leanne	PADCO, Chief of PADCO Burundi
Beko, Aurelien Serge	World Bank, poverty economist AFTM Front Office
Beye, Souleymane	OCHA, Adviser to the Humanitarian Coordinator/ERSG
Bitang A Tiati, Issa	Catholic Relief Services, Peacebuilding Programme Manager
Bootsman, Afke	UNDP, Expert Private Sector Development, Peacebuilding office
Bouzon, Julien	European Commission, Head of Socio-Economic Department
Braimah, Samuel	ActionAid, Country Director
Brems, Dirk	Royal Belgium Embassy Burundi, Head of Mission
Bigirumwami, Joseph	PADCO
Campbell, Suzanna	Fletcher School, Tufts University, expert early warning and state-building Burundi
Desilier, Margaret	Catholic Relief Services, Acting Country Representative
Douvon, Yaxo Emmanuel	CARE, Assistant Country Director
Frontini, Matteo	UNDP Field Officer
Gahungu, Lazare	GoB-World Bank, Project for social and community development (PRADECS), executive secretary
Galley, Alexandre	GTZ, Partnership Operations BMZ-UNHCR-GTZ, National Programme Officer
Gravel, Gerard	UNDP, Country Director
Kamikazi, Marie Louise	Women's Initiative for Self Empowerment (WISE) (micro-finance), Director-General
Lavoie, Jean	Chemonics USAID Burundi Policy Reform Project, Chief of Party
Louw de, Wim	CARITAS, Country Representative
Mahmoud ,Youssef	BINUB, Head of Mission
Muringa, Gérard	GoB, Ministry of Plan and Reconstruction, Director-General of Programme Development
Ndikumasabo, Annonciata	Swiss Cooperation Office, National Programme Officer
Nimbona, Leon	GoB, Permanent Secretariat for Socio-Economic Reform (REFES), Secretary-General
Nindorera, Yves	Royal Belgium Embassy

Nibitanga, Alice	USAID, private sector development
Njebarikanuye, Spès	GoB, Ministry of Decentralization and Communal Development, Caritas-FONIC, Managing Director
Pellerin, Marc	Peacebuilding Fund, Adviser to Special Representative
Rurakamvye, Pierre Claver	GoB, Ministry of Communal Development, National Communal Investment Fund (FONIC), Director
Seppen, Jeannette	Royal Dutch Embassy Burundi, Head of Mission
Sinduhije, Alexis	Leader <i>Mouvement Social Democratie</i>
Vrijlandt, Anthe	Expert International Coordination of Aid, Secrétariat Permanent du Comité National de Coordination des Aides (SP/CNCA)
Yamuremye, Fabien	GoB, Ministry of National Solidarity, Repatriation, Refugees and Social Reintegration, Project for Repatriation and Reintegration of War-Affected Groups (PARESI), Director

Abbreviations

AfDB	African Development Bank
BBI	Burundi Business Incubator
BNDE	Burundi National Development Bank
CCIB	Chambre de commerce et d'industrie du Burundi
CCPD	Framework for Consultation for Development of the Private Sector
CNCA	Comité national de coordination des aides
CNDD-FDD	Conseil national pour la défense de la démocratie-Forces pour la défense de la démocratie
CNRS	Commission nationale pour la réhabilitation des réfugiés
CPIA	Country Policy and Institutional Assessment
CRU	Clingendael Conflict Research Unit
DDR	Disarmament, Demobilization and Reintegration
DFID	UK Department for International Development
ECDPM	European Centre for Development Policy Management
EU	European Union
FNL	Forces nationales de libération
GCP	Groupe de coordination des partenaires
GDP	Gross Domestic Product
GoB	Government of Burundi
HIMO	Haute intensité de main d'oeuvre
HIPC	Highly Indebted Poor Countries
IDP	Internally displaced person
IMF	International Monetary Fund
INGO	International non-governmental organization
MDRP	Multi-Country Demobilization and Reintegration Program
MFA	Ministry of Foreign Affairs
MFI	Micro-finance institution
NGO	Non-governmental organization
PARESI	Project for the support of the Repatriation and Reintegration of War Affected Persons
PBC	Peacebuilding Commission
PBF	Peacebuilding Fund
PBSO	Peacebuilding Support Office

PBSU	Peacebuilding and Stabilization Unit
PNB	Police National Burundi
PRADECS	Community and Social Development Project
PRASEB	Agricultural Rehabilitation and Sustainable Land Management project
PRSP	Poverty Reduction Strategy Paper
PSD	Private sector development
PSRP	Peacebuilding and Stabilization Research Programme
SDC	Swiss Development Cooperation agency
SME	Small and medium enterprises
SSD	Security sector development
TDRP	Transitional Demobilization and Reintegration Programme
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
USAID	United States Agency for International Development

Bibliography

African Development Bank, *A Shock analysis of Burundi's economy*, 2008

Alesina, Alberto and La Ferrara, Eliana, "Ethnic Diversity and Economic Performance", discussion paper 2028, Harvard Institute of Economic Research, 2003

An Infrastructure Action Plan for Burundi: accelerating regional integration, African Development Bank, September 2009

Guide to Economic Growth in Post Conflict Countries, USAID, October 2007

Ball, N. and Van Beijnum, M., *Review of the Peacebuilding Fund*, June 2009

Basdevant, O., *How Can Burundi Raise Its Growth Rate? The Impact of Civil Conflict and State Intervention on Burundi's Growth Performance*, IMF Working Paper, Washington DC

Bayer, L., *Supplementing Burundi's DDR Process: The Argument for a Community Wide Reintegration Program*, concept paper note, October 2008

Bell, E., *The World Bank in fragile and conflict-affected countries: 'how', not 'how much'*, International Alert, May 2008

Breaking the Cycle: A Strategy for Conflict Sensitive Rural Growth in Burundi, World Bank Working Paper No. 147, 2008

Briscoe, I. *Chasing the Tigers: Can Fragile States Copy the Asian Miracle?*, FRIDE conference report, Madrid, FRIDE, 2009

Burundi Business Incubator Program Outline, USAID and Netherlands Ministry of Foreign Affairs, 2009

Burundi Country Strategy Paper 2008-2011, African Development Bank, 2008

Community and Social Development Project (PRADECS), project information document, World Bank

De Vries, H. and Specker, L., *Economic Recovery in Fragile States: identifying priority areas and challenges to project implementation*, Clingendael Conflict Research Unit, December 2009

Del Castillo, G. *Rebuilding War-Torn States: the challenge of post-conflict reconstruction*, 2008

Douma, P. with Specker, L. and Gasana J.M., *Reintegration in Burundi: between happy cows and lost investments*, Clingendael Conflict Research Unit, October 2008

European Report on Development, *Overcoming Fragility in Africa*, Brussels, European Commission, 2009

EU Strategy Document Burundi, June 2009

Evaluation du Programme d'Appui à la Réhabilitation, Réintégration des Sinistrés et de la Lutte contre la Pauvreté, UNDP, Evaluation Mission November-December 2008

International Crisis Group, *Burundi: Restarting Political Dialogue*, 2008

Interpeace/Cenap, *Défis à la paix durable*, Bujumbura, Cenap, 2009

International Monetary Fund, *Burundi: Enhanced Heavily Indebted Poor Countries Initiative*, Completion Point Document and Multilateral Debt Relief Initiative, Washington DC, IMF, 2009

Maier, R., *Economic Recovery in Fragile States: conceptual study*, Clingendael Conflict Research Unit (forthcoming 2010)

Ndikumana, L., *Distributional conflict, the state and peacebuilding in Burundi*, UNU-WIDER research paper, Helsinki, 2005

Nkunrunziza, J. (2009), 'Why is Burundi's Financial Sector Not Development Oriented', Presentation for European Report on Development, Accra

Nkunrunziza, J. and Ngaruko, F., 'Why has Burundi Grown so Slowly?', in: Ndulu, Benno et al (eds), *The Political Economy of Economic Growth in Africa 1960-2000*, Cambridge, CUP, 2008

Public Works and Urban Management Project, World Bank Project Appraisal Document, May 2009

République du Burundi, *Programme d'Actions Prioritaires de mise en oeuvre du CSLP 2007-2010 – Table Ronde des Partenaires, 24-25 mai 2007* (www.cslpminiplan.bi)

République du Burundi, *Étude Diagnostique sur la Gouvernance et la Corruption au Burundi*, Bujumbura, 2008

République de Burundi, Cour des Comptes, *Commentaires sur le projet de budget general de l'état, exercice 2009*. December 2008, www.arib.info

Reyntjens, F., 'Chronique politique du Rwanda et du Burundi, 2007-2008', in : Marysse, S. (ed.), *L'Afrique des Grands lacs: annuaire 2007-2008*, Paris, L'Harmattan, 2009

- Stabilisation through Economic Initiatives: private sector development*, DFID Issue Note, 2009
- Sustainable Economic Development in Conflict Affected Environments*, GTZ, June 2009
- Taking stock report, Looking Forward: A Strategic Review of the Peacebuilding Commission*, New York Centre on International Cooperation and International Peace Institute, April 2008
- The EU's response in situations of fragility: the case of Burundi*, Report by ECDPM, September 2009
- Transparency International, *Global Corruption Report 2009*, Cambridge, Cambridge University Press, 2009
- USAID/Nathan Associates, *Managing Public Finance in Burundi*, 2006
- Van Beijnum, M. and L. Specker, *Economische Wederopbouw na Conflict: een beleidsverkenning*, Clingendael Conflict Research Unit, December 2007
- Vandeginste, S., 'Burundi: Entre le Modèle Consociatif et sa Mise en Oeuvre', in: Marysse, S. (ed.), *L'Afrique des Grands lacs: annuaire 2007-2008*, Paris, Harmattan, 2008
- Van Maanen, B., *Financial Sector Development Programme – Burundi*, Sixth Monitoring Mission, September 2008