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TECHNICAL ANNEX

FOR A PROPOSED GRANT

OF SDR 22.2 MILLION (US\$ 33 MILLION EQUIVALENT)

TO

REPUBLIC OF BURUNDI

FOR AN EMERGENCY

DEMOBILIZATION, REINSERTION AND REINTEGRATION PROGRAM

February 24, 2004

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CURRENCY EQUIVALENT

(exchange rate effective as of January 31, 2004)

Currency Unit	=	Burundian Franc (FBU)
US\$1	=	1,100

GOVERNMENT FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
AMIB	African Mission in Burundi
APPM	Armed Political Party and Movement
CNDD	<i>Conseil National pour la Défense de la Démocratie</i> , (National Council for the Defense of Democracy)
CNRS	<i>Commission Nationale pour la Réinsertion des Sinistrés</i> , (National Commission for the Rehabilitation of War-Affected Persons)
DRRP	Demobilization, Reinsertion and Reintegration Program
ES	Executive Secretariat of the NCDRR
FAB	<i>Forces Armées Burundaises</i> , (Armed Forces of Burundi)
FDD	<i>Forces pour la Défense de la Démocratie</i> , (Force for the Defense of Democracy)
FNL	<i>Forces Nationales pour la Libération</i> , (National Liberation Force)
FTA	Forces Technical Agreement
GDP	Gross Domestic Product
HIV	Human Immune Deficiency Virus
IDA	International Development Association
JCC	Joint Cease-fire Commission
JLT	Joint Liaison Team of the JCC
JOC	Joint Operations Center
JOP	Joint Operations Plan
MDRP	Multi-Country Demobilization and Reintegration Program
MDTF	Multi-Donor Trust Fund of the MDRP
MIS	Management Information System
MONUC	<i>Mission de l'Organisation des Nations Unies au Congo</i> , (United Nations Organization Mission to Congo)
NCB	National Competitive Bidding
NDF	National Defense Force
NCDRR	National Commission for Demobilization, Reinsertion and Reintegration
TSS	Transitional Support Strategy
TWG	Technical Working Group
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNOB	United Nations Office for Burundi
VCT	Voluntary Counseling and Testing

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Map - IBRD No. 30118

Burundi Demobilization, Reinsertion and Reintegration Program

1. Background and Strategy

1.1 Circumstances of the Conflict

1. Burundi is emerging from a vicious cycle of recurrent politico-ethnic conflicts between parties largely based on its two main ethnic groups, the Hutu and the Tutsi. The most recent period of violent conflict broke out in 1993 following the assassination of the democratically elected President Ndadaye, and has resulted in the deaths of an estimated 300,000 people. The duration and increasing social and economic costs of this conflict prompted the international community to support a negotiation process from 1998 onwards.

2. Negotiations in Arusha, Tanzania, facilitated by late President Julius Nyerere of Tanzania and former president Nelson Mandela of South Africa, culminated in the conclusion of a the Arusha Peace and Reconciliation Agreement, on August 28, 2000. Nineteen Burundian parties signed this agreement, which seeks to assess the origins of the conflict as well as to propose constitutional and institutional reforms to foster national reconciliation, and to improve the judicial system, public administration, and social service delivery, with a view to preventing future conflict. The Accord envisaged a 36-month transition period during which a transitional government would undertake several security and political stabilization activities and prepare for national elections. A power-sharing transitional government was inaugurated on November 1, 2001. As stipulated in the Agreement, then President Pierre Buyoya, who had led the Government for the first 18-months of the transition, handed over power to his vice-president, Domitien Ndayizeye, on April 30, 2003.

3. *The current conflict.* Despite the 2000 Arusha Peace Accord, large-scale violence prevented the stabilization of the political and security situation in the country. Two major armed political parties and movements (APPMs), the *Conseil National Pour la Défense de la Démocratie – Forces Pour la Défense de la Démocratie (CNDD-FDD)* and the *Forces Nationales Pour la Libération – PALIPEHUTU (FNL-PALIPEHUTU)* have refused to participate in the Arusha process and continued their armed struggle against the Government. Both groups fragmented into sub-factions, further complicating peace negotiations.

4. With facilitation assistance from the African Union, the governments of Tanzania, South Africa and Uganda, and the United Nations (UN), the Government continued to pursue cease-fire negotiations with these parties. This strategy began to bear fruit with the signing of cease-fire agreements between the Government and two of the smaller factions – the CNDD-FDD faction led Jean Bosco Ndayikengurukiye and the FNL-PALIPEHUTU faction of Alain Mugabarabona – in October 2002. This was followed by

the signing of a cease-fire agreement with the larger CNDD-FDD faction of Pierre Nkurunziza in December 2002.

5. However, in the absence of a clear implementation framework and in an environment marked by mutual distrust, the implementation of the agreements remained uneven. Insecurity persisted in many parts of the country until the signing of a comprehensive cease-fire agreement between Government and the CNDD-FDD (Pierre Nkurunziza) in Dar-es-Salaam, Tanzania, on November 16, 2003. The subsequent integration of the leadership of this group into the Government and other state institutions has significantly improved prospects for the full implementation of the agreements signed to date.

6. In May 2003, at the request of Government and several international partners, the African Mission in Burundi (AMIB) launched a pilot “cantonment” exercise for combatants of the CNDD-FDD (Ndayikengurukiye) and the FNL-PALIPEHUTU (Mugabarabona), who had signaled a willingness to disarm. In the absence of agreed criteria and procedures for combatant status, a military integration policy or a structured demobilization process, this exercise resulted in the costly and logistically challenging long-term encampment of an estimated 180 persons claiming combatant status. This initiative highlighted the risks and costs of initiating cantonment without having exit strategies in place, especially in a hostile security environment.

7. The continued refusal of the FNL-PALIPEHUTU faction of Agathon Rwaso to sign a cease-fire remains an obstacle to comprehensive peace in Burundi. Intensive diplomatic efforts to secure a cease-fire with the FNL-PALIPEHUTU (Rwaso) and to facilitate its participation in the transitional institutions of Burundi are ongoing with the support of international partners. A first meeting between this group and President Domitien Ndayizeye took place in the Netherlands in January 2004, and has improved prospects for its incorporation into the peace process.

8. The Arusha Peace and Reconciliation Accord of August 28, 2000 and the comprehensive cease-fire agreement of November 16, 2003 provide the overall policy framework for all subsequent negotiations and agreements in Burundi. The Accord details the responsibilities and attributes of administrative institutions, including the role of the army and national police force. The integration of combatants of all armed parties into new security and defense forces is a key provision of the Arusha Accord. On November 2, 2003, the Government and the CNDD-FDD (Nkurunziza) signed a Forces Technical Agreement (FTA) outlining the process and scope of the integration of CNDD-FDD (Nkurunziza) forces and the FAB into the new National Defense Force (NDF). The Arusha Accord also makes reference to the need for a demobilization and reintegration process to address the needs of those former combatants who do not remain with the new defense and security forces.¹

¹ Arusha Peace Accord, Protocol III, chapter II, article 21.

1.2 Economic and Social Impact

9. In light of persistent conflict, the economic situation has been marked by falling output and incomes (GDP declined by nearly 20% in real terms over the period 1993-2002); high levels of inflation; diminished public revenues; the withdrawal of international financial assistance (international aid transfers fell from an annual average of nearly US\$300 million to less than an annual average of US\$100 million between 1992 and 2002); lower investment (the investment rate fell from an annual average of more than 15% to 9% between 1992 and 2002); and the accumulation of domestic and external deficits and external payment arrears (which stood at US\$148.5 million in 2002). Defense expenditure increased from 3.6% of GDP to 8% from 1992 to 2001. Furthermore, the conflict has had a significant impact on the national budget. Defense expenditures rose from approximately 10.7 percent of total central government expenditures in 1992 to about 27.1 percent in 2001, while education and health sectors received only 15 percent and two percent respectively in 2001.

10. On the social front, the situation is marked by rising poverty: the proportion of people living below the poverty line rose from 35% in 1992 to more than 60% in 2002. The lives of most Burundians have been severely disrupted. According to the UN Office for the Coordination of Humanitarian Affairs, there are currently about 300,000 Internally Displaced Persons (IDPs) in Burundi and around 600,000 Burundian refugees in neighboring countries (mainly in Tanzania). Almost 15% of Burundi's population has thus been displaced by conflict. Average life expectancy, which was more than 47 years in 1990, decreased to 42 years in 2001. The quality and the accessibility of basic social services have also deteriorated. The precarious social situation has been further aggravated by the high prevalence of HIV/AIDS and the destruction and lack of maintenance of social facilities.

11. *Primary sector activities* have been disrupted by widespread insecurity, especially in the rural areas of the country. Frequent ambushes against civilians and clashes between parties to the conflict have been a deterrent to farming and marketing activities. The livestock sector in general has perhaps suffered the most, as herds became primary targets. A recent survey of the Food and Agricultural Organization estimated that, by September 2003, about 80% of the bovine and 50% of small ruminant herds of the Eastern province of Ruhigi (a Phase IV security province since 1999) had been looted. To avoid rustlers, herders typically regroup their herds around military outposts in or around urban centers, where grazing opportunities are usually limited. As a result of these difficulties, herders are forced to increase culling rate, selling their cattle prematurely at sub-optimal prices, thereby further depleting the livestock population. Crop and animal husbandry has also suffered from the fact that agricultural extension services virtually came to a halt.

1.3 Government Response and Strategy

12. Since its establishment following the conclusion of the Arusha Accord, the Government has been pursuing a dual strategy of military pressure and negotiation to encourage the CNDD-FDD and the FNL-PALIPEHUTU to enter the peace process. To

date, three of the four APPMs have joined the peace process, indeed been integrated into Government and state institutions. With the recent integration of the CNDD-FDD (Nkurunziza), a process of meaningful defense and security sector reform and demobilization can begin.

13. Following the signing of the cease-fire agreements in October and December 2002, the Government began to prepare a national Demobilization, Reinsertion and Reintegration Program (DRRP) in January 2003. The preparation of the national program built on knowledge and experience gained with the support of a World Bank Post-Conflict Fund grant, which financed the preparation of eight background studies for social and economic reintegration, training activities, confidence-building measures and learning trips for Government personnel from March 2000 onwards.² The Government formally established a National Commission for Demobilization, Reinsertion and Reintegration (NCDRR) on August 28, 2003 to provide policy guidance to the DRRP. An Executive Secretariat (ES/NCDRR) of the NCDRR has been put in place to finalize preparation and lead implementation of the national program, as well as to coordinate the contributions of international partners.

14. *Guiding principles.* The Government has adopted the following guiding principles for the DRRP:

- (i) demobilization would be implemented gradually to facilitate consolidation of the peace process;
- (ii) the DRRP would form an integral part of a defense and security sector reform program that would begin with the integration of the FAB and different armed movements to form the NDF and a new national police force;
- (iii) in the interest of national reconciliation, the Program would target all ex-combatants irrespective of previous politico-military affiliation;
- (iv) the DRRP would allow ex-combatants to choose their community of settlement and their own path to social and economic reintegration;
- (v) reintegration assistance would be coordinated closely with broader rehabilitation and reconstruction activities for war-affected populations;
- (vi) all demobilization and targeted reintegration assistance to ex-combatants would be provided through the DRRP;
- (vii) pension and social security issues for ex-combatants would be addressed outside the DRRP, in accordance with the ex-combatants' respective terms and conditions of service;
- (viii) the program would respect the partial amnesty specified in article 26, 1.1 of the Arusha Accord, which stipulates that "Amnesty is accorded to all combatants of armed political parties and movements for crimes

² Burundian officials visited Chad, Eritrea, Ethiopia, Mozambique, Northern Ireland, Rwanda, Sierra Leone, and South Africa under this Program.

committed due to their participation in conflict. However, amnesty is not extended for acts of genocide, crimes against humanity nor for participation in coups d'états”;

- (ix) as stipulated in the comprehensive cease-fire agreement of November 2003, the program would respect the temporary immunity extended to the leaders and combatants of the CNDD-FDD and the FAB ; and
- (x) the program would respect relevant human rights conventions, especially those related to the rights of the person.

15. *Target groups.* The Government envisages the demobilization and reintegration of a total of 55,000 combatants in two stages. During the first stage, approximately 14,000 combatants of the FAB and of APPMs who would not join the National Defense Forces (NDF) or the police force would be demobilized. In addition, the Program would help to reinsert an estimated 20,000 *Guardiens de la Paix*, a community-level militia group established by the Government as an auxiliary force, and up to 10,000 *Combattants Militants* of the APPMs at this time. During the second stage of the Program, 41,000 soldiers of the NDF would be demobilized as part of the process of defense and security sector reform. Given the difficulty of estimating the number of APPM combatants, Government would maintain sufficient resources in reserve and available for rapid disbursement as required by Program implementation progress. Overall Program cost estimates would be adjusted in line with overall beneficiary numbers.

16. *Timing.* The pace and scale of the demobilization process would largely be contingent on the rate of the military integration process and the subsequent defense and security sector reform process. It is estimated that the downsizing and demobilization process for the NDF would be completed after four years. The DRRP would continue for a fifth year to complete the provision of reinsertion and reintegration assistance to ex-combatants.

17. The military integration of APPMs and the FAB into the NDF will be a sensitive process. The initial integration will be governed by the Forces Technical Agreement (FTA), and will be observed by AMIB. However, several important details remain to be clarified – in the spirit of the FTA – by the Integrated Chiefs of Staff of the NDF and the Joint Ceasefire Commission (JCC). This reform should lead to increased Government transparency in the defense and security sector, an improved balance of the various ethnic, social and regional groups in the forces at all levels, clarity regarding the division of labor between the national police and the NDF, and ultimately a net reduction in the size of the NDF. Government has requested the assistance of the international community to support the defense and security sector reform process.

18. With a view toward national reconciliation, the Government is also preparing for the return and resettlement of internally displaced persons (IDPs) and of refugees from Tanzania. The Government has established a *Commission Nationale pour la Réhabilitation des Sinistrés* to support their repatriation and reintegration. A special inter-agency unit for the coordination of donor assistance for reintegration processes has been established by the United Nations Development Programme (UNDP), the United Nations

High Commissioner for Refugees (UNHCR) and the World Bank. The NCDRR would closely coordinate its reintegration assistance with the CNRS and this inter-agency unit to ensure overall coherence of assistance to war-affected populations.

1.4 International Response

19. *Political.* The international community is providing considerable support to the peace process in Burundi. At the political level, the governments of South Africa, Tanzania, Gabon and Uganda have played a critical mediation role in the negotiations between the Government and the different parties before and after the Arusha Accord of 2000. The United Nations Office in Burundi (UNOB) has also helped to facilitate these negotiations, and presides over the Implementation Monitoring Committee (IMC) and the Joint Ceasefire Commission (JCC), two central bodies in the oversight of the implementation of the Arusha Accord. Other initiatives supported by the international community included informal meetings between members of opposing parties outside Burundi, including meetings with members of the FNL-PALIPEHUTU (Rwasa) in Caux, Switzerland. Senior officers of the FAB and APPMs participated in joint leadership training sessions in Nairobi in November 2003. The latter event was financed by the European Commission and the Government of the United Kingdom and was a direct spin-off of the Burundi Leadership Training Program, which is supported by the World Bank's Post-Conflict Fund (PCF).

20. *Security.* At the request of the Government of Burundi, the Government of South Africa provided security protection services for a number of political leaders of former opposition groups who returned to Burundi in 2001 after the signing of the Arusha Accord. This mission has subsequently been integrated into the first peacekeeping mission of the African Union – AMIB. AMIB consists of approximately 2,650 soldiers from Ethiopia, Mozambique and South Africa, as well as military observers from an additional 15 African countries. AMIB's mandate includes the provision of support to the military integration and disarmament processes.

21. *Humanitarian.* With a large number of IDPs in Burundi, humanitarian assistance needs have remained substantial. A number of relief agencies are supporting the government and the people of Burundi through humanitarian assistance and in preparing for early reconstruction. The UN Consolidated Appeal (CAP) launched in November 2003 requests international assistance in the amount of US\$71.5 million to address the humanitarian needs of Burundians in 2004.

22. *Development.* Substantial amounts of development assistance were pledged by donors after the conclusion of the Arusha Accord. However, a significant proportion of this assistance has not been disbursed due to persistent insecurity. Several partners, including the European Commission, the UNDP, and the World Bank, have continued to provide significant assistance to Burundi. The Government of Belgium and the UNDP hosted a Partners Forum for Burundi in January 2004. Donors pledged US\$1.032 billion in support of Burundi at this meeting.

23. *Demobilization and Reintegration.* The international community is also supportive of efforts towards the demobilization and reintegration of ex-combatants in Burundi. Partners of the Multi-Country Demobilization and Reintegration Program (MDRP) for the greater Great Lakes region share the view that the DRRP would be an essential component of the broader peace-building and rehabilitation process in Burundi. Representatives of several MDRP donors and partners have actively participated in some of the preparation missions for this Project. AMIB, UNOB and UNICEF have been closely involved in the planning for disarmament and demobilization activities in the first year of the DRRP.

2 IDA Response and Strategy

2.1 Multi-Country Program for Demobilization and Reintegration

24. The MDRP is a partnership of nine regional governments and 42 international partners that serves as a coordination and financing platform for demobilization and reintegration efforts in the greater Great Lakes region. Building on a variety of country-level initiatives, and in consultation with governments in the region as well as donors and UN partners, the Bank elaborated a greater Great Lakes regional strategy for demobilization and reintegration for the MDRP. These were endorsed by the Bank's Board in April 2002. 1. Within the framework of the MDRP, the Government of Burundi has asked the World Bank to provide financial assistance and coordinate external partner support for the DRRP. To this end, the World Bank initiated a project preparation process in February 2003, and established a Disarmament, Demobilization and Reintegration Coordination Committee (the DDR-CC) consisting of interested MDRP partners present in Bujumbura, as well as a Technical Working Group (TWG) to elaborate a Joint Operations Plan for disarmament and demobilization activities.

25. The regional approach has several advantages in the Great Lakes region: the ability to address external regional factors associated with some country programs; enhanced transparency of related country programs, and the facilitation of knowledge-sharing and training across national programs. The MDRP framework enhances coordination and harmonization of the activities of various donors and UN agencies. MDRP Joint Supervision Missions, in which a number of MDRP partners including bilateral donors and UN agencies participate, have visited Burundi twice since the initiation of the MDRP. In both instances, the planning status and design of the DRRP were discussed intensively between the mission and various stakeholders in Burundi. These discussions made significant contributions to the design of the DRRP.

26. National demobilization and reintegration programs are already under implementation in Angola and Rwanda, and further programs are under preparation in the Central African Republic, the Democratic Republic of the Congo and the Republic of Congo. The personnel of the ES/NCDRR have benefited from two study trips to Rwanda to learn from the Rwanda Demobilization and Reintegration Program. They have also benefited from technical exchanges between managers and technical experts of national

programs supported by the MDRP, including a workshop on management information systems and monitoring and evaluation (M&E) in demobilization and reintegration programs held in Rwanda in August 2003 and a trip to observe ongoing ex-combatant reintegration activities in Sierra Leone in February 2004.

27. The MDRP also serves as a framework for a regional multi-donor trust fund (MDTF) for demobilization and reintegration activities in the greater Great Lakes region. The MDTF has become the vehicle to mobilize and channel key donor financing; reduce transaction costs for client governments, donors and the Bank; and enable Governments to complement IDA financing with other grant resources. To date, MDRP donor partners have committed US\$205 million to the MDTF.

2.2 Poverty Reduction Strategy

28. *Transitional Support Strategy (TSS)*. A TSS for Burundi (February 12, 2002, Report No. 23635) reflects the Bank's support for the Government's program to overcome the legacies of the conflict, foster economic growth and reduce poverty. The TSS describes a lending program that includes a grant for a Social Action Project, an Emergency Reconstruction Credit and an Emergency Road Rehabilitation Credit in addition to the Demobilization and Reintegration Project. The support of the international community for the DRRP (paragraphs 27-29), is deemed essential for progress in the peace processes. The proposed IDA grant for the DRRP is thus fully consistent with the TSS.

29. *Poverty Reduction Strategy (PRS)*. The Government of Burundi completed an interim Poverty Reduction Strategy Paper (iPRSP) in November 2003. A Joint Staff Assessment and the iPRSP were presented to the Boards of the World Bank and the International Monetary Fund (IMF) respectively in January 2004. Assistance to the reintegration of ex-combatants is among one of six priority areas for poverty reduction identified in the iPRSP. A final PRSP is expected by the end of 2004.

30. *Restructuring of existing credits*. The current IDA portfolio consists of five projects with satisfactory performance. None of these projects is compatible in design with the DRRP. Nevertheless, to leverage synergies and build on lessons learned, the Government would establish links between the DRRP and several ongoing operations. In particular, the experience gained under the Burundi Social Action Program would be applied to inform the design of community-based reintegration options for ex-combatants. Close linkages would also be sought with projects dealing with agriculture, public works and HIV/AIDS.

2.3 Rationale for IDA Involvement

31. The Government's request for technical and financial assistance for the DRRP has come at a critical time in the peace process. IDA's involvement is justified by its considerable experience with such programs, the scale of resources required for the Program, the focus on sustainable economic reintegration of ex-combatants, and the need

for IDA to be responsive to a client request to lead and coordinate international support for a critical peace-building operation. IDA support would complement the activities of other international stakeholders in Burundi and the region.

32. *Need for emergency assistance.* The emergency is the extraordinary event of limited duration which started in November 16, 2003 following the signature of the comprehensive cease-fire agreement between the Government and the CNDD-FDD (Nkurunziza). The implementation of this agreement, which should help to bring a 10-year civil war to an end, requires rapid financial and technical support. The impact of the conflict on Burundi has been profound. An estimated 300,000 Burundians have died as a result of the conflict and, due to insecurity, an estimated 1.2 million Burundians (approximately 19% of the population), have been displaced within Burundi or fled to neighboring countries. The application of the Bank's emergency procedures under OP 8.50 is justified on the basis of the following criteria:

- (i) *Impact on economic priorities and investment programs.* A successfully implemented DRRP would help consolidate peace in Burundi and the region and support macroeconomic stability.
- (ii) *Frequency.* There is general agreement that the peace process can be consolidated with specific stabilization measures, which can also help to prevent a return to conflict.
- (iii) *Urgency.* Urgent measures are needed to demobilize and reintegrate these ex-combatants in a rapid but structured manner.
- (iv) *Prospects for reducing future hazards.* Discontented ex-combatants could pose a threat to social stability. Therefore, structured demobilization and reintegration assistance may contribute to a reduction of the risk of future conflict.
- (v) *Expected economic benefits.* The Program would provide the Government the means to consolidate social and economic recovery following the end of the conflict.

33. *Making resources available for development.* The persistent insecurity in the Great Lakes region has led to the diversion of scarce resources from economic and social sectors to the defense and security sector. In the medium-term, in conjunction with a defense and security sector reform process, the DRRP is expected to facilitate the reallocation of Government resources from defense to economic and social investments. The reduction of defense spending would help ease the fiscal deficit, and is thus an important factor to achieving macroeconomic and fiscal balance in the longer term.

2.4 Lessons from Previous IDA Assistance

34. IDA has gained substantial experience from a number of demobilization and reintegration programs it has supported in Africa and elsewhere. Such assistance has often taken the form of technical and/or financial support through investment credits, budget support programs or through reallocations from ongoing projects. Based on

information from these operations, a review of relevant experiences in selected African countries, and the Bank's Operations Evaluation Department's evaluations, the following best practices were identified and integrated in Program design.

35. *Demobilization.* This phase is short but logistically complex. The successful implementation of demobilization activities is a precondition for the subsequent provision of targeted reinsertion and reintegration assistance. Key demobilization activities include the distribution of non-transferable ID cards, the collection of socio-economic data and the establishment of a database on the beneficiary population. The assembly of ex-combatants during the demobilization phase provides a good opportunity for HIV/AIDS voluntary counseling and testing (VCT), as well as the dissemination of information about program benefits and civilian life.

36. *Reinsertion.* Upon demobilization, the ex-combatants lose their source of (formal or informal) income. Experience suggests that they are usually in a vulnerable financial position until they can begin to generate income. During this period (the "reinsertion" phase), ex-combatants require a transitional safety net to cover their families' basic material needs. The objective of this transitional assistance would be to enable the ex-combatants to return to their community and to sustain themselves and their families for a limited period following demobilization.

37. *Economic reintegration.* Ex-combatants are often an economically vulnerable group as they lack marketable skills, material assets and social networks. In addition, they are often a high-risk group from a security perspective due to their familiarity with weapons and violence. Where this is the case, targeted support is advisable to help them establish sustainable livelihoods. In order to be useful and cost-effective, such assistance should be tailored to their socio-economic profile and adjusted to the economic environment. Female ex-combatants often require specialized support to re-establish sustainable livelihoods.

38. In general, ex-combatants should receive no more support than is necessary to help them attain the general standard of living of the communities into which they reintegrate. Furthermore, reintegration assistance should be limited in time to avoid the creation of a dependency syndrome. Information, counseling and referral services can assist ex-combatants to assess their livelihood options and find employment. Apprenticeships in the informal sector combine the benefits of vocational training and employment and are thus preferable to training only. Micro-projects can help ex-combatants secure their economic independence through self-employment. Micro-projects are, however, complex interventions that require significant administrative capacity and a stable environment.

39. Ultimately, ex-combatants resettle into a broader economic environment. The creation of viable long-term employment opportunities for ex-combatants is closely linked to private sector growth and employment generation. It should be noted that ex-combatants themselves could provide a significant human resource contribution to the economy.

40. *Social reintegration.* Social reintegration is often eased by the support of an extended family network. Therefore, ex-combatants should be encouraged to reintegrate in the vicinity of their extended families or to consider the social and financial consequence of moving elsewhere. Informal networks of ex-combatants can be important elements to successful economic and social reintegration. Child ex-combatants should be reunified with their families wherever possible, and assisted to resume their education or enter into gainful enterprise. Disabled ex-combatants commonly require specialized medical and assistance in overcoming the constraints of the disability.

41. Care should be taken to prevent the stigmatization of ex-combatants as unfit for military service or as conveyers of disease and violence. Community sensitization and information efforts are paramount in this regard. The fears of communities related to the return of ex-combatants should also be addressed.

42. *Institutional issues.* Program coordination by a single civilian agency with overall program responsibility, balanced by decentralization of implementation to regions and communities makes for a powerful institutional arrangement. Where possible, existing implementation capacities should be leveraged. The employment of ex-combatants as counselors and field staff can facilitate reintegration. In peacekeeping environments such as in Burundi, close operational linkages between the national implementation body and the peacekeeping force are essential.

3. The Burundi Demobilization, Reinsertion and Reintegration Program

3.1 Eligibility Criteria

43. The following general and national criteria need to be fulfilled for Government to be eligible to receive assistance for the demobilization and reintegration of ex-combatants under the MDRP framework:

44. *General criteria***Table 1: General criteria for MDRP Assistance**

Criteria	Status
(i) <i>Affected by conflict.</i> Being involved in or directly affected by one or more of the conflicts in the greater Great Lakes region.	<ul style="list-style-type: none"> • Burundi has been affected by civil war since 1993. • The Burundi conflict has been exacerbated by the participation of Rwandese elements. • The Government of Burundi and APPMs undertook military operations in the DRC before 2003.
(ii) <i>Participation in the regional peace process.</i> Demonstrated willingness to contribute to stability in the greater Great Lakes region and to implement relevant provisions of the applicable peace/ceasefire accord(s).	<ul style="list-style-type: none"> • Burundi has participated in the Arusha peace process and subsequent peace negotiations under the auspices of the African Union. • In addition, the Government of Burundi has signed a bilateral non-aggression pact with the Government of the DRC.

45. *Country-specific criteria***Table 2: Country-Specific criteria for MDRP Assistance**

Criteria	Status
(i) <i>Preparation of a national demobilization and reintegration program as a result of the conflict(s).</i> This would typically be demonstrated by a national program developed in consultation with the international community and national stakeholders.	Completed.
(ii) <i>Establishment of a suitable institutional structure.</i> The government would establish implementation arrangements with significant planning, coordination and monitoring capacity and with appropriate participation of relevant political and security stakeholders.	Completed. Government has established NCDRR and Executive Secretariat
(iii) <i>A letter of demobilization policy outlining government commitment.</i> The Government would draft a letter in which it outlines its commitments to the regional peace process, demobilization and reintegration, defense and security sector reform and the expected fiscal impact of demobilization.	Completed.
(iv) <i>Establishment of appropriate safeguards and fiduciary measures.</i> The government would provide assurances and monitoring measures to ensure consistency with standard environmental and social safeguards. In addition, government would establish satisfactory financial management and procurement arrangements.	Completed within the context of the program document.

3.2 Objectives

46. The overall goal of the DRRP would be to help consolidate peace in Burundi and the Great Lakes region through the implementation of relevant articles of the Arusha Peace Accord and subsequent cease-fire agreements. The three principal objectives of the Program are to:

- (i) demobilize an estimated 55,000 ex-combatants from the FAB, members of APPMs, and subsequently the NDF, and support their reintegration into civilian life;
- (ii) support the reinsertion of an estimated 20,000 *Gardiens de la Paix* militia of Government and approximately 10,000 *combattants militants* militia of the APPMs; and
- (iii) contribute to the reallocation of Government expenditure from defense to social and economic sectors over a period of five years.

47. This Program is expected to have a significant impact on reducing poverty in Burundi by: a) contributing to a stable and secure environment in which displaced populations can return home, elections can be held, public and private investment is encouraged, and economic activities can be undertaken or restarted, and b) freeing up additional public resources for investment in social and economic sectors.

3.3 Coverage and Implementation Period

48. *Target groups.* the Government envisages the following target groups for the two stages of the DRRP:

49. *Target Groups for Stage I (Year 1 of DRRP implementation)*

- (i) the demobilization and reinsertion of 9,000 adult soldiers of the FAB and members of APPMs;
- (ii) the demobilization and reinsertion of up to 27,000 adult members of the *Gardiens de la Paix* and *combattants militants* of the APPMs; and
- (iii) the demobilization and reinsertion of approximately 8,000 child soldiers.

50. The following target groups would be eligible for assistance during stage I of the DRRP:

Table 3: Estimated Target Groups for Stage I Demobilization of the DRRP

Name of Force	Estimated # of Combatants	Estimated # of Combatants to be Demobilized in Stage I*
Forces Armées Burundaises (FAB)	45,000	5,000
CNDD-FDD (Nkurunziza)	25,000	9,000
CNDD-FDD (Ndayikengurukiye)	3,000	
FNL-PALIPEHUTU (Rwasa)	3,000	
CNDD (Nyangoma)	1,000	
FNL-PALIPEHUTU (Mugabarabona)	1,000	
FROLINA (Kalumba)	1,000	
PALIPEHUTU (Karatasi)	1,000	
Total	80,000	14,000

* This figure includes an estimated 5,000 child soldiers.

51. No child soldiers present in the FAB and APPMs would be eligible for integration into the NDF and all of them would be demobilized during stage I of the DRRP. Their demobilization would be undertaken with the support of the National Child Soldier Demobilization, Reintegration and Recruitment Prevention Project, which is co-financed by the MDTF as an MDRP Special Project.

52. The identification and verification of combatant status would be essential tasks during stage I, in order to prevent non-combatants from accessing Program benefits. These processes would be undertaken in accordance with procedures outlined in the Joint Operations Plan (JOP).³ According to the JOP, eligibility of members of Burundian ex-combatants would be assessed on the basis of the following general criteria:

- (i) Submission of a specified ratio of arms and ammunition;
- (ii) Identification by unit commander of his/her force;
- (iii) Affiliation with a recognized armed entity that engaged in military fighting before the signing of the respective cease-fire agreement of that group;
- (iv) Passing a test of basic military knowledge and skills; and
- (v) Burundian nationality.

³ The purpose of the JOP is to outline a comprehensive set of procedures and mechanisms for the disarmament, screening for military integration and demobilization of members/combatants of APPMs. The JOP also defines the roles and responsibilities of the actors involved in this process. The JOP was elaborated by a Technical Working Group comprising the ES/NCDRR, MDRP Secretariat, AMIB, UNICEF, and UNOB.

53. The verification of combatants in stage I would be undertaken by Joint Liaison Teams consisting of AMIB, the Government, and a representative of the relevant group being demobilized.

54. As specified in the Arusha Peace and Reconciliation Accord of August 2000 and the comprehensive cease-fire agreement of November 2003, combatants would be demobilized on the basis of the following broad criteria during stage I of the DRRP:

- (i) voluntary termination;
- (ii) age (minimum and maximum);
- (iii) medical reasons (disability, chronic illness, etc.); and ⁴
- (iv) level of education and experience associated with respective ranks.

55. In addition, the Program would support the demobilization and reinsertion of approximately 20,000 *Guardiens de la Paix*, village militia aligned with the Government, as well as an estimated 10,000 *combattants militants* during stage I of the Program. The demobilization of *Guardiens de la Paix* would be undertaken by mobile demobilization teams of the ES/NCDDR, with monitoring provided by AMIB. ⁵

56. *Target Groups for Stage II (Years 2-5 of DRRP implementation)*

- (i) the demobilization, reinsertion and reintegration of 41,000 personnel of the NDF;
- (ii) the provision of reintegration assistance to all ex-combatants demobilized in stage I of the Program; and
- (iii) the provision of specialized reintegration assistance to disabled and child ex-combatants.

Table 4: Estimated Target Group for Stage II Demobilization of the DRRP

Stage II	2005	2006	2007	2008
Forces de la Défense Nationale	66,000	52,000	38,000	25,000
# of soldiers to be demobilized	14,000	14,000	13,000	0
TOTAL Demobilized in Stage II				41,000

57. During stage II of the Program, combatants would be demobilized on the basis of the following broad criteria:

- (i) voluntary termination,
- (ii) age,

⁴ Arusha Peace Accord, Article 21, 7 (e)

⁵ *Gardiens de la Paix* and *Combattants Militants* would be disarmed by the Government and relevant provincial authorities. The process would be observed by AMIB.

- (iii) medical reasons, and
- (iv) force structure requirements as identified in the Arusha Accord and the Forces Technical Agreement.

58. The reintegration of approximately 55,000 ex-combatants poses particular challenges in Burundi, a country devastated by conflict and with limited access to arable land. Meaningful reinsertion and reintegration support for ex-combatants is necessary to reduce the risk that the demobilization has negative security and social impacts, which could potentially jeopardize the peace consolidation process.

59. *Geographical coverage.* Reintegration activities would focus on those areas to which ex-combatants return. As the settlement pattern of ex-combatants is expected to be scattered, Program benefits would likely be spread across the country. To facilitate rapid Program start-up, reintegration activities would be prioritized by province according to the settlement pattern of ex-combatants, as well as implementation capacity at the provincial and community levels.

60. *Duration.* The DRRP would be implemented over a five year period. The Program completion date is December 31, 2008. The implementation timeframe is based on the following considerations:

- (i) It is anticipated that the labor market would not be able to absorb a large number of ex-combatants during the initial war-to-peace transition period;
- (ii) The demobilization of ex-combatants from the NDF during stage II of the Program would be guided by a defense and security sector reform process. It is anticipated that this reform program will be gradual in order to safeguard the cohesion of the NDF. In this context, it is also believed that the rank verification process for officers of the NDF will take at least 24 months; and

61. The implementation of demobilization activities may be accelerated in the event that a large number of combatants choose not to enter the NDF or choose to leave the NDF early on. To ensure Program preparedness for such an eventuality, the Program would maintain adequate resources in its accounts, and financing would be structured flexibly. Furthermore, the ES/NCDDR would maintain close communication with the NDF and partners involved in the defense and security sector reform process.

3.4 Program Components

62. The DRRP would contain four components⁶:

- (i) demobilization, including HIV/AIDS prevention and mitigation measures;

⁶ Disarmament in stage I would be undertaken outside the Program in accordance with the provisions of the JOP. The Government would be responsible for the disarmament of the *Gardiens de la Paix and the combattants militants*, with observation by AMIB. The disarmament of NDF personnel in stage II of the Program would be undertaken by the NDF, prior to their transport to the Demobilization Centers.

- (ii) reinsertion;
- (iii) reintegration; and
- (iv) customized reintegration assistance for special groups.

3.4.1 Demobilization

Demobilization Stage I

63. The demobilization of 9,000 ex-combatants from the APPMs and 5,000 soldiers of the FAB would be completed in a period of approximately six months during stage I of the DRRP.

64. *Locations:* The demobilization of APPMs and the FAB would be undertaken in Demobilization Centers. The NCDRR would establish at least one demobilization center for the FAB and two centers for the APPMs. The NCDRR would expand their capacity and/or establish additional centers as feasible and necessary.

65. *Security:* The DCs for the APPMs would be protected by AMIB. The DCs for the FAB would be protected by the FAB, with monitoring by JLTs.

66. *Procedures:* To the extent possible, demobilization procedures for FAB soldiers and members of APPMs would be similar. The following activities are outlined in detail in the JOP and the Program Implementation Manual (PIM) and are envisaged for all ex-combatants in the demobilization phase. Blankets, cutlery, and cups would be distributed to ex-combatants upon their arrival in the demobilization centers.

67. *Verification.* The eligibility of each arriving combatant candidate would be verified. The identity of FAB ex-combatants would be determined using their military ID card and/or discharge letter, and would be monitored by JLTs.⁷ The ID number would be compared with a list of soldiers to be demobilized provided by the FAB. The identification of members of APPMs would be based on the criteria above, and would be undertaken by JLTs.⁸

68. *Registration and ID card.* Upon identification for demobilization, each ex-combatant would be registered and provided with non-transferable DRRP identification documents (IDs). To ensure security, these would be individually numbered, signed, stamped, laminated, and contain a photograph. Additional security features may be added if necessary. ID cards would be identical irrespective of former military affiliation. ID cards for child ex-combatants would note their special status. Immediately upon

⁷ Prior to their arrival in the Demobilization Center, FAB soldiers would be legally discharged. They would be provided with discharge letters confirming the termination of their military service.

⁸ APPM combatants repatriated from the Democratic Republic of Congo with the assistance of MONUC would be transported to the Demobilization Centers with the assistance of AMIB. Upon their arrival in DCs, they would follow the same verification and demobilization procedures as all other APPM combatants.

identification for demobilization, ex-combatants would be required to sign a form acknowledging and renouncing their combatant status.

69. *Socio-economic profile and reintegration expectations.* Socio-economic profile data and a Reintegration Expectations interview would be conducted by the ES/NCDRR, in order to inform the design of subsequent reintegration assistance measures. Data collected would include demographic characteristics (age, gender, marital status, number of children, etc.), assets, education level, health status, needs and reintegration aspirations. These data would be entered into the Program's Management Information System (MIS).

70. *Pre-demobilization orientation (PDO).* Pre-demobilization orientation would provide ex-combatants with information about Program benefits, implementation arrangements at the central and local levels, health issues, and civic rights and duties (including women's legal rights). The PDO would be organized in modules and would be carried out by ES/NCDRR and its implementing partners. The ES/NCDRR would identify and train counselors and prepare appropriate counseling materials. The PDO would seek to minimize unrealistic expectations about Program benefits.

71. *Medical screening and Voluntary Counseling and Testing for HIV/AIDS.* Ex-combatants would be screened to identify serious diseases or impairments that may affect their ability for economic and social reintegration. Furthermore, voluntary counseling and testing (VCT) for HIV/AIDS would be offered. The ES/NCDRR would contract an implementing partner as required.

72. *Distribution of vouchers.* The ES/NCDRR would distribute computer-generated, numbered vouchers to enable eligible ex-combatants to access the Transitional Subsistence Allowance (TSA). Each voucher would have three stubs, one for the beneficiary, one for the ES/NCDRR and one for the implementing partner contracted to effect the payments.

73. *Transport to communities of return.* As part of the first installment of the TSA, the ES/NCDRR would provide transport allowances in cash to enable ex-combatants to travel from the DCs to their chosen areas of return. Ex-combatants would be required to report to the Provincial Program Offices in their area of return within thirty days of their departure from the DC.⁹

74. *Special Target Groups.* DCs would contain special separate living areas for child ex-combatants and for female ex-combatants. Child ex-combatants would undergo a separate demobilization process with the support of the National Child Soldier Demobilization, Reintegration and Recruitment Prevention Project supported by UNICEF, with MDRP financing. Adult female ex-combatants would undergo a similar demobilization process as male ex-combatants, with extra personal protection, specialized medical screening and PDO as appropriate.

⁹ Ex-combatants who wish to move from one province to another in the course of the Program would be required to register with the PPO in his/her new area of settlement in order to access Program benefits.

75. *Timeframe:* The demobilization of FAB soldiers would take no more than 10 days per person. The implementation of stage I demobilization is estimated to be completed within 6 months of its initiation. The ultimate duration of the stage I demobilization process will depend on several factors, including (i) the actual number of combatants to be demobilized, (ii) the implementation of disarmament and military integration activities, and (iii) the capacity of AMIB to undertake disarmament and to provide security at DCs.

Demobilization Stage II

76. Stage II demobilization would be undertaken during years 2-4 of program implementation. During this stage, 41,000 personnel of the National Defense Force (NDF) would be demobilized. Demobilization would be more gradual during stage II, and would be undertaken from a single DC. The procedures would be identical with those for FAB soldiers demobilized in stage I.

3.4.2 Reinsertion

77. In accordance with the principle of equity among ex-combatants from different politico-military origins, all APPM combatants, as well as FAB and NDF soldiers demobilized in the DRRP would receive a Transitional Subsistence Allowance (TSA). The TSA would be based on salary levels of FAB soldiers, and would provide for the basic reinsertion needs of ex-combatants over a period of 18 months. The amount of the TSA would be differentiated by rank, with agreed rank distribution percentages for all parties established before the initiation of demobilization activities. The basic benefit for private soldiers would be FBU566,000 (US\$515). The average benefit would amount to FBU644,000 (US\$586). The total reinsertion assistance for a private soldier compares favorably with similar programs in Africa (see attachment 5).

78. The TSA would be paid in cash for the following reasons:

- (i) experience in similar programs suggests that the cash payments have generally been used for constructive purposes by most beneficiaries;
- (ii) cash payments empower ex-combatants to make choices according to their own needs and priorities;
- (iii) cash payments have lower transaction costs than in-kind assistance; and
- (iv) they help to stimulate a supply response from a variety of local producers of goods and services, thereby contributing to an invigoration of the local economy in areas of reintegration.

79. *Timeframe.* The TSA would be paid in six installments. The first installment would be paid prior to departure from the DC. The second payment would be made three months after settlement in the community of choice. Four subsequent installments would be paid in quarterly intervals. Experiences from other countries suggest that payment in

installments over time afford ex-combatants an opportunity to improve their financial management skills.

80. *Gardiens de la Paix* and *combattants militants* would be eligible for a single reinsertion payment in the amount of FBU100,000 (US\$91) following their demobilization. These payments would be made through the same banking modalities as those utilized for ex-combatants.

81. *Counseling*. To encourage the appropriate use of the TSA, the Program would provide extensive counseling on its use prior to demobilization and after arrival in the community of settlement, including peer-to-peer counseling (sharing of experiences by ex-combatants demobilized earlier). It would help ensure that the choice of their path towards establishing a livelihood – and thus reintegration – corresponds to individual circumstances and the local economic opportunity structure. Families of ex-combatants would be included in this counseling to the greatest extent possible.

82. *Payment modalities*. The payments would be made by the ES/NCDRR – through the existing national banking system – and would be monitored by the Provincial Program Office (PPO). Ex-combatants would become eligible for their TSA upon registration at their respective PPO, and after having opened a bank account in their provincial capital. The PPO would request the ES/NCDRR to transfer the funds to the individual bank accounts. Withdrawals would be effected by the participating banks using lists provided by the ES/NCDRR, based on presentation of the required ex-combatant ID card and a payment voucher. Ex-post reviews would verify the correct execution of payments and facilitate the fine-tuning of payment systems. The use of bank accounts has several indirect benefits, including banking education for ex-combatants, rural capital formation, and a boost for the banking system.

83. *Monitoring*. The ES/NCDRR would monitor the usage of the TSA through its PPOs, and consider strategies to ensure that inputs are used in the most effective fashion for the family unit.

84. *Safeguards*. The DRRP would utilize several safeguards to ensure complete and accurate payment of the TSA: (i) tracking of TSA distribution through the financial database as part of the MIS; (ii) registration at the PPO; (iii) unique photo ID card; and (iv) regular surveys of beneficiaries to verify receipt of payment using representative sampling methodologies.

3.4.3 Reintegration

85. *Guiding principles*. Building on experiences with demobilization and reintegration programs elsewhere in Africa and on lessons learned from community-based development projects in Burundi, the DRRP would provide significant economic and social reintegration assistance to help ex-combatants establish sustainable

livelihoods. The following guiding principles have been agreed upon for reintegration assistance:

- (i) ex-combatants would receive a similar amount of assistance, irrespective of their previous military affiliation;
- (ii) ex-combatants themselves best know their needs and ambitions; they would thus be allowed to choose their reintegration destination and activities freely;
- (iii) the Program would provide special reintegration assistance for former child soldiers, female ex-combatants, and ex-combatants with disabilities;
- (iv) the Program would help ex-combatants secure access to broader national reconstruction and employment creation programs;
- (v) in the event that health reasons or death prevent an ex-combatant from utilizing the reintegration assistance themselves, a designated member of the family would become directly eligible to receive the assistance; and
- (vi) the Program would seek to involve and benefit communities of settlement.

86. Detailed reintegration assistance activities would be developed on the basis of the socio-economic profile and aspiration data collected during the demobilization process, and the opportunities available in the economic environment in which ex-combatants resettle. Based on experience from other reintegration programs, the below activities are likely to form the core of the assistance provided to ex-combatants during this phase.

87. *Information and referral.* An important pillar of the reintegration support provided through the Program would be the direct interaction of Program staff with ex-combatants and their dependents, providing them with relevant information, referral to opportunities and other assistance. The ES/NCDRR, including staff based in its PPOs, would play a proactive role in answering questions from ex-combatants with regard to employment opportunities, identification and development of micro-projects, and finding access to training and education opportunities. The staff would also inform the ex-combatants about other opportunities such as parallel reconstruction initiatives in the areas concerned.

88. *Counseling.* The PPOs would provide advice and counsel individual ex-combatants with regard to specific problems. These could range from administrative and legal issues to community conflicts. Where appropriate and feasible, the staff would refer them to specialized advisors, be they medical, legal or business experts. Experience in other countries has shown that in the reintegration process an approachable ‘willing ear’ that is aware of the specific problems of ex-combatants can play an important role in helping them establish a new civilian livelihood.

89. *Advocacy.* The ES/NCDRR would actively approach employers, educational institutions and other reconstruction and development initiatives with the aim of identifying and advocating for the integration of ex-combatants in a broad field of activities.

90. *Training.* The Program would promote training as a means towards social and economic reintegration. This training could take various forms, from formal professional training to on-the-job training and apprenticeship. Training would increase the ex-combatants' skill level, which would provide better access to certain jobs and facilitate self-employment. It would contribute to the stabilization of the ex-combatants' lives, as well as provide them time to familiarize themselves with the challenges and opportunities of civilian life.

- (i) The ES/NCDRR would approach existing training and educational institutions to facilitate participation of ex-combatants in their courses;
- (ii) The ES/NCDRR would encourage these institutions to develop fast-track courses which would be tailored to the needs and aspirations of ex-combatants; and
- (iii) The ES/NCDRR would encourage small and medium sized enterprises in the formal and informal sector to provide apprenticeships and on-the-job training to ex-combatants.

91. *Micro-projects.* The ES/NCDRR would, through the various means indicated above, guide the ex-combatants to opportunities of starting a micro-project for themselves or in collaboration with others. The most likely sectors in which these initiatives would take place are small-scale agriculture, livestock keeping, fisheries, handicraft, construction, services or trade. The criteria for access to micro-projects would be in line with the general practice in the country.

92. For some of the possible reintegration support projects (e.g., training, formal education, apprenticeships), the ES/NCDRR may enter into a contract with implementing partners. This contract would stipulate the responsibilities of the implementers regarding the provision of economic reintegration assistance to ex-combatants, including the expected result of the sub-project and its duration and cost. The PPOs would undertake regular monitoring on a representative basis to verify service delivery to Program beneficiaries.

93. *Micro-finance.* Ex-combatants would be encouraged to link up with existing micro-finance opportunities. This could be especially helpful for groups including ex-combatants together with other civilians. However, the Program would not itself undertake micro-credit financing activities.

94. *Synergies.* Along the lines indicated in the previous paragraph, the Program would also assess the feasibility and appropriateness of some existing reintegration, employment creation, and social development programs to channel some of the assistance towards the reintegration of ex-combatants.

95. *Access to land.* It is anticipated that up to 75% of the ex-combatants will settle in rural areas. Therefore, access to land is likely to become one of the critical elements for successful economic integration. Ex-combatants' access to land would be facilitated with the same procedures used for others who need land. Specifically, any Burundian in search of land for housing or agricultural production would normally contact the local

administration, which would allot an available piece of public land for use if possible. In the event that no public land were available, the local administration would consult with relevant community members to determine whether they would agree to cede part of their land to the newcomer(s) on a voluntary basis.¹⁰ There would be no involuntary displacement of other civilians as a result of ex-combatants settling in a community.

96. *Social reintegration.* The objective of social reintegration assistance would be to promote reconciliation and cooperation between ex-combatants and other civilians in communities of settlement. Social reintegration may be especially difficult in cases where ex-combatants have no ‘home’ to which they can return. The participation of communities in the reintegration aspects of the Program is considered critical for successful reintegration. Activities to facilitate social reintegration would include:

- (i) information and sensitization of ex-combatants and communities through outreach activities, including training of counselors and sensitization efforts (national awareness campaign regarding the Program, discussion of ex-combatants and community rights and obligations, training sessions for community leaders, regular activities by the ES/NCDRR towards sensitization and problem solving, gender issues, etc.);
- (ii) fostering reconciliation between ex-combatants and their host communities, where appropriate;
- (iii) assessments of social impacts of reintegration, community perceptions of ex-combatants, and vice versa;
- (iv) provision of support to ex-combatants that would have positive secondary (spin-off) effects on the larger community (e.g., infrastructure rehabilitation); and
- (v) specialized counseling (e.g., family, HIV/AIDS, and women).

97. *Linking projects with other initiatives.* The Program recognizes the need to proactively coordinate assistance to ex-combatants with assistance provided to other war-affected populations. The following approaches would be considered to attain more balance in the support provided to ex-combatants, other war-affected groups and the communities in which they try to reintegrate:

- (i) Utilization – to the extent possible – of community development mechanisms and systems to appraise and channel assistance to ex-combatants;
- (ii) Provision of support to community – or area-based programs – and other broad development schemes – in areas where a large number of ex-combatants settle, and conditional on the participation of a large proportion of ex-combatants in the implementation of such assistance; and
- (iii) Ensuring clear communication towards a broad audience on the support provided to the ex-combatants and the broader benefits to the community.

¹⁰ The Program would not finance the acquisition of land.

3.4.4 Special target groups

98. *Child ex-combatants.* It is anticipated that approximately 8,000 child soldiers would be demobilized by the Program – representing a significant target group. The demobilization of and reintegration support to underage soldiers is currently being addressed through a Special Project implemented by Government and UNICEF with financing from the MDTF of the MDRP. In the preparation for this National Program, the procedures and approaches of the ES/NCDRR and the current Special Project would be harmonized.

99. The DRRP would adopt the Cape Town Principles and associated definitions of child soldiers. In line with the assistance provided under the current Special Project, assistance to the reintegration of child ex-combatants would include family tracing and unification, trauma counseling and psycho-social care, and facilitation of access to education and recreation in communities of settlement. Children older than 15 years may have different needs and would receive appropriate support (e.g., for vocational training). Under the overall coordination of the National Program, the National Child Soldier Demobilization Project unit would be responsible for implementation, with the technical assistance of UNICEF.

100. *Female ex-combatants.* The Program would pay special attention to the well-being of female ex-combatants and provide targeted support. Specific measures would include the following:

- (i) Provision of information and training to Joint Liaison Teams and AMIB concerning the eligibility of female ex-combatants for DRRP assistance;
- (ii) Sensitization of APPMs in pre-disarmament assembly areas about the eligibility of female ex-combatants for DRRP assistance;
- (iii) ensuring that benefits for ex-combatants are equally accessible to men and women;
- (iv) encouraging implementing partners to ensure that their reintegration support activities facilitate the participation of female ex-combatants;
- (v) encouraging female ex-combatants to participate in women's associations;
- (vi) including partners of ex-combatants and women in communities of return in community-level counseling activities;
- (vii) strengthening the gender awareness and capacity of the staff of the ES/NCDRR and authorities of the communities to which a significant number of female ex-combatants may return; and
- (viii) monitoring the impact of the Program on partners of ex-combatants and women in communities of return and bringing emerging problems to the attention of the relevant authorities.

101. *Disabled ex-combatants.*¹¹ The Program would seek to systematically address the medical and economic rehabilitation needs of disabled ex-combatants. The degree of disability would be defined by a medical screening during the demobilization process. The Program would finance the provision of medical rehabilitation assistance depending on the degree of disability. To this end, it would seek to reinforce key medical facilities to provide prosthesis and physiotherapy services to ex-combatants. In cases where ex-combatants are unable to pursue economic activities, the Program would facilitate the deferral of Program benefits to a family member identified by the ex-combatant.

3.4.5 HIV/AIDS prevention and mitigation measures

102. The DRRP would provide HIV/AIDS sensitization and voluntary counseling and testing (VCT) to ex-combatants during demobilization. The DRRP would coordinate closely with the existing national AIDS program to take over counseling and treatment of ex-combatants and their families in communities of settlement.

103. *Demobilization phase.* The following activities would be conducted for all ex-combatants during the demobilization process: (i) initial sensitization; (ii) pre-test counseling; (iii) voluntary testing (every effort would be made to have facilities available to run the confirmatory test in the field for ex-combatants who test positive on the first screening test); and (iv) post-test counseling. Ex-combatants who test negative would be given an individual counseling session in which they would be informed of their seronegative status and receive the standard Information, Education and Communication (IEC) material and condom package. Ex-combatants who test positive would have confirmatory testing, receive intensive post-test counseling, be given condoms, and be referred to a local hospital for management and support for potential opportunistic infections. The ES/NCDRR would sub-contract the sensitization and VCT during the demobilization process to appropriate specialized agencies.

104. *Reintegration phase.* In collaboration with activities envisaged under the national AIDS program, the following activities would be considered in the reintegration phase: (i) referring HIV positive ex-combatants to the organizations responsible for implementing the national AIDS program, (ii) encouraging HIV-positive ex-combatants to join or establish support groups of people living with HIV/AIDS; (iii) utilizing ex-combatant networks to disseminate HIV/AIDS sensitization in communities of settlement; and (iv) transferring economic reintegration assistance of HIV/AIDS affected ex-combatants who are unable to resume economic activities to a family member.

3.5 Program Cost

105. The Program is estimated to cost US\$84.4 million (see table 5), of which IDA would finance US\$33 million with grant resources. The MDTF of the MDRP would

¹¹ Disability is defined as the functional limitation within an individual caused by physical, mental or sensory impairment.

provide financing in the amount of US\$45.4 million (see table 6). The German government has indicated that it plans to finance about US\$6 million bilaterally. The average direct benefit per ex-combatant would amount to US\$1,054, while the average cost per beneficiary is likely to amount to US\$1,325. In view of the fact that the actual number of ex-combatants may vary from the estimates, the Program has incorporated contingency resources of US\$ 4 million.

Table 5: Burundi Demobilization, Reinsertion and Reintegration Program Costs

Component	Average Unit Cost (US\$)	Total Program Cost (million US\$)	Percent
1. Demobilization	97	4.8	6%
2. Reinsertion			
FAB, APPM and NDF Ex-Combatants	586	29.0	34%
Ex-Gardiens de la Paix and Combattants Militants	91	2.5	3%
3. Reintegration	468	20.9	25%
4. Technical Assistance	23	2.0	2%
5. Program Management	103	8.8	10%
Sub-total	1,277	63.2	--
Special target groups	1,583	12.4	15%
Contingencies	47	4	5%
Total (estimated)	1,325*	84.4	100%

* Average unit cost for ex-combatants, excluding special target group beneficiaries, *Gardiens de la Paix* and *Combattants militants*.

106. *Government counterpart contribution.* Notwithstanding its fiscal constraints, the Government is committed to supporting the Program. In this spirit, Government would waive all taxes levied in Burundi on works, goods and services for this Program.

Table 6: Burundi Demobilization, Reinsertion and Reintegration Program Financing Plan

Source	Million US\$	Percent
IDA	33.0	39%
MDTF / MDRP		
National Program Grant	41.8	50%
Special Project	3.6	4%
Other		
Germany	6.0	7%
Total	84.4	100%

3.6 Conditions of Effectiveness

107. The following conditions of effectiveness have been agreed upon with Government:

- (i) Government has adopted a decree defining ex-combatant status and associated criteria, in form and substance satisfactory to the Association;
- (ii) Government has adopted a ministerial order defining *Gardiens de la Paix* and *Combattants militants* status and associated criteria, in form and substance satisfactory to the Association;
- (iii) the Program Implementation Manual (PIM), including a financial management and procurement section, has been adopted by the NCDRR in form and substance satisfactory to the Association; and
- (iv) the Demobilization and Reintegration Fund Account (DRFA) has been established.

4. Studies and Technical Assistance

108. Institutional development support would be provided in the form of studies and technical assistance to inform the implementation of the Program. The Bank would provide technical support as required.

4.1 Studies

109. Several studies were completed during program preparation with the assistance of a Post-Conflict Fund grant from the World Bank. These studies covered the following areas: agriculture, livestock, employment, micro-credit, vocational training, social reintegration, and medical rehabilitation of disabled ex-combatants. While some of the studies may have to be updated.

110. *Economic Opportunity Inventory*. The ES/NCDRR would undertake one new study to map economic opportunities. The objective of this study would be to establish an inventory of reintegration opportunities (training, employment, development projects, etc.) by province and sector. This inventory would be used by the PPOs for informing and counseling ex-combatants.

4.2 Technical Assistance

111. *Pre-demobilization orientation program*. A program would be developed to provide ex-combatants with information about the Program, health issues and civilian life. In particular, ex-combatants would be briefed about their benefits and the modalities to access them, banking and financial matters, civic and community duties, training and employment opportunities, access to land and credit, income generating activities, and family and health issues.

112. *Program of community sensitization and participation.* The objective of this program would be to sensitize the civilian population about the DRRP and the challenges faced during this process by ex-combatants and their families. The program would also address the concerns of the receiving communities and to encourage their participation in reintegration activities. The program would be disseminated on various forms of media (e.g., radio, brochures, popular folk theater, and newspapers).

113. Local and/or expatriate technical assistance may be required for short-term and longer-term assignments during Program implementation. Consultancies would be required on an ongoing basis, especially for periodic external audits and independent evaluations. Qualified (private and/or public) providers would be sub-contracted by the ES/NCDRR to undertake such activities. Targeted technical assistance may also be needed for HIV/AIDS activities and the special target group component (child ex-combatants, disabled ex-combatants, female ex-combatants). The ES/NCDRR could sub-contract relevant activities in part or as a whole to qualified implementing partners. For training and employment opportunities, the ES/NCDRR would prepare a roster of qualified organizations/employers by province.

5. Institutional Arrangements and Program Implementation

5.1 Institutional Structure

114. Government formally established the National Commission for Demobilization, Reinsertion and Reintegration (NCDRR) on August 28, 2003. The NCDRR has been mandated to provide policy guidance and to oversee the design and implementation of the DRRP. It would be dissolved upon completion of demobilization and reintegration activities envisaged in the Program.

115. The NCDRR is supported by an Executive Secretariat (ES/NCDRR), which is tasked with the technical planning and implementation of the DRRP, as well as coordination with external program partners. Government nominated key personnel of the ES/NCDRR in November 2003. The ES/NCDRR would be supported by Provincial Program Offices (PPOs).

5.1.1 Central level

116. *National Commission for Demobilization, Reinsertion and Reintegration.* The Commission would be the Government's supervisory body of the DRRP.¹² The NCDRR is chaired by the President of the Republic. Its main responsibilities would include:

¹² The costs associated with the Commission would be borne by the Government of Burundi.

- (i) determining Government policy for the demobilization and reintegration of ex-combatants;
- (ii) guiding the activities undertaken to ensure ex-combatants' successful transition to civilian life;
- (iii) monitoring and guiding the implementation of the Program by the Executive Secretariat; and
- (iv) providing strategic and policy-level Program coordination.

117. *Executive Secretariat.* The Executive Secretariat would serve as the Program's implementation unit. The ES/NCDRR would report to the office of the President. In particular, the ES/NCDRR would be charged with:

- (i) the preparation and costing of detailed annual implementation plans;
- (ii) the implementation and coordination of the individual DRRP components (demobilization, reinsertion, reintegration, special target groups, HIV/AIDS measures). To this end, the ES/NCDRR would establish close links with relevant Government departments, local organizations and associations, and the private sector;
- (iii) the transparent and accountable administration of Program resources (including procurement and financial management);
- (iv) monitoring and evaluation of program implementation progress and impacts; and
- (v) ensuring the coordination of international partners in accordance with the provisions of the Grant Agreements and the principles of the MDRP.

118. The ES/NCDRR would be headed by an Executive Secretary and comprise three main departments (see attachment 7 for organigram):

- (i) administration and finance (including personnel and financial management);
- (ii) operations (including demobilization, reintegration and special groups); and
- (iii) information management (including information and sensitization).

5.1.2 Provincial level

119. The ES/NCDRR could not hope to properly oversee implementation of reintegration assistance from one central point. Therefore, the NCDRR would establish a Provincial Program Office (PPO) in each province (17 provinces) to help administer reinsertion and reintegration assistance, and to monitor and evaluate program implementation progress and impacts. In provinces in which more than 3,000 ex-combatants settle, additional personnel would be deployed. The PPOs of the ES/NCDRR would be attached to the offices of the provincial administration. The ES/NCDRR would

recruit staff of the PPOs in consultation with the respective provincial administrators. PPO staff would report to the ES/NCDRR. This approach would help strengthen decentralized Program delivery capacity and ensure the integration of Program implementation in the Government's provincial structures.

120. The DRRP Provincial Program Offices would be responsible for the following:

- (i) updating the inventory of projects and training and employment providers;
- (ii) conducting outreach activities with ex-combatants, including counseling and referral as well as business development support;
- (iii) managing the work of district ex-combatant outreach personnel;
- (iv) technical and financial monitoring of reintegration activities, especially at the community level;
- (v) coordinating with other Government and non-governmental institutions and reconstruction activities; and
- (vi) reporting to the ES/NCDRR on a regular basis.

5.1.3 Commune level

121. The ES/NCDRR would also recruit and train one ex-combatant in each of the 117 communes of the country to serve as a Commune Outreach Officer (COO). These outreach officers would serve as the link between the Program and the ex-combatant at the community level. Their responsibilities would include the following:

- (i) provision of Program information to ex-combatants;
- (ii) identification of local economic reintegration opportunities and constraints;
- (iii) advocacy of ex-combatant access to local community-based development and reconstruction activities;
- (iv) facilitating ex-combatant communication with local authorities;
- (v) collecting monitoring and evaluation data;
- (vi) facilitating conflict resolution and reconciliation at the community level; and
- (vii) identification of major reintegration bottlenecks and conflicts, and their referral to PPOs.

5.1.4 Staffing, institutional support and capacity building

122. The institutional structure for Program implementation requires strengthening at all levels (Executive Secretariat and Provincial Program Offices). Government has already recruited several management personnel of the ES/NCDRR satisfactory to IDA,

including the Executive Secretary, the Information and Sensitization and Operations and Missions advisors, as well as the Director of Finance and Administration and Operations. The ES/NCDRR would be further strengthened through the appointment of key technical personnel through a competitive process and terms of reference satisfactory to IDA. PPO personnel would be recruited in accordance with the settlement patterns of ex-combatants. All positions could be filled by qualified ex-combatants. Impartiality in implementation of activities for different target groups would be closely monitored during program implementation.

123. Equipment would be procured to help the ES/NCDRR and the PPOs fulfill their responsibilities effectively. For the ES/NCDRR, this would include vehicles and office equipment. Each PPO would receive essential office equipment as well as motorcycles for monitoring and outreach activities.

124. Staff development at the central and provincial levels would be critical for effective Program implementation. Staff at all levels would therefore undergo training. The objectives of this training, which would commence immediately after staff have been recruited/assigned, would be to ensure that all involved in the DRRP have the same understanding of the Program objectives, procedures, and specific responsibilities, including their tasks in relation to the internal reporting system. A staff development program would be prepared and would include: (i) the preparation of a training plan; (ii) the development of training materials; and (iii) the carrying out of training activities, including gender awareness and sensitization, conflict resolution and reconciliation. Staff selection and training would include measures to enhance the ability of ES/NCDRR personnel to provide assistance in an equitable manner irrespective of the former military affiliation of beneficiaries. As necessary, relevant PPO and commune outreach personnel would also undergo training for supervising the micro-project activities supported by the DRRP.

5.1.5 Program Coordination Mechanisms

125. The Government and the World Bank established a Disarmament, Demobilization and Reintegration Coordination Committee (DDR-CC) in Bujumbura in February 2003. With the recent establishment of the NCDRR, and in accordance with the principle of national ownership fundamental to the MDRP, the ES/NCDRR would assume the co-chairmanship of this committee¹³. The main objectives of the committee are to:

- (i) coordinate the provision of international assistance to disarmament, demobilization and reintegration (DDR) activities in Burundi;
- (ii) act as a forum for technical discussions between Government and international partners of the national program design, preparation and implementation;

¹³ The establishment of technical coordination sub-committees on specific subjects (social reintegration, training and education, etc.) will be considered as required.

- (iii) ensure coordination between DDR and related activities, including pre-cantonment, humanitarian assistance, defense and security sector reform, AMIB, and reintegration of other war-affected populations; and
- (iv) monitor the implementation of DDR activities.

126. In addition, the following three coordination mechanisms would play an important role at different levels during implementation of stage I of the DRRP:

- (i) the JCC would provide overall policy guidance and monitoring support to the disarmament process envisaged in the JOP;
- (ii) a Technical Coordination Committee (TCC) consisting of key implementation stakeholders, and co-chaired by the AMIB Chief of Staff and the Operations Advisor of the ES/NCDRR, would serve as a technical coordination body for the implementation of all JOP activities.
- (iii) a Joint Operations Center (JOC) consisting of AMIB and ES/NCDRR demobilization personnel would be responsible for operational coordination of AMIB and ES/NCDRR activities envisaged in the JOP. The JOC would be situated within the offices of the ES/NCDRR.

127. The ES/NCDRR would establish additional coordination mechanisms as required. In particular, the ES/NCDRR would envisage the establishment of a technical committee to help further refine its social and economic reintegration strategy, and to ensure coordination of targeted ex-combatant reintegration activities with broader recovery and reconstruction efforts, both within Government and with external partners.

5.2 Financial Management and Auditing

128. The overall coordination of the Program would be under the responsibility of the ES/NCDRR, which is headed by an Executive Secretary. He is assisted by three advisors, and three heads of departments including the Director of Administration and Finance, the Director of Operations, and the Director of Information and Sensitization. All funds would be managed by the ES/NCDRR. PPOs would not be involved in funds management, though petty cash would be made available to cover minor expenses within established limits.

129. The principal objective of the Program's financial management system (FMS) would be to support management in the distribution of limited resources with the purpose of ensuring economy, efficiency and effectiveness in the delivery of outputs required to achieve program objectives. Specifically, the FMS must be capable of producing timely, understandable, relevant and reliable financial information that would enable management to plan, implement, monitor and appraise the Project's overall progress towards the achievement of its objectives.

130. Qualified, experienced and independent auditors would be appointed on approved terms of reference. The external audit would cover all World Bank, other donors and Counterpart funds at all levels of Program execution.

131. The detailed financial management arrangements is contained in Attachment 9 of the Technical Annex.

5.2.1 Disbursement Arrangements

Financing Mechanisms

132. There would be five distinct financing mechanisms for the DRRP:

- A quick disbursing mechanism for Category (1) of the Grant;
- A special Account for Categories (2) to (5) of the Grant;
- The government's contribution inclusive of donor support through the budget;
- The Multi-Donor Trust Fund (MDTF) of the MDRP; and
- Accounts for other bilateral financing partners.

133. The rapid implementation of the Program requires a substantial amount of primarily local currency at specific points in time. The Program addresses this exigency by incorporating the provision of foreign exchange through a quick disbursing mechanism. This mechanism would consist of reimbursement to the Government of the foreign currency used for private sector imports for eligible goods included in a pre-approved positive list of imports. The proceeds of the quick disbursing component would be disbursed twice a year in roughly equal installments following the sequence of the demobilization plan agreed upon with the Government.

134. Upon receipt of the proceeds of the Grant through the release of each installment, the Central Bank of Burundi (BRB) would convert the foreign currency into Burundian Francs and deposit them in a Demobilization and Reintegration Fund Account (DRFA) opened by the Government for this purpose.

135. A positive list of imports would be established. It would be linked to the emergency at different levels:

- The rehabilitation of infrastructure and equipment destroyed by or dilapidated during the war;
- The (re) construction of houses for war affected populations;
- The program proper, in particular the reintegration component (agriculture, training, etc.) but also demobilization (transport, rehabilitation, etc).

136. *Retroactive financing.* To facilitate speedy support to ex-combatants demobilized as of March 2004, the Project would allow retroactive financing in the amount of US\$6.6 million (20% of the IDA grant amount). This would apply to eligible imports for which

payments were made after December 31, 2003. Retroactive financing would allow the Government to initiate large-scale demobilization activities prior to Grant effectiveness if necessary.

137. *Multi-donor trust fund.* The Government recognizes that the MDRP trust fund would help to ensure comprehensive financing for the Program, facilitate the involvement of donors that might otherwise not be able to participate, minimize duplication of efforts, and reduce the administrative burden on Government through the application of one set of implementation procedures. Government would thus apply to the MDTF of the MDRP to finance the part of the program not financed by the IDA Grant or by bilateral partners.

138. The following bank accounts would be maintained by the ES/NCDRR for program funds:

- Deposit Account: Denominated in US dollars, would serve as the main project account into which would be deposited program funds under the quick disbursement mechanism for Category (1) of the Grant.
- IDA Grant Special Account: Denominated in US dollars, would be to deposit program funds for Category (2) to (5) of the Grant.
- MDTF Special Account: Denominated in US dollars, would be deposited program funds from the Multi-Donor Trust Fund (MDTF).
- Demobilization and Reintegration Fund Account(DRFA): This would be denominated in local currency. Counterpart funds from the Government of Burundi may be deposited on this account in accordance with program objectives.

139. The Deposit Account would be maintained in BRB. The IDA Grant Special Account, the MDTF Special Account, and the DRFA would be maintained in a commercial bank acceptable to IDA.

140. The chart in Attachment 10 illustrates the proposed banking and funds flow arrangements.

5.2.2 Accounting arrangements

Financial Management Manual

141. For the sake of comprehensiveness and harmonization of procedures, Program funds would be administered and audited irrespective of their source and the financing mechanism employed.

142. The accounting system of the project would be based on a Manual of Financial and Accounting Procedures that would be part of the PIM. Proper books of accounts would be kept on double entry principle using the cash based system.

5.2.3 Reporting Arrangements

Integrated Financial Management System

143. For the Program to deliver on its objectives, a Financial Management System would be developed in accordance with the Financial Management Assessment Report presented in the Attachment 9. The system should integrate budgeting, operating and accounting systems to facilitate monitoring and reporting. System generated formats for periodic reports would be developed and agreed with program management.

Financial Monitoring Reports (FMRs)

144. Project management staff should be able to produce FMRs by effectiveness. The report would be prepared on a quarterly basis in accordance with the Guidelines for Borrowers on Financial Monitoring Reports and would include the following:

- Sources and Uses of Funds by Grant Categories and Program Components
- Output Monitoring Report
- Procurement Monitoring Reports

Financial Statements

145. In compliance with International Accounting Standards and IDA requirements, the project would produce annual financial statements. Financial Statements would include:

- A Statement of Cash Receipts and Payments which recognizes all cash receipts, cash payments and cash balances controlled by the project.
- A Balance Sheet that shows Assets and Liabilities.
- A Statement of Sources and Uses of Funds.
- Notes in respect of significant accounting policies and accounting standards adopted by management and underlying the preparation of financial statements.
- A Management Assertion that Bank funds have been expended in accordance with the intended purposes as specified in the World Bank legal agreement.

5.2.4 Audit Arrangements

External Auditing

146. Qualified independent auditors would be appointed by the ES/NCDRR. The selected auditors would be acceptable to IDA in terms of independence, qualifications and experience. The audit would be based on terms of reference agreed with IDA. The external audit work would include all World Bank funds, other funds and Government funds (if available) of the program.

147. The financial statements of the Program would be audited every six months until performance is proved to be satisfactory, and annually thereafter. The date of the first audit would be determined in consultation with IDA.

148. In addition to the audit report, the auditor would be required to prepare a Management Letter where internal control weaknesses and recommendations for improvements, are highlighted. A single audit opinion would be issued on program income and expenditures, special accounts and statements of expenditure. The audit reports along with Management Letters would be sent to IDA and all other financing partners not later than four months after the end of each preceding period.

149. For the sake of comprehensiveness and harmonization of procedures, Program funds would be administered and audited irrespective of their source and the financing mechanism employed.

5.2.5 Supervision

150. Financial Management Supervision would be done by the World Bank over the program life to ensure the implementation of strong financial management systems. Statement of Expenditure (SOE) reviews would be undertaken where necessary in compliance with World Bank requirements.

151. On a semi-annual basis or at such time that the Government and the Bank deem necessary, the Government and IDA would carry out joint supervision missions. These missions would make spot checks on a small random sample of beneficiaries at their place of residence to verify the use of the funds disbursed.

Disbursement of IDA Funds to Program Management

152. IDA funds would be disbursed to the Program Management for activities based on Financial Monitoring Reports (FMRs) that include financial reporting, procurement and contract management with physical implementation progress.

153. The Borrower would open a Deposit Account for Category 1 in US dollars in the BRB. Upon Grant effectiveness and at the request of the borrower, proceeds of the first installment would be deposited in the accounts against Statement of Expenditures. The remaining installments would be released if the Program is being implemented in a manner satisfactory to the Association and on the basis of:

- An implementation plan and resource requirements for the subsequent 6 month period;
- Beneficiary survey findings confirming that ex-combatants have received payments due them from previous tranches; and
- A list of ex-combatants, identifying the amount of the funds allocated to each in support of their reinsertion and reintegration.

Disbursement of funds from DRFA to Ex-combatants

154. Funds would be disbursed to the DRFA to Ex-combatants through the commercial banking system. Eligible ex-combatants would be required to open accounts in commercial banks of their choice. Payments would be initiated and authorized at the central level by the ES/NCDRR.

5.2.6 Risk Analysis

155. In order to establish an acceptable control environment and to mitigate financial management risks, the measures outlined in the Action Plan in Attachment 9 should be implemented. The Program is at high risk until the FMS and other operational systems are well defined and documented, and personnel are trained.

156. *Safeguards to ensure the proper use of funds.* Six safeguards have been built into the Program to ensure that IDA funds are utilized for the purposes intended:

- Replenishments under the quick-disbursing mechanism (Category (1)) would be linked to Program performance;
- Periodic audits would verify appropriate use of funds under all Categories;
- A unique, non-transferable, photograph ID would be provided to each ex-combatant. This would be used to verify ex-combatants' eligibility for assistance;
- The IDs would be entered in an integrated MIS that would enable the ES/NCDRR and Provincial Program Offices to track Program implementation at the central and local level;
- Annual surveys of a representative sample of the beneficiary population would track Program delivery and verify their receipt of assistance; and
- Semi-annual supervision missions would be carried out by IDA in collaboration with interested UN/donor partners.

157. *Overall assessment.* A Bank accredited Financial Management Specialist has reviewed the present status and the agreed actions indicated above and detailed in attachment 10. On this basis, IDA has reasonable assurances for satisfactory financial management of Program funds in conformity with current IDA requirements. The financial management of the DRRP would require close follow up. To this end, specialized Bank staff would monitor financial management performance on an ongoing basis.

5.3 Procurement

158. Procurement of goods and works to be financed from the proceeds of the Grant would be governed by the *Guidelines for Procurement under IBRD Loans and IDA Credits* published in January 1995 and revised in January and August 1996, September 1997 and January 1999. Consultant services contracts financed by IDA would be

procured in accordance with the Bank's *Guidelines for the Selection of Consultants by World Bank Borrowers* published in January 1997 and revised in September 1997 and January 1999 and May 2002.

159. In addition to the eligible private sector imports financed through the quick disbursement component, the Grant would finance goods required for the demobilization process, including basic needs kits, equipment to prepare ID cards and VCT materials. The Grant would also finance office equipment and vehicles/motorcycles for the ES/NCDRR and the PPOs, as well as the rehabilitation of, and the purchase of essential equipment for up to four demobilization centers and up to two medical rehabilitation centers.

5.3.1 Procurement capacity assessment and implementation arrangements

160. Procurement activities would be handled by the central bank for the quick disbursing component and by the ES/NCDRR for all the other components. The central bank has efficiently executed four IDA operations with a quick disbursing component during the last decade. Hence, the quick disbursing component should be implemented smoothly. The ES/NCDRR would handle the procurement tasks for the remaining components, hence the ES/NCDRR would be responsible for among other things : (i) preparation of the General Procurement Notice and its annual update; (ii) preparation of the specific procurement notices; (iii) preparation and update of the annual procurement plan; (iv) drafting bidding documents and request of proposals; (v) awarding of contracts and requesting for IDA no-objections when required; and (v) drafting of contracts and ensuring that contracts are implemented and managed properly.

161. A procurement capacity assessment of the ES/NCDRR was carried out during appraisal in accordance with the Procurement Policy and Service Group (OPCPR) guidelines of July 15, 2002. The ES/NCDRR is a new institution with limited procurement experience. As a result, the project is considered high risk. While the procurement program financed by the Grant is not extensive, the fact that the upfront delivery of some goods and the completion of rehabilitation of some works would be critical to the success of the Program, means that the ES/NCDRR needs to be guided and assisted in order to fulfill its responsibilities satisfactorily. Consequently, the following measures were agreed: (i) recruitment of an international procurement consultant to assist the ES/NCDRR to prepare the detailed procurement plan for the first year of operation, the bidding documents for the first six months and provide on job training to the national procurement officer; (ii) recruiting a consultant to prepare the Program implementation manual (PIM); (iii) recruiting the national procurement officer before Grant Effectiveness. These activities would be financed under the Project Preparation Facility (PPF). The adoption of a PIM satisfactory to IDA would be a condition of Grant effectiveness. The international procurement consultant has been in place since December 2003, the selection process of the consultant who would prepare the manual is under way, and the PIM should be available by April 2004.

5.3.2 Procurement plan

162. The ES/NCDRR would prepare the procurement plan for the first year of operation before Grant effectiveness. It would update the plan every six months for discussion with the Bank during supervision missions. Regular Financial Monitoring Reports would present procurement activities in an appropriate degree of detail.

5.3.3 Procurement methods¹⁴

163. Goods imported by the private sector under Category (1), estimated to cost less than US\$2 million equivalent per contract, may be procured in accordance with established commercial practices satisfactory to the Association.

164. For contracts for goods estimated to cost US\$ 200,000 equivalent or more, may be awarded by International Competitive Bidding (ICB). However, given that some goods and items are required during the first semester of 2004, it is unlikely that this method would be used for goods needed before June 2004. Furthermore, since demobilization from the NDF is expected to be implemented through a six-month cycle and by groups not exceeding 2,000 ex-combatants, goods contracts valued more than the above amount would be numbered and should not exceed two.

165. Goods estimated to cost less than US\$ 200,000 equivalent per contract may be awarded by National Competitive Bidding (NCB) as described in paragraphs 3.3 and 3.4 of the IDA procurement guidelines. Due to the urgency of the Program, and in order to facilitate the speedy procurement of immediately required drugs and other critical items, international and national shopping methods would be employed more than is customary in Bank financed projects. Hence, drugs, reagents, medical items and other goods estimated to cost not exceeding the equivalent of US\$ 150,000 per contract may be procured on the basis of comparison of at least three quotations at national or international level in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines. A sample format for international shopping would be included in the Program implementation manual.

166. Goods including vehicles, motorcycles, computers, drugs and medical items up to aggregate amount not exceeding the equivalent of US\$ 200,000 may be procured through United Nations agencies (IAPSO, UNFPA, UNICEF, WHO) in accordance with the provisions of paragraph 3.9 of the guidelines.

167. Goods which must be purchased from the original supplier to be compatible with existing equipment or, are of proprietary nature up to an aggregate amount not exceeding the equivalent of US \$ 100,000 may, with IDA's prior agreement, be procured by direct contracting in accordance with the provisions of the paragraph 3.7 of the Guidelines.

168. Civil works contracts would be very limited in both number and value, hence no ICB is foreseen. However, ICB procedures would apply for civil works estimated to cost

¹⁴ The amounts per contract and the aggregate amounts apply to the IDA Grant only.

the equivalent of US\$ 500,000 or more. Civil works estimated to cost between US\$ 100,000 and less than US\$ 500,000 equivalent per contract may be awarded by National Competitive Bidding (NCB) in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

169. Given the urgent requirement to rehabilitate at least two demobilization centers and up to two medical rehabilitation centers, on an exceptional basis, civil works estimated to cost less than US\$ 100,000 equivalent per contract may be procured on the basis of quotations obtained from at least three qualified contractors in response to a written invitation. The written invitation would include a description of the works, basic technical specifications, completion date and if necessary the plan of the works. The contract may be awarded to the contractor who offers the lowest quotation provided that the bid is substantially responsive to the conditions specified in the written invitation. A simple format of the invitation with all the subsequent documents (instruction to bidders, model of contract etc.) would be included in the Program implementation manual.

170. Consultants' services procured under the Grant would finance the strengthening of local institutions responsible for the execution of the Program: the ES/NCDRR, Provincial Program Offices, district administrations as well as associations and community-based groups. The Grant would also finance technical studies in support of Program execution, the monitoring of Program components, external financial audits and external Program evaluations.

171. All consultant services estimated to cost more than US\$ 100,000 equivalent per contract would be selected using the Quality and Cost-Based Selection (QCBS) method. For contracts estimated to cost less than US\$ 100,000 equivalent, the short list may be comprised entirely of national consultants provided that at least three qualified national consultants are available. However, if foreign firms express an interest in these contracts, they would not be excluded from the selection process.

172. Consultant services for training, technical advisory services and implementation support for special groups and HIV/AIDS activities estimated to cost less than US\$ 100,000 equivalent for firms may be awarded through the Consultants' Qualifications method in accordance with the provisions of paragraphs 3.7 of the Guidelines. Consulting services contracts meeting the requirements of Section V of the Consultants Guidelines may be selected under the provisions for the selection of Individual Consultants, i.e. through the comparison of the *curriculum vitae* of at least 3 qualified individuals.

173. Contracts for consultant services for financial audits and external evaluations, estimated to cost less than US\$75,000 equivalent per contract, may be awarded using the least cost selection method, in accordance with the provisions of paragraphs 3.1 and 3.6 of the Bank's Guidelines for the selection of consultants.

174. UN agencies may be hired as consultants, where they are qualified to provide technical assistance and advice in their area of expertise, according to the provisions of paragraph 3.13 of the Guidelines. UN agencies may be hired on a single-source selection basis if the criteria outlined in Section 3.9 of the Guidelines are fulfilled.

5.3.4 Thresholds for prior review

175. *Goods* estimated to cost the equivalent of US\$150,000 or more and civil works contracts estimated to cost the equivalent of US\$200,000 or more would be subject to IDA prior review.

176. For *consultant services*, contracts estimated to cost the equivalent of US\$50,000 or more for individuals and the equivalent of US\$100,000 or more for firms would be subject to IDA prior review procedures.

Table 7. Procurement Arrangements Summary Table

Procurement category	Procurement method
Eligible private sector imports valued at less than US\$2,000,000 per contract:	Commercial practices as described under clause 3.12 of “Guidelines: procurement under IBRD loan and IDA Grant”.
Goods estimated to cost the equivalent of US \$ 200,00 or more and civil works estimated to cost the equivalent of US\$500,000 or more:	International Competitive Bidding as described under section II. of “Guidelines: procurement under IBRD loan and IDA Grant” (ICB).
Goods estimated to cost less than the equivalent of US\$200,000 and civil works estimated to cost more than the equivalent of US\$100,000 and less than the equivalent of US\$500,000:	National Competitive Bidding as described under paragraphs 3.3 and 3.4 of “Guidelines : Procurement under IBRD loans and IDA Grants”.
Goods purchased from the original supplier to be compatible with existing equipment or, are of proprietary nature, up to an aggregate amount not exceeding the equivalent of US\$ 100,000:	Direct contracting as described under paragraph 3.7 of “Guidelines : Procurement under IBRD Loans and IDA Grants”.
Goods including medical items up to an aggregate amount not exceeding the equivalent of US\$ 200,000 :	UN agencies as described under paragraph 3.9 of “Guidelines : Procurement under IBRD Loans and IDA Grants”.
Drugs, reagents, medical equipment and goods not exceeding the equivalent of US\$ 150,000 per contract and civil works not exceeding the equivalent of US\$100,000 per contract :	Quotations obtained from at least three qualified enterprises as described under paragraphs 3.5 and 3.6 of “Guidelines : Procurement under IBRD Loans and IDA Grants”.
Consultant services to be procured by firms and estimated to cost the equivalent of US\$100,000 or more:	Quality and cost based selection as described under section II. of the Guidelines “Selection and Employment of consultants by World Bank Borrowers”.
Consultant services to be procured by firms and not exceeding the equivalent of US\$100,000 per contract :	Consultants’ qualification selection as described under paragraphs 3.1 and 3.7 of the Guidelines “Selection and Employment of consultants by World Bank Borrowers”.
Consultant services which can be conducted by an individual without additional outside professional support:	Selection of individual consultants as described under section V. of the Guidelines “Selection and Employment of consultants by World Bank Borrowers”.
Consultant services for financial audits and external evaluations not exceeding the equivalent of US 75,000 per contract :	Least cost selection as described under paragraphs 3.1 and 3.6 of the Guidelines “Selection and Employment of consultants by World Bank Borrowers”.
Hiring UN agencies as consultants:	Selection according to paragraphs 3.13 and 3.9 of the Guidelines “Selection and Employment of consultants by World Bank Borrowers”.

177. All other goods, civil works and services contracts would be subject to post review by IDA during supervision missions and by auditors during the technical and financial audits.

5.4 Monitoring and Evaluation

178. A strong monitoring and evaluation system, complemented with close Bank supervision, would seek to ensure that the Program reaches targeted beneficiaries in a timely and efficient fashion. It is essential that information on all beneficiaries is captured during the initial demobilization process, securely stored, and subsequently utilized to inform Program implementation.

179. Establishment of a *Management Information System*. A well-functioning MIS is a critical management tool, as throughout Program implementation there is a need to register and monitor the target group beneficiaries and Program implementation progress and effectiveness. Furthermore, a robust MIS can provide monitoring data on beneficiaries and activities that can serve as an important input into the planning of subsequent demobilization phases. Additionally, and to keep track of the utilization of Program funds, it would be related to the financial management system.

180. *Monitoring* would be undertaken at central (ES/NCDRR), provincial (PPOs) and the commune (COOs) levels. The Monitoring and Evaluation unit of the ES/NCDRR would collect information during demobilization operations, when ex-combatants report for TSA payments and when ex-combatants apply for reintegration assistance. The ES/NCDRR would track the provision of assistance to the ex-combatants throughout the life of the Program. In addition, within six months of the Effectiveness date and annually thereafter, or upon the request of the Association, surveys of a statistically representative sample of Program beneficiaries would be conducted to verify that they (i) have received reinsertion and reintegration benefits in accordance with the semi-annual work program and budget of the Program, and (ii) have acquired the goods and services intended.

181. *Evaluation*. Independent evaluations of Program implementation would be carried out annually and would consist of quantitative and qualitative parts. An analysis of the databases and existing administrative records and reports would establish to what extent the Program as such as well as the individual components have achieved their objectives. As the integration of ex-combatants into communities is a major factor for the long-term success of the Program, the statistical evaluation would be complemented with a beneficiary assessment consisting of participant observation and key informant and focal group interviews. It would be directed towards the ex-combatants and their families as primary and the communities as secondary beneficiaries.

182. *Performance indicators*. The ES/NCDRR and Provincial Program Offices would measure Program performance against the agreed performance indicators specified below (see Table 8).

Table 8. Key Performance Indicators

Component	Key Performance Indicators
Demobilization	<ul style="list-style-type: none"> • Ex-combatants from the APPM, FAB and NDF are demobilized in accordance with the criteria and procedures set out in the Program implementation manual. • At least 14,000 ex-combatants are demobilized annually. • All ex-combatants are registered, receive non-transferable ID cards and their data is captured in the MIS. • The demobilization process does not, on average, exceed 10 days per individual ex-combatant.
Reinsertion	<ul style="list-style-type: none"> • Each demobilized ex-combatant has received his/her TSA within 30 days of scheduled payment dates. • TSA payments are utilized for reinsertion needs of family units.
Reintegration	<ul style="list-style-type: none"> • Ex-combatants have access to reintegration assistance within 9 months of their demobilization. • At least 40% of ex-combatants are engaged in sustainable income-generating activities within 18 months of demobilization. • Average income levels of ex-combatants are similar to average community incomes in their communities of settlement within 24 months of their demobilization.
Special target groups	<ul style="list-style-type: none"> • All demobilized female ex-combatants have received reinsertion and reintegration benefits under the Program in the same amount and according to the same procedures as demobilized male ex-combatants. • Each demobilized disabled ex-combatant has received medical rehabilitation assistance within 18 months of demobilization. • Each demobilized child ex-combatant has received targeted reintegration assistance within 12 months of demobilization.
Implementation arrangements	<ul style="list-style-type: none"> • 17 Provincial Program Offices are operational within 6 months of Grant effectiveness in accordance with criteria set forth in the Program implementation manual. • An independent evaluation is carried out annually and includes an analysis of environmental and social monitoring indicators.
Public expenditures	<ul style="list-style-type: none"> • Recurrent expenditures on defense are a maximum of FBU 49.4 billion in 2005, FBU 36.1 billion in 2006 and FBU 23.8 billion in 2007. At the same time, expenditures on health and education combined increase by FBU 6.7 billion in 2006 and FBU 19 billion in 2007.

5.5 Program Sustainability

183. The DRRP is designed to aid the sustainable social and economic reintegration of ex-combatants. In this regard, it would make a positive contribution to the socio-economic status of ex-combatants, their families and their communities of settlement. The Program would also foster micro-economic recovery by transforming ex-combatants into positive economic actors and injecting financial resources at the local level. Furthermore, the Program would encourage national reconciliation. Although the

NCDRR itself is a temporary structure, the Program would strengthen Government capacities at the provincial level for developing, managing and monitoring development interventions.

6. Benefits and Risks

6.1 Benefits

184. The Program would enable the Government to consolidate the peace process, its social and economic recovery efforts. The Program is designed to facilitate and expedite the process of returning about 55,000 ex-combatants and 30,000 militia to productive social and economic life. Increased security following the first stage of the disarmament, demobilization and reintegration process should contribute to a return to normalcy in agricultural activities and livestock husbandry, ease transport constraints and provide an enabling environment for the return of displaced populations, elections and social investments. In addition, the return of such a large percentage of the labor force to the labor market is expected to inject significant human resources into the civilian economy.

185. A secondary benefit would be the freeing up of resources currently allocated to the defense and security sectors, and their reallocation towards social and economic sectors. Such public expenditure restructuring would allow Government to restore expenditure levels in the social sectors in line with its poverty reduction strategy.

186. At the recent Brussels partner conference on Burundi, donors pledged over one billion dollars to assist the country. Although previous pledges (Paris 2000; Geneva, 2001 and 2002) did not result in commensurate financial assistance – partly because of perceived lack of progress on the peace and reconciliation agenda and security concerns – it is anticipated that the current positive political momentum, aided by successful implementation of the proposed DRRP, would contribute to a resumption of development assistance.

6.2 Risks and Mitigation Measures

187. *Program external risks.* There are four significant external risks:

- (i) A failure to implement the political and security aspects of the Arusha Accord and the subsequent cease-fire agreements and protocols, especially the sensitive military integration process, could undermine the DRRP. Even if large-scale violent conflict did not resume, delays in the implementation of these provisions of the agreements might delay Program implementation;
- (ii) notwithstanding the recently initiated dialogue, potential delays in the conclusion of a cease-fire between Government and the FNL-PALIPEHUTU (Rwasa) and its entry into the institutions of Government and the state may

lead to continued violent conflict between the Government and this party, and delay full implementation of the DRRP; and

- (iii) the support of AMIB is critical to the disarmament phase. A failure to finance the AMIB, or to transfer its responsibilities to a UN peacekeeping operation in a timely and operationally coherent manner, could jeopardize the implementation of the Program.

188. These external risks are mitigated by several factors:

- (i) First, the integration of three of the parties into state institutions has increased their stake in the consolidation of the peace;
- (ii) the Forces Technical Agreement (FTA) provides a framework for the integration of combatants of the CNDD-FDD (Nkurunziza) into the NDF;
- (iii) the JCC, which serves as a forum to resolve issues of friction and to build confidence among all the signatories of the Arusha Accord, is fully functioning;
- (iv) the full deployment of AMIB helps to provide confidence in the security aspects of the process and serves as a deterrent for renewed efforts to destabilize the Government. Recent initiatives, mentioned before, in which senior officers of the FAB and (former) APPMs participate in joint leadership training, is also contributing to increased trust and confidence between the parties;
- (v) recent high-level meetings between the Government and the FNL-PALIPEHUTU (Rwasa) are leading towards the initiation of a formal negotiation process; and
- (vi) the Government's preparation of the DRRP provides an indication of its commitment to the implementation of the peace process and to defense and security sector reform, and in itself serves as an important confidence-building measure.

189. In the event of a collapse of the overall peace process and resumption of hostilities, IDA would consider exercising its remedies under the legal agreement.

190. The major Program-specific risks and mitigation measures are as follows:

- (i) Program resources would possibly be diverted toward military spending. Appropriate safeguards with respect to financial management, procurement and disbursement have been put in place to avoid any such misuse of Program resources;

- (ii) Savings from the downsizing of the NDF do not translate into increased spending in the health and education sectors. Government expenditures would be carefully monitored by IDA in the context of its overall assistance program;
- (iii) Given the limited human resource capacity in Burundi's public and private sectors, implementation is unsatisfactory. The Program would carefully monitor implementation progress and actual reintegration experiences of ex-combatants. The ES/NCDRR would be reinforced with additional qualified staff and technical assistance as required; and
- (iv) HIV/AIDS spreads via the ex-combatants demobilized under the DRRP. The HIV/AIDS prevention and mitigation measures included in the Program's design would mitigate this risk significantly.

6.3 Environmental and Social Aspects

191. Building on lessons from reintegration programs for displaced persons and ex-combatants in Burundi and elsewhere, the Program contains a number of specific elements to identify social and environmental risks and devise appropriate mitigation measures. These procedures and measures would be based upon a social and environmental framework developed for the Multi-Country Demobilization and Reintegration Program (MDRP) by the Africa Region's Social and Environmental Safeguards unit (ASPEN) in collaboration with the MDRP Secretariat. Relevant procedures and measures would be detailed in the Program implementation manual (see Attachment 8 for a detailed description of social and environmental management arrangements). Measures aimed at mitigating negative social impacts of the Program include: (i) ensuring that there is no involuntary resettlement or displacement and that Batwa ex-combatants have equal access to the Program's benefits; (ii) carrying out specific social reintegration activities and monitoring; (iii) addressing the needs of female ex-combatants and of partners of ex-combatants; and (iv) carrying out activities targeted at child ex-combatants.

192. The Program is classified as environmental category B, as it includes support to income-generating activities. However, the phased and widely dispersed reintegration of 55,000 ex-combatants into civilian life is expected to be environmentally neutral. Furthermore, the Program would not finance the construction or rehabilitation of infrastructure other than the rehabilitation of up to four demobilization centers and two medical rehabilitation centers. Environmental mitigation measures under the Program include the screening and monitoring of sub-projects financed under the reintegration component for environmental impact according to the procedures, acceptable to IDA, set up for the MDRP. Furthermore, adequate arrangements for medical waste disposal of HIV/AIDS testing materials would be included in the Program implementation manual.

193. The DRRP would seek to promote participatory social and environmental monitoring. Annual evaluations would include an assessment of, among others: the procedures to access land; the occurrence of involuntary displacement or resettlement; the degree of community acceptance; the existence of discrimination on the basis of

gender or previous military affiliation; the level of personal security of ex-combatants; the inclusion of Batwa ex-combatants in the program's activities; the level of criminal activities undertaken by ex-combatants; and the impact of reintegration on an ex-combatant's family members. These evaluations would help to identify social and environmental impacts, determine the appropriateness of procedures and processes, and make recommendations for improvements where necessary.

7. Financial and Economic Justification

194. *Macro-economic context.* An analysis of defense expenditure in relation to key economic and financial data permits an assessment of the potential long-term impact of military downsizing on social and economic development. Four main sources have been used: (i) GDP and other macroeconomic data from the IMF for 2000 to 2003, with projections for 2004 - 2006; (ii) the FAB salary structure; (iii) data on expenditure from the Ministry of Finance; and (iv) data provided by Government in the Letter of Demobilization Policy.

195. *Analysis of defense expenditure.* From 1992 to 2001, defense expenditure increased from 3.5% of GDP to 8.0%. Nominal defense expenditure increased from FBU 30.5 billion in 1999 to FBU 45.6.3 billion in 2002.

Table 9. Government Expenditure (in billions FBU and percent)

Expenditure Categories	2000	2001	2002	2003 est..	2004 proj.	2005 proj.	2006 proj.	2007 proj.
GDP	511.1	550.0	584.6	644.2	722.5	801.6	881.2	921.2
Total current expenditure	96.5	118.6	119.6	144.0	152.2	159.8	167.8	176.2
<i>Defense expenditure</i>	30.5	44.2	41.8	45.6	62.7	49.4	36.1	23.7
<i>Social expenditure</i>	19.1	23.9	30.4	39.9	51.3	56.9	63.5	75.8
Defense/GDP	6.0%	8.0%	7.2%	7.1%	8.7%	6.2%	4.1%	2.6%
Defense/current expenditures	31.6%	37.3%	34.9%	31.7%	41.2%	30.9%	21.5%	13.5%
Defense/Social expenditures	159.7%	184.9%	137.5%	114.3%	122.2%	86.8%	56.9%	31.3%

Source: IMF and Government for data up to 2003. IMF and Government estimates and projections for the period 2004-2007. Staff and Government estimates and projections for 2007.

/1 Social sectors include expenditure for health and education.

196. *Impact of Demobilization.* The analysis of the impact of demobilization is based on several assumptions, and is therefore only indicative.¹⁵ Although 55,000 combatants would be demobilized under the DRRP, the calculation of the Program's fiscal impact is based on the planned net reduction in force of the NDF of 20,000 from the current size of the FAB.

¹⁵ The following assumptions are used: (i) integration of APPMs into the national defense force, increasing its size from 45,000 in 2003 to 66,000 in 2004; (ii) the demobilization of 5,000 FAB soldiers in 2004, 14,000 NDF soldiers in 2005, 14,000 NDF soldiers in 2006, and 13,000 NDF soldiers in 2007; and (iii) the reallocation of 100% of budgetary savings to social sectors.

197. With demobilization completed during 2007, the net reduction in force of 20,000 NDF soldiers would reduce defense expenditure by approximately FBU 22 billion (US\$19.9 million) annually over the 2003 budget. The share of defense expenditure in total current expenditure would decrease from 31.7% in 2003 to 13.5% in 2007. The share of defense expenditure in GDP would decrease from 7.1% to 2.6% over the same period. Concomitantly, social sector expenditures would almost double.

198. *Analysis of alternatives.* The Government's proposal, and the IDA appraisal of it, have taken into consideration various alternatives in the design of the DRRP. The final design is based on best practices and responds to the specific requirements of the situation in Burundi. It pursues a gradual approach to demobilization and reintegration as compared to a simple one-off discharge. The political and security requirements stipulated in the Arusha Agreement (August 2000) and the Forces Technical Agreement (November 2003), the stabilization of the country before and during elections, the need for a structured defense and security sector reform process, and the difficulty of economic reintegration in the immediate post-war period were judged to justify the related short-term defense expenditure costs.

199. The Program tries to support the reintegration of ex-combatants into civilian life by providing a transitional safety net to facilitate the re-establishment of households and to avoid social tensions. The Program's design attempts to minimize interference with market forces and to maximize the choice of the individual and synergies with ongoing interventions. Furthermore, economic reintegration measures would be based on the socio-economic profile of the ex-combatants, their own efforts and aspirations, and the specific opportunity structure in their communities of return.

200. *Cost-effectiveness analysis.* The Program design seeks to minimize costs without compromising quality. Whenever possible, existing structures would be used rather than parallel systems created. For example, with respect to the disbursement mechanisms, transitional safety net allowance payments would be effected directly by the ES/NCDRR through participating banks. With overall per capita costs of US\$1,325 equivalent, the costs of the DRRP are within the range established by the MDRP framework.

201. *Cost-benefit analysis.* It is instructive to compare the total cost of the Program US\$84.4 million with the direct savings in recurrent cost to the Government's budget from the medium-term net reduction in force of 20,000 soldiers. Compared to the counterfactual, the reduction in force of the NDF would save approximately US\$40 million during the Program's duration and US\$22 million annually thereafter.¹⁶ Fiscal savings from demobilization would thus exceed Program costs in 8 years. This calculation does not take into account long-term savings in overhead costs to the NDF, including training and maintenance of material. It also does not take into account the budgetary impact of a planned increase in the size of the national police force. Finally, this simple comparison does not take into account productivity gains and benefits to the communities and households of the ex-combatants' return to civilian life.

¹⁶ The counterfactual would be that the share of military expenditure in Government current expenditure remains constant at 32%.

8. Action Plan

Issue	Action / Responsibility	Completion Date
Demobilization		
1. Prepare logistics plan for demobilization	JOC and ES/NCDRR	28 Feb 04
2. Complete rehabilitation of demobilization centers	Contractor and ES/NCDRR	31 Mar04
3. Initiate disarmament of <i>Gardiens de la Paix</i> and <i>Combattants Militants</i>	Government	18 April 04
4. Initiate demobilization of FAB and APPMs	ES/NCDRR, AMIB, JOC and JLTs	30 April 04
5. Complete stage I of DRRP demobilization	ES/NCDRR, JLTs and AMIB	31 Oct. 04
Reinsertion		
6. Develop payment mechanism and accounting procedures	ES/NCDRR	31 March 04
7. Sign contract with participating banks	ES/NCDRR and Banks	31March 04
Reintegration		
8. Establish coordination mechanisms with MNR, CNRS and other partners	ES/NCDRR	31 March 04
9. Prepare provincial inventories of economic opportunities	PPOs and ES/NCDRR	2 July 04
Special target groups		
10. Establish joint plan with National AIDS Program regarding the provision of social and medical assistance to HIV/AIDS affected ex-combatants	ES/NCDRR and National AIDS Secretariat	31 March 04
11. Initiate special medical rehabilitation assistance for disabled ex-combatants	Ministry of Health / Consultant	30 July04
12. Integrate national Child Soldier Demobilization and Reintegration Special Project into national program	ES/NCDRR and NCDS/UNICEF	31 Dec. 04
Institutional arrangements		
13. Finalize procurement plan	ES/NCDRR	28 Feb 04
14. Finalize Program implementation manual	ES/NCDRR and consultant	18 March 04
15. Establish DRFA	ES/NCDRR and Central Bank	18 March 04
16. Pass decree on definition of ex-combatant status and associated criteria	GoB	18 March 04
17. Pass ministerial order defining status of <i>Gardiens de la Paix</i> and <i>Combattant Militants</i> and associated criteria	GoB	18 March 04
18. Set up financial management system	ES/NCDRR and consultant	31 March 04
19. Procure essential equipment	ES/NCDRR	31 March 04

20. Set up management information system	ES/NCDRR	15 April 04
21. Establish Provincial Program Offices	ES/NCDRR	31 March 04
Financing		
22. IDA Board Review of DRRP	IDA	18 March 04
23. IDA Grant Effectiveness	IDA	After completion of conditions of Effectiveness
24. Conclusion of Grant Agreement for MDTF of MDRP	IDA and GoB	30 April 04

9. Attachments

1. List of Documents in the Project File
2. Estimated Program Costs
3. IDA Disbursement Categories
4. Program Beneficiaries
5. A Comparison of Transitional Safety Nets
6. Organigram
7. Positive List of Imports for Category 1
8. Environmental and Social Monitoring
9. Program Implementation Plan
10. Financial Management Assessment

Attachment 1

List of Documents in Project File

A. Peace and Cease-fire Agreements

1. Arusha Peace and Reconciliation Agreement. August 2000.
2. Government of Burundi and CNDD-FDD (Nkurunziza). The Pretoria Protocol on Political, Defense and Security Power-sharing in Burundi. October 2002.
3. Government of Burundi and CNDD-FDD (Nkurunziza). Comprehensive Cease-fire Agreement. November 2003.

B. Government

1. Ministry of Finance. November 2003. Interim Poverty Reduction Strategy Paper.
2. Ministry of Finance. February 2004. Letter confirming waiver of taxes on all goods and services purchased under the DRRP.
3. Ministry of Finance. February 2004. Letter of Demobilization Policy.
4. National Commission for Demobilization, Reinsertion and Reintegration. January 2004. Demobilization and Reintegration Program.

C. Bank Staff Assessments

1. Aide-Mémoire, Identification of the DRRP, March 2003.
2. Aide-Mémoire, Preparation of the DRRP, May 2003.
3. Aide-Mémoire, Pre-appraisal of the DRRP, September 2003.
4. Aide-Mémoire, Appraisal of the DRRP, December 2003.
5. Transitional Support Strategy. February 2002.

D. Other

1. Colletta, Nat J., Markus Kostner and Ingo Wiederhofer. 2002. Disarmament, Demobilization, and the Social and Economic Reintegration of Ex-Combatants: Lessons and Liabilities in State Transition.
2. Colletta, Nat J., Markus Kostner and Ingo Wiederhofer. 1996a. The Transition from War to Peace in Sub-Saharan Africa. Directions in Development. Washington, DC: World Bank.

3. Colletta, Nat J., Markus Kostner and Ingo Wiederhofer. 1996b. Case Studies in War-to-Peace Transition. The Demobilization and Reintegration of Ex-Combatants in Ethiopia, Namibia, and Uganda. Discussion Paper No. 331. Washington, DC: World Bank.
4. De Watteville, Nathalie. 2001. Addressing Gender Issues in Demobilization and Reintegration Programs. Africa Region Working Paper Series.
5. Technical Working Group. February 2004. Joint Operations Plan.
6. Kostner, Markus. 2001. A Technical Note on the Design and Provision of Transitional Safety Nets for Demobilization and Reintegration Programs. The World Bank.
7. Kreimer, Alcira, John Eriksson, Robert Muscat, Margaret Arnold, and Colin Scott. 1998. The World Bank's Experience with Post-conflict Reconstruction. Operations and Evaluation Department. Washington, DC: World Bank.
8. MDRP Joint Supervision Mission Report. October 2002. MDRP Secretariat.
9. MDRP Joint Supervision Mission Report. October 2003. MDRP Secretariat.
10. UNAIDS. 1998. AIDS and the Military. Best Practice Collection. UNAIDS.
11. Verhey, Beth. 2001. Child Soldiers: Preventing, Demobilizing, Reintegrating. Africa Region Working Paper No. 23.
12. World Bank. 2002. Greater Great Lakes Regional Strategy for Demobilization and Reintegration. Washington DC. World Bank

Attachment 2

Burundi Emergency Demobilization, Reinsertion and Reintegration Program

Estimated Program Costs (US\$)

Components	2004	2005	2006	2007	2008	TOTAL	%	p.c. average
Demobilization	1,816,250	1,015,000	1,015,000	942,500	0	4,788,750	6%	97
Reinsertion	7,482,580	8,206,602	8,206,602	7,620,417	0	31,516,202	37%	586
Reintegration	0	5,362,500	5,362,500	5,062,500	5,062,500	20,850,000	25%	468
Special Groups	5,463,636	6,504,545	540,909	0	0	12,509,091	15%	1,583
Technical Assistance	985,000	450,000	265,000	165,000	105,000	1,970,000	2%	23
Program Management	2,526,524	1,929,440	1,879,440	1,409,580	1,033,692	8,778,676	10%	103
<i>Subtotal</i>	<i>8,273,990</i>	<i>23,468,088</i>	<i>17,269,452</i>	<i>15,199,997</i>	<i>6,201,192</i>	<i>80,412,719</i>	<i>95%</i>	<i>1,054*</i>
Contingencies	913,700	1,173,404	863,473	760,000	310,060	4,020,636	5%	47
Total	19,187,690	24,641,492	18,132,924	15,959,996	6,511,252	84,433,354	100%	1,277*

* Calculations of average cost exclude costs for special groups, *Gardiens de la Paix* and *Combattants militants*

Attachment 3

IDA Disbursement Categories (US\$)

Category	Amount of the Grant Allocated	% of Expenditures to be Finance
(1) Eligible Imports required for the Project as specified in Annex to this Schedule		100%
(a)	10,000,000	
(b)	10,000,000	
(c)	6,000,000	
(2) Civil Works	1,000,000	100%
(3) Vehicles, Furniture, Equipment and Materials	1,000,000	100%
(4) Consultants' Services, Training and Audits	2,000,000	100%
(5) Operating Costs	1,000,000	100%
(6) Refunding of the Project Preparation Advance	596,000	
(7) Unallocated	1,404,000	
TOTAL	33,000,000	

Attachment 4 Burundi DRRP Beneficiaries

Target Groups			Demobilization	Reinsertion	Reintegration
Phase I	FAB & APPMs		14,000	14,000	13,100
		Of which adult	9,000	9,000	8,100
		Of which children	5,000	5,000	5,000
	Gardien de la Paix and Combattants militants		30,000	30,000	3,000
		Of which adult	27,000	27,000	0
		Of which children	3,000	3,000	3,000
Phase II	NDF		41,000	41,000	36,900
		Of which adult	41,000	41,000	
		Of which children	0	0	0

Attachment 5 A Comparison of Transitional Safety Nets

<i>Country 1/</i>	<i>Estimated amount (\$ 2/</i>	<i>Calculation</i>	<i>Duration</i>	<i>Differentiation</i>	<i>Payment modalities</i>	<i>Cash payment method</i>
Chad 1992	560 – 670	salary	12 months	rank	cash	5 installments
Chad 1996	860 – 1,480	salary	12 months	rank	cash	5 installments
Djibouti 1995	1,000 – 2,000	salary	6-12 months	location of service	cash	lump-sum
Eritrea 1993	400 – 800 – 1,600	-	-	duration of service	cash	lump-sum
Ethiopia 1991	46 – 160 3/	basic needs	6-7 months	multiple 6/	cash and in-kind	lump-sum/7 installm
Ethiopia 2000	350 – 420 – 460	basic needs	12 months	disability	cash	3 installments
Mozambique 1994	760 (cash: 500) 4/	salary	24 months	rank	cash and in-kind	13 installments
Namibia 1990	490 3/ 5/	basic needs, salary	9-12 months	employment status, faction	cash and in-kind	lump-sum
Rwanda 1997	750 – 1,600	basic needs	10 months	rank	cash	3 installments
Rwanda 2002	110 – 450 – 1,100	basic needs	6 months	rank, faction	cash and in-kind	1-3 installments
Sierra Leone 1999	300	basic needs	6 months	none	cash	2 installments
Uganda 1992	845 (cash: 560)	basic needs	6 months	none	cash and in-kind	2-3 installments

1/ Start date of program

2/ Excluding administration; approximate amounts due to exchange rate fluctuations.

3/ Cash component only.

4/ Average amount.

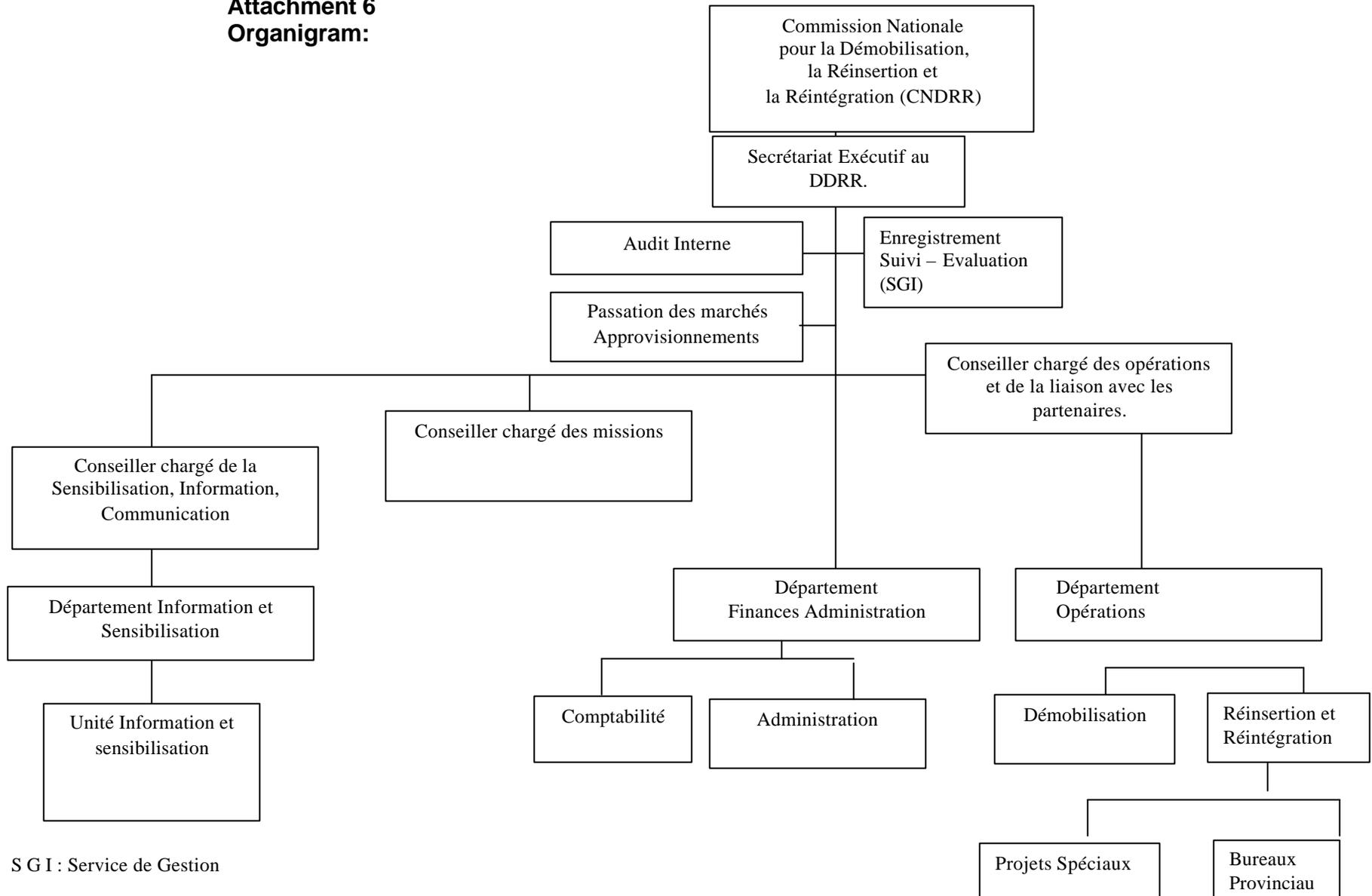
5/ Post-discharge salary payments to SWATF ex-combatants not included.

6/ Duration of service, location of settlement, disability, access to other benefits (pension, civil service).

7/ Core package only (irrespective of rank).

Source: Kostner 2001.

**Attachment 6
Organigram:**



Attachment 7

Classes of Eligible Imports to be Financed Under the IDA Grant (Category 1)

1. Agricultural equipment and inputs.
2. Petroleum and fuel products.
3. Construction materials.
4. Transport vehicles and spare parts.
5. Livestock, animal products and veterinary supplies.
6. School supplies and equipment.
7. Medical supplies and equipment.
8. Construction equipment, industrial machinery and spare parts.
9. Electrical equipment, machinery, materials and parts.
10. Industrial raw materials and chemicals.

Attachment 8

Social and Environmental Safeguard Arrangements

The Burundi Demobilization, Reinsertion and Reintegration Program (DRRP) aims to demobilize a large number of ex-combatants and support their reintegration into civilian life. To enhance the chance of success, the DRRP needs to address a range of social and environmental issues effectively. To this end, six months within Grant Effectiveness, a Social Assessment including an Environmental and Social Management Framework will be prepared and disclosed. Its purpose will be to identify potential social and environmental impacts, summarize the social and environmental mitigation measures implemented under the Program, outline targeted monitoring and evaluation activities, and propose institutional capacity building activities.

1. Social and Environmental Dimensions

1.1 Successful long-term reintegration of ex-combatants can make a major contribution to conflict resolution and the restoration of social capital, while failure to achieve reintegration can lead to crime and insecurity and also increase the risk of resumed conflict. Reintegration takes place at the community level, and the perceptions, attitudes and organizational capacity of communities to receive and support ex-combatants become a major factor for determining the success or failure of a demobilization and reintegration program.

1.2 Ex-combatants may face profound social reintegration problems. There may be a generalized fear that ex-combatants are merely conveyers of violence, crime and sexually transmitted diseases. Communities may then resent support provided to what is perceived as an overly privileged group. Ex-combatants may be discriminated against on the basis of previous military affiliation. Their personal security may be at risk, especially if they committed atrocities in the communities to which they return.

1.3 Female ex-combatants who have become accustomed to a more independent way of life in the military may struggle to adapt to the expectations of traditional communities. Female partners of ex-combatants and their children who migrate to communities of other ethnic, linguistic and/or cultural backgrounds may be rejected. Last but not least, the years of development children lose to military life profoundly affect their future identity.

1.4 Ex-combatants may also exert pressure on the natural resource base, especially in communities with high population densities. Community members may be involuntarily displaced or ex-combatants involuntarily resettled to communities that are not of their choice. Traditional tenure arrangements may bar female ex-combatants from access to land. Ex-combatants may start income-generating activities that, if uncontrolled, may lead to overgrazing, deforestation or improper waste management.

2. Social and Environmental Management Arrangements

2.1 Building on lessons from reintegration programs for displaced persons and ex-combatants in Burundi and elsewhere, the Program contains a number of specific elements to identify social and environmental risks and devise appropriate mitigation measures. These procedures and measures will be based upon a social and environmental framework developed for the Multi-Country Demobilization and Reintegration Program (MDRP) by the Africa Region's Social and Environmental Safeguards unit (ASPEN) in collaboration with the MDRP Secretariat. They will be described in detail in the Program Implementation Manual.

2.2 *Access to land.* The program would seek to facilitate access of ex-combatants to land in areas of return in accordance with local land tenure systems and with support from local authorities. The following principles would be applied: (i) the program would not bear the cost of land acquisition; (ii) ex-combatants will be free to settle in the community of their choice; (iii) no citizen would be compelled to cede any land to an ex-combatant; (iv) thus there would be no involuntary displacement of civilians as a result of ex-combatants settling in a community.

2.4 *Social reintegration.* The principle objective of the social reintegration assistance would be to ease the return of ex-combatants into civilian life while promoting reconciliation and harmony. Given that a significant proportion of the target group would have spent a significant period of time in military service, many have only known war in their adult life. This fact, coupled with the lack of previous work experience and low educational levels of many of the former soldiers, will require social support following their return to communities.

2.5 Facilitators working with ex-combatants would undertake activities to promote the social reintegration process, including:

- (i) Community level sensitization and confidence building programs;
- (ii) Assessments of community perceptions of ex-combatants and ex-combatants' perceptions of communities; Awareness-raising programs focused on civic rights and responsibilities;
- (iii) Information and counseling on sexually transmitted infections (STIs), HIV/AIDS, health and sanitation;
- (iv) Media campaigns through radio, posters, pamphlets and print media;
- (v) Conflict analysis and reconciliation activities in areas of real or potential tension to develop concrete interventions to diffuse potential conflict; and
- (vi) Community activities (cultural, sporting events or work projects) which promote social cohesion and help to rebuild social capital in return communities.

2.7 *Gender.* While it appears unlikely that the number of female ex-combatants to be demobilized will be sizeable, the DRRP would provide targeted support for the social and economic reintegration of female ex-combatants. Specific measures would include the following:

- (i) Provision of information and training to Joint Liaison Teams and AMIB concerning the eligibility of female ex-combatants for DRRP assistance;
- (ii) Sensitization of APPMs in pre-disarmament assembly areas about the eligibility of female ex-combatants for DRRP assistance;
- (iii) ensuring that all benefits for ex-combatants are equal for and equally accessible to men and women;
- (iv) encouraging implementing partners to ensure that their reintegration support activities facilitate the participation of female ex-combatants;
- (v) encouraging female ex-combatants to participate in existing women's associations;
- (vi) including partners of ex-combatants and women in communities of return in community-level counseling activities;
- (vii) strengthening the gender awareness and capacity of the staff of the ES/NCDRR and authorities of the communities to which a significant number of female ex-combatants may return; and
- (viii) monitoring the impact of the Program on partners of ex-combatants and women in communities of return and bringing emerging problems to the attention of the relevant authorities.

2.8 *Disabled ex-combatants.*¹⁷ To date, only limited medical and economic assistance has been provided to disabled ex-combatants. The DRRP would provide assistance for medical rehabilitation depending on the degree of disability, and including the provision of physical rehabilitation assistance (prosthesis and orthosis), counseling, vocational training and/or support for micro-enterprise activities. Furthermore, the DRRP would seek to reinforce key medical facilities (such as the provincial orthopedic workshops in or near areas of return) to provide systematic prosthetic and physiotherapy services, including maintenance of prosthetic devices, to ex-combatants.

2.11 *Under age ex-combatants.* In close coordination with the National Child Soldier Demobilization and Reintegration Project and UNICEF, the DRRP will support assistance to underage soldiers and other minors associated with both armed forces in accordance with the Cape Town Principle definition of “child soldiers”. Assistance for the reintegration of child soldiers would include family tracing and unification, trauma counseling and psycho-social care, and facilitation of access to education and recreation in communities of settlement. Children older than 15 years may have different needs and would receive appropriate support (e.g., for vocational training).

¹⁷ Disability is defined as functional limitation within an individual caused by physical, mental or sensory impairment. If the pattern of disability among ex-combatants follows national averages, about three in five disabled soldiers are likely to have traumatic injuries resulting in loss of limb through amputation (due to war, landmines, or accident) and about two in five disability originating from disease and resulting in loss of a bodily function (e.g. deafness, blindness, paralysis due to poliomyelitis)

2.12 *Environmental classification.* The program is classified as environmental category B, although the phased and widely dispersed reintegration of 55,000 ex-combatants into civilian life over a period of four years is expected to be environmentally neutral. Furthermore, the program will not finance the construction or rehabilitation of infrastructure other than the possible small-scale rehabilitation of certain medical rehabilitation centers and Demobilization Centers. Environmental mitigation measures under the program include the screening and monitoring of sub-projects financed under the reintegration component for environmental impact according to the procedures, acceptable to IDA, set up by the Government.

2.13 *Environmental screening.* The DRRP may provide reintegration support to ex-combatants in the form of sub-projects in the areas of agricultural activities, community works, training, and promotion of income-generating activities. Community works activities and income-generating activities would be screened for environmental impact using screening mechanisms developed for the MDRP. The objective of environmental screening would be to minimize the negative environmental impacts of the Program. The screening procedures will be tailored to the small-scale nature of community works and income-generating activities, examining the potential for impacts and identifying any mitigation measures. The focus of the screening would be on the following issues: health, water and sanitation, natural resource exploitation, erosion, pesticide use and any other safeguard-related issue. The screening will also assess the potential environmental impact of community works and income-generating activities on neighboring communities. In case of wider negative environmental impact, actions would be agreed upon with the relevant local administrations.

3. Social and Environmental Monitoring and Evaluation

3.1 The DRRP will seek to promote participatory social and environmental monitoring. Annual evaluations would include an assessment of, among other things: the procedures governing access to land; the occurrence of involuntary displacement or resettlement; the degree of community acceptance; the existence of discrimination on the basis of gender or previous military affiliation; the level of personal security of ex-combatants; the level of criminal activities undertaken by ex-combatants; and the impact on an ex-combatant's family members. The evaluations would help to identify social and environmental impact, determine the appropriateness of procedures and processes, and make recommendations for improvements where necessary.

3.2 *Social assessment.* Shortly after Grant effectiveness and building on relevant preparatory activities (preparation of the sensitization program and of the pre-discharge orientation), a social assessment will be undertaken and will include the following:

- (i) A stakeholder analysis;
- (ii) An institutional capacity diagnostic;
- (iii) The development of a public consultation mechanism as part of the DRRP's sensitization program; and
- (iv) The design of a participatory monitoring and evaluation framework.

3.3 The social assessment will help identify the social and cultural structure of incentives and constraints that guide and govern behavior with respect to building social cohesion and promoting the sustainable use of natural resources. Furthermore, it will help determine the relevant social indicators for participatory monitoring, including on the social exclusion of returning ex-combatants. Also, attention will be paid to returning Batwa ex-combatants in project areas.

3.4 Information will be distributed horizontally (especially important for the beneficiaries and in general for sake of transparency) and vertically in the management structure of the Program. Information will be readily available for assembly and analysis into periodic monitoring and evaluation reports. The Program's computerized Management Information System is built around these parameters.

3.5 *Independent evaluations.* A special Program element would be annual evaluations of environmental and social indicators as part of the annual Program evaluation undertaken by independent consultants. These evaluations would include a beneficiary assessment and a review of Program achievements. The issues to be addressed would include, among other things: the procedures governing access to land; the occurrence of involuntary displacement or resettlement; the degree of community acceptance; the existence of discrimination on the basis of gender or previous military affiliation; the level of personal security of ex-combatants; the level of criminal activities undertaken by ex-combatants; and the impact on an ex-combatant's family members. The evaluations would help to identify social and environmental impacts, determine the appropriateness of procedures and processes, and make recommendations for improvements where necessary.

3.6 The monitoring and evaluation system is designed in such a way that the regular review of social and environmental aspects is part and parcel of Program implementation, and that mitigation measures would be initiated quickly as needed.

Attachment 10

Financial Management and Auditing

A. IMPLEMENTATION ARRANGEMENTS

Program Management Structure

The main implementing agency for the program will be the Ministry of Finance while the Ministry of Defense will provide logistical assistance in the demobilization phase.

Central level

The National Commission for Demobilization Reinsertion and Reintegration (NCDRR) will be the Government's supervisory body. The Commission will advise the Government on matters concerning the demobilization and reintegration of ex-combatants.

The overall coordination of the Program will be under the responsibility of the Executive Secretariat, which will be headed by an Executive Secretary. He will be assisted by three head of departments including the Director of Administration and Finance, the Director of Operations and the Director of Information Systems, as well as a Procurement Specialist. There would be a clear division of labor between the commissioners and the Executive Secretariat.

Provincial level

The NCDRR will establish a decentralized presence at the provincial level to help administer reinsertion and reintegration assistance. Provinces in which a significant number ex-combatants settle, a fully-fledged Provincial Program office will be established. In those with fewer ex-combatants, an assistant program officer would be attached to the local administration.

Planning, Budgeting & Budgetary Control

The project will ensure the existence of suitable work plans. Planning will be done within the guidelines issued in the Program Implementation Manual to be adopted prior to project effectiveness.

A well defined budgeting and budgetary control system will be put in place. Annual budgets will be prepared based on specific guidelines contained in the project implementation manual and on annual work plans. The Technical Annex and the Program Implementation Manual will include a disbursement schedule. They will be used as the basis for the preparation of annual budgets. The plan will be updated as part of project implementation.

The budget format will be based on program components and will be integrated into the program accounting system. The budget will be used as a management tool. Expenditures will be authorized in accordance with agreed budgets.

Accounting System

Financial Management Manual

The accounting system of the project will be based on well documented Manual of Financial and Accounting Procedures. Proper books of accounts will be kept on double entry principle using the cash based system.

Written job descriptions with defined duties, responsibilities, lines of supervision and approval limits will be established. Definition of responsibilities should ensure segregation of duties for proper accountability.

Staff and Transaction Recording

The program will be under the responsibility of the Executive Secretary who reports to the Commission. He will be assisted by a Chief Financial Officer(CFO), a Chief Operations Officer, a Procurement Specialist and a Chief Information Officer. An accounting unit will be created for program activities under the control of the CFO.

Thus, the accounting system should allow for the proper recording of program financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories and sources of funds. Controls over the preparation and approval of transactions should be put in place to ensure that all transactions are correctly made, recorded and reported.

A well defined chart of accounts will be put in place. The chart of accounts should be developed in a way that allows project costs to be directly related to specific work activities and outputs of the project.

The accounting system will be managed through an accounting software. This should facilitate the production of the required program financial reports. Accounting staff will be adequately trained to maintain the system and appropriate controls will be instituted to safeguard the confidentiality, integrity and availability of the data. The accounting system will be able to generate financial monitoring reports.

Books of Accounts

Although a computerized accounting system will be put in place, Program Management should ensure that proper books of accounts are kept. This will be achieved through a well defined filing system that allows authorized users easy access to accounting and

supporting documents on a permanent basis. Registers for Fixed Assets, Contracts , Incoming and out-going Cheques, should be properly maintained.

Reporting Arrangements

Integrated Financial Management Information System

The program will put in place an Integrated Financial Management Information System. The system should integrate the Budgeting, Operating and Accounting Systems to facilitate monitoring and reporting. System generated formats for periodic reports will be developed and agreed with program management. An action plan will be reached with the borrower before Board Presentation.

Financial Monitoring Reports(FMRs)

Project management should be able to produce FMRs by effectiveness. Consolidated quarterly FMRs will be produced to include:

- Sources and Uses of Funds by Credit Categories and Program Components
- Output Monitoring Report
- Procurement Monitoring Reports

Financial Statements

In compliance with International Accounting Standards (IAS) and World Bank requirements, the project will produce annual financial statements. Financial Statements will include:

- A Statement of Cash Receipts and Payments which recognizes all cash receipts, cash payments and cash balances controlled by the project.
- A Balance Sheet that shows Assets and Liabilities.
- A Statement of Sources and Uses of Funds.
- Notes in respect of significant accounting policies and accounting standards adopted by management and underlying the preparation of financial statements.
- A Management Assertion that Bank funds have been expended in accordance with the intended purposes as specified in the World Bank legal agreement.

The report will be prepared in accordance with the Guidelines for Borrowers on Financial Monitoring Reports.

Monitoring Reports

Monthly Activity Reports will be prepared by Program management.

Audit Arrangements

External Auditing

Qualified independent auditors will be appointed by the Technical Secretariat. The selected auditors will be acceptable by IDA in terms of independence, qualifications and experience. The audit will be based on terms of reference agreed with IDA. The external audit work will include all World Bank funds, other funds and Government funds(if available) of the program.

Furthermore, the financial statements of the Program will be audited every six months until performance is proved to be satisfactory. The date of the first audit will be determined in consultation with IDA.

In addition to the audit report, the auditor will be required to prepare a Management Letter where internal control weaknesses and recommendations for improvements, are highlighted.

A single audit opinion will be issued on program income and expenditures, special accounts and statement of expenditure. The audit reports along with Management Letters will be sent to IDA and all other financing partners not later than four months after the end of each preceding period.

Supervision

Financial Management Supervision will be done by the program World Bank Financial Management Specialist over the program life to ensure the implementation of strong financial management systems. Statement Of Expenditure(SOE) reviews will be undertaken where necessary, in compliance with World Bank requirements. The Project Status Report(PSR) will include a financial management rating.

On a semi-annual basis or at such time that the Government and the Bank deem necessary, the Government and IDA would carry out joint supervision missions. These missions would make spot checks on a small random sample of beneficiaries at their place of residence to verify the use of the funds disbursed.

Disbursement Arrangements

Financing Mechanisms

There would be five distinct financing mechanisms to manage Program funds:

- A quick disbursing mechanism for Category (1)

- A special Account for Categories (2) to (5) of the Grant
- The government's contribution, inclusive of Franc Burundais equivalent of US\$ deposited for the quick-disbursing mechanism, other donor support through the budget, and Government's counterpart contribution;
- A Special Account for the Multi-Donor Trust Fund (MDTF)
- Other bilateral financing partners

The rapid implementation of the Program requires a substantial amount of primarily local currency at specific points in time. The Program addresses this exigency by incorporating the provision of foreign exchange through a quick disbursing mechanism. This mechanism would consist of reimbursement to the Government of the foreign currency used for private sector imports for eligible goods included in a pre-approved positive list of imports. The proceeds of the quick disbursing component will be disbursed in accordance with the implementation of Program activities.

Upon receipt of the proceeds of the Grant through the release of each installment into the Deposit Account, the Central Bank of Burundi (BRB) will convert the foreign currency into Burundian Francs and deposit them in a Demobilization and Reintegration Fund Account (DRFA) opened by the Government for this purpose.

A positive list of imports will be established. It will be linked to the emergency at different levels:

- The rehabilitation of infrastructure and equipment destroyed by or dilapidated during the war
- The (re) construction of houses for war affected populations
- The program proper, in particular the reintegration component (agriculture, training, etc) but also the demobilization (transport, rehabilitation, etc).

Banking Arrangements

World Bank Financed-Projects activities in Burundi are generally controlled through Special Accounts (SA) and Project Account (PA). Counterpart funds are usually received through the Project Account. These accounts are managed by the Project Management.

The following bank accounts will be maintained by the Executive Secretariat for program funds:

- Deposit Account : Denominated in US dollars, will serve as the main project account into which will be deposited program funds under the quick disbursement mechanism for Category (1) of the Grant.
- IDA Grant Special Account: Denominated in US dollars, will be to deposit program funds for Category (2) to (5) of the Grant.
- MDTF Grant Special Account: Denominated in Us dollars, will be deposited program funds from the Multi-Donor Trust Fund (MDTF).

- Demobilization and Reintegration Fund Account(DRFA): This will be denominated in local currency and counterpart funds from the Government of Burundi may be deposited on this account in accordance with program objectives.

The Deposit Account will be maintained in BRB. The Special Accounts, and the DRFA will be maintained in a Commercial Bank with a wide geographical coverage. The Commercial Bank should be acceptable by the World Bank.

Disbursement of IDA Funds to Program Management

IDA funds will be disbursed to the Program Management for activities based on Financial Monitoring Reports (FMRs) that include financial reporting, procurement and contract management with physical implementation progress.

The Borrower will open the Deposit Account for Category 1 in US dollars in the BRB. Upon Grant effectiveness and at the request of the borrower, proceeds of the first installment would be deposited in this account against Statement of Expenditures. The remaining installments would be released if the Program is being implemented in a manner satisfactory to the Association and on the basis of:

- An implementation plan and resource requirements for the subsequent 6 month period;
- A list of ex-combatants, identifying the amount of the funds allocated to each in support of their reinsertion and reintegration; and
- Verification that a statistically representative sample of the Ex-Combatants have received their payments in accordance with the work program and budget of the Project and providing information on the purposes for which the resources were utilized by the ex-combatants as well as their income-generation and social status.

Provincial Program offices will manage petty cash accounts for limited expenses. The petty cash will be managed on an imprest system. Petty Cash limits will be established. It will be replenished on presentation of adequate justifications.

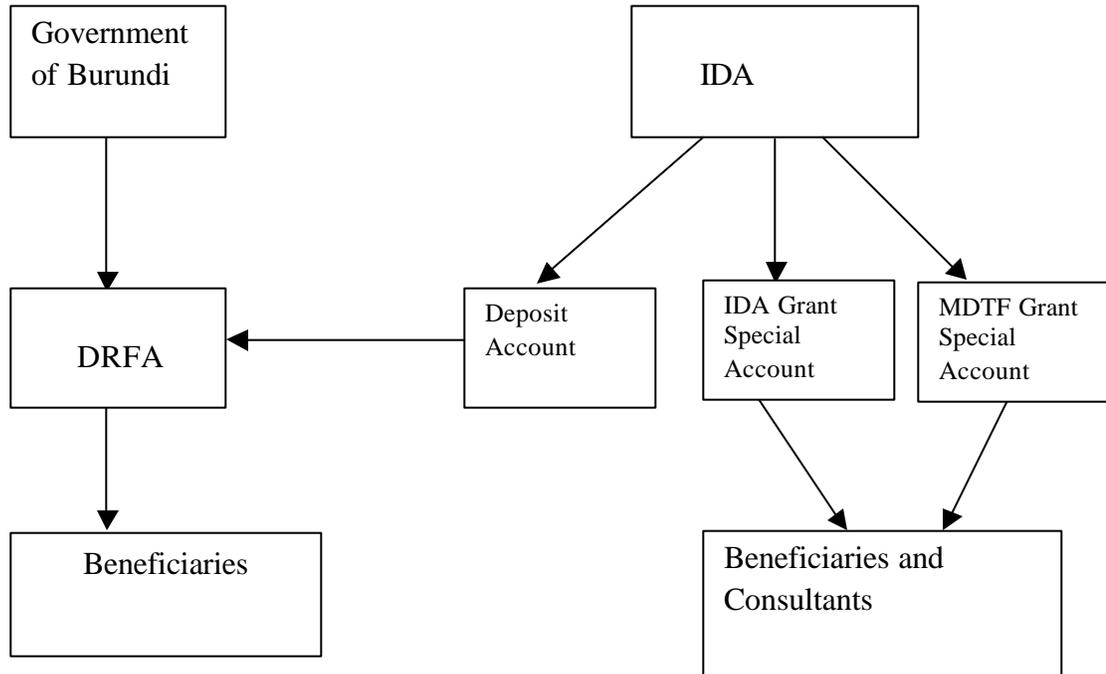
Disbursement of funds from DRFA to Ex-combatants

Funds will be disbursed to the DRFA to Ex-combatants through the Commercial Banking System. Eligible ex-combatants will be required to open accounts in a Commercial Banks. Payments will be initiated and authorized at the central level by the Executive Secretariat.

Flow of Funds

The diagram below illustrates the Funds Flow arrangements:

FUNDS FLOW ARRANGEMENTS



B. CONCLUSION

Financial Management risks will be reduced through the implementation of the action plan

Financial Management Action Plan

Issue	Mitigation Measures	Due Date
Program Implementation Plan	A Program Implementation Plan should be prepared, discussed and agreed with the World Bank..	Before Grant Effectiveness
Program Implementation Manual, including Financial Procedures	The FPM will be prepared to document the financial management procedures to be used for the program	Grant Effectiveness
Accounting system	An Integrated Accounting System should be put in place.	Grant Effectiveness
Audit of Program Financial Statements	Terms of Reference for the audit of the financial statements of the program will be updated and agreed with IDA. These will spell out the scope and coverage for the recruitment of External Auditors.	Within four months of Grant Effectiveness