



BURUNDI BELLMON ANALYSIS
Update FY 08
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SECTION 1 EXECUTIVE SUMMARY

In November of 2005, an inter-agency team undertook the FY'06 Bellmon Analysis for Burundi¹ followed up with an update in September 2007.² The purpose of this analysis is to update the information produced in the FY06 Bellmon Analysis for Burundi in terms of development food aid programming which includes direct distribution and monetization of U.S. agricultural commodities provided for use in Burundi as of FY08. This survey is to determine if food aid meets the criteria set forth in the amendments of 1977 to section 401.b of P.L. 480 (the "Bellmon Amendments"), specifically that no agricultural commodity shall be made available under this act unless it is determined that³:

1. Adequate storage facilities are available in the recipient country at the time of exportation of the commodities to prevent the spoilage or waste of the commodities, and
2. The distribution of the commodities in the recipient country will not result in a substantial disincentive or interference with domestic production or marketing in that country.⁴

1.1 Disincentive Determination

The analysis finds that many of the commodities available through Title II present a potential disincentive to domestic production. The analysis specifically concludes that any monetization or distribution of dried beans, rice, or refined vegetable oil (vegoil), presents a significant potential for disincentive to local production based on the capacity of domestic production, and evidence of commodity re-sale by some World Food Program (WFP) food aid recipients. The author notes that the potential for disincentive is particularly serious in the case of vegoil, because of the precarious state of the Burundian palm oil industry. The authors hence strongly recommend that any implementers program only locally produced vegoil, possibly procured through local purchase (LPC) schemes, which would support the Burundian oil industry rehabilitation.

The findings suggest that some distribution of maize, sorghum and peas would not create a disincentive to local production, and hence *could* meet the criteria for a positive Bellmon Determination.

The maize balance sheet shows an average deficit of approximately 70,000 mt after an average distribution by WFP of 33,000 mt, therefore a further additional distribution of 7,200 mt is unlikely to be a disincentive to the market. Rice is an important cash crop, and the only crop to have seen an overall increase in production and consumption therefore the monetization or the distribution of rice into the market is likely to disrupt the market impacting negatively on the producers. Given the drought resistance and the substitutability of sorghum, along with the balance sheet deficit distribution of 2,100 mt is unlikely to be a disincentive to the market. Considering the development of the oil seed industry, the importance of informally processed palm oil to the local population and the limited imports of refined oil further distribution of oil is likely to further increase the disincentive to the market, while some local purchases are now being made of refined oil, care must be taken that this does not reduce the supply to the market, particularly in reducing availability of the more affordable oils. Given the capacity of the country to produce beans distribution or monetization of beans is likely to produce a disincentive to the market. There is the possibility to target distribute up to 3,800 mt of peas and split peas which is unlikely to adversely affect the market.

¹ Funded in part under ACDI/VOCA, LAND O'LAKES, CRS and World Vision USAID Institutional Capacity Building Grants ACDI/VOCA Agreement # AFP-A-00-03-00009-00 & Land O'Lakes Agreement # AFP-A-00-03-00025-00

² Funded by USAid / Food for Peace Offices

³ USAID Bellmon guidance was updated in 2003 to include the statement that "Missions are reminded to ensure that Bellmon Analyses are to take into account the aggregate impact of multiple CS programs, as well as Title I, Title II, and USDA Section 416(b) and Food for Progress Programs, if applicable" USAID/DCHA/FFP/ Internet Web Page, FY04 Mission Instructions CABLE, Bellmon Determination and UMR Requirements. An exception to this requirement is USG donations to the World Food Programme (WFP).

⁴ "Bellmon Certification Requirements for P.L.480 Title II Activities" USAID Mission Cable

Figure 1: Burundi FY07 Commodities for additional Distribution (mt)

Commodity	2007
Maize	7,200
Maize meal	0
Vegetable oil	0
Beans	0
Sorghum	2,100
Peas and Split peas	3,800
Total	13,100

Monetization of some wheat grain is feasible, and meets the criteria for a positive Bellmon determination. **This analysis specifically concludes that monetization of up to 12,000 mt of wheat grain would not create a disincentive to local production.** This figure could potentially be increased if additional milling capacity comes on line as planned in 2008.

The business environment is conducive to Title II monetization and bolstered by a new government attempting to reinvigorate the private sector through economic incentives and tax breaks. Goods may be imported through a combination of rail and lake transport, though commodity arrivals should be timed to avoid the rainy seasons.

Figure 2: Burundi FY07 Maximum Commodities for Monetization (mt)

Commodity	Maximum
Maize	0
Rice	0
Sorghum	0
Wheat grain	12,000
Refined vegetable oil/CDSO/Soybeans(b)	0
Dried beans	0
Nonfat Dried Milk	0

While monetizing 12,000 mt would not provide a disincentive to the local market, the MYAP is for a maximum \$5 million per year which if 30% is allocated to monetization results in between 2 – 3,000 mt per year to be monetized into the Burundian market. It is strongly recommended that all three years are monetized in the first year of operation – front loading.

1.2 Logistics Determination

The conclusion of this analysis is that existing port, transport and storage facilities meet the criteria for a positive Bellmon determination for the commodities under consideration here.

Additional Findings

Additional findings with regard to distribution and monetization of P.L.480 commodities in Burundi in FY07 are:

- Burundi is in a fragile period of recovery dictating that both emergency and development programs require careful consideration. In particular, the importation of food aid commodities amidst improving, though fragile, security and the return of internally and externally displaced persons should be factored into the findings. The most immediate test to Burundi's recovery is the government's ability to engender political and economic stability following the UN Peacekeeping withdrawal.
- The population of Burundi is estimated to have increased by 24% between 1990 – 2006, while production over the same period is estimated to have increased by only 2.4%. Simultaneously there has been a decrease in cereal production and an increase in root and tubers which has nutritional significance.
- Access-related food insecurity is widespread in Burundi. Specific food insecure groups include displaced persons, and returnees, orphans, woman and child-headed households,

and people living with HIV/AIDS (PLWHA). Currently, WFP implements programs to support the food security of these groups.

- Leakage due to diversion occurs, and diverted food aid is highly visible in local markets, in particular vegetable oil.
- Corruption and threat of violence are major problems that can impact the integrity of food aid programs in Burundi.
- The Government of Burundi (GOB) does not currently place restrictions on the import of genetically modified organism (GMO) commodities.
- Improvements in fiscal policy have stabilized the Burundian Franc (BF) to the degree sellers could now accept payment for monetized P.L. 480 commodities in local currency. In addition, local banks are capable of providing suitable credit guarantee mechanisms for carrying out commodity monetization in Burundi.
- The Government of Burundi (GOB) has a favorable policy to import humanitarian and agricultural commodities, though some PVOs have had difficulty to clear goods duty-free.
- An Emergency Market Intervention is not warranted.
- Although not analyzed here, utilizing protein isolates to fortify roots and tubers is an interesting option for improving nutrition.
- Although not analyzed here, there is the possibility of introducing de-fatted soy flour (with the assistance of the American Soybean Association (ASA)) to the bakers to improve the quality of the bread and the economics of bread producing (increased volume, uptake of water and longer shelf life) however the cost of the defatted soy flour in comparison to the benefits would have to be calculated to ensure it will make financial sense to the bakers and prove sustainable in the long term.

SECTION 2 COUNTRY OVERVIEW

Burundi is a small landlocked country in Eastern Africa, covering an area of 27,834 square km. Its terrain is mainly composed of low hills and mountains in the center, and a strip of plains in the east and southeast. Lake Tanganyika comprises more than half of its western border. The climate is subtropical to tropical. Burundi shares land borders with the Democratic Republic of Congo (DRC), Rwanda, and Tanzania.

2.1 Socio-Demographic Overview

No “official” census has been carried out in Burundi since 1990. However, the Food and Agriculture Organization (FAO) estimates the 2007 population as of 30th June at 8,062,413, with a growth rate of about 2.2 percent however other estimates range from 7.8 – 8.3 million. The main ethnic groups are Hutu (85 percent), Tutsi (14 percent), and Twa (one percent). Around 67 percent of the population is Christian, primarily Catholic and ten percent are Muslim. About 23 percent of the population follows traditional beliefs. The official languages are Kirundi and French. Swahili is also commonly spoken in Bujumbura and along Lake Tanganyika.⁵

Figure 3: Burundi 2007 Demographic Data

Indicator	Estimate
Population (2007 est.)	8,062,413
Population Growth Rate 2005 (%)	1.9
Birth Rate 2005 (births/1,000 population)	46.0
Death Rate 2005 (deaths/1,000 population)	17.6
Infant Mortality 2005 (deaths/1,000 live births)	61.93
HIV/AIDS Prevalence (%) ^(a)	Rural: 2.5 Urban: 9.4
Life Expectancy at birth (years)	44

Source US State Department, World Bank, UNDP, UNICEF, FAO

a. “*Enquete Nationale de Seroprevalence de l’infection par le VIH au Burundi*” CEFORMI, December 2002

Burundi has the second highest population density in Africa - about 250 inhabitants per square km and the second highest growth rate. This figure rises to about 421 inhabitants per square km on arable land. The population density results in pressure on arable land, upon which most rely upon for their livelihood. Average farm size is only about 0.7 ha, diminishing to 0.4 ha in the central plateau. Between 1983 and 2003 the urban population grew from about 5.1 percent to about 10.9 percent. The FAO estimates the current urban population at over 800,000 persons, concentrated in the capital Bujumbura, and in provincial towns such as Ngozi and Gitega and Burundi has a low urbanization rate of between 7 – 10 percent.⁶

Though Burundi was relatively food secure in the years leading up to the war with production increases matching population increases (around 3 percent), the current situation has deteriorated as a result of war, poor climatic conditions and crop disease. It is estimated that the population increased 24 percent from 1990 – 2006 while total production has remained relatively static. A study conducted by WFP in 2004 revealed that kilocalorie per capita consumption per day varies drastically by region. Based on a survey measuring seven-day recall consumption of individuals from all regions, the study recorded a low of 1,681 kcal per day in Kayanza region to a high of 2,365 kcal per day in Makamba region and a country average of 1,945 kcal/day/capita.⁷ Further signs of the deterioration in food security are evident in the fact that 45 percent of children under five were underweight for age, and 57 percent were under height for age between 1995-2003. Furthermore, the proportion of the population recorded as undernourished rose to 68 percent in 2002, compared to 48 percent in 1992.⁸

⁵ WFP “Burundi Food Security and Vulnerability Report” September 2004

⁶ Nkurunziza et. al puts the rate at 7% and Garcia et. al at 10%

⁷ ibid

⁸ UNDP, Human Development Indicators for Burundi 2004

Before the outbreak of the civil war in October 1993, health indicators largely met World Health Organization (WHO) standards. Since then, the situation has continuously deteriorated. The current ratio of physicians to population is only one for every 100,000 persons. Maternal mortality rates have risen by more than 82 percent since 1992 with a ratio of about 70 maternal deaths to every 1,000 live births. Infant mortality rates for under-fives nearly doubled, reaching 190 for every 1000 live births.⁹ During the period 1981-1990 access to potable water increased from 30 to 55 percent, and access to sanitation increased to 71 percent in urban areas and 47 percent in rural areas.¹⁰ However due to the civil war these figures have dropped dramatically, and today 21 percent of the population does not have access to minimum standards, i.e. ten liters of potable water per person per day. 64 percent of the population does not have access to sanitation facilities.¹¹

It is difficult to determine the extent of the HIV/AIDS epidemic in Burundi due to lack of reliable data and high population displacement. In 2002, the GOB estimated infection rates at 2.5 percent in rural areas, 10.5 percent in semi-urban areas and 9.4 percent in urban areas.¹² Available data suggests that infection rates have been decreasing since 1997 among urban women, but increasing in rural areas.¹³

Due to factors including poverty, lack of understanding about the disease, stigma, extensive sexual violence during the war and in its aftermath, and the disempowerment of women in Burundian society generally, rates of infection may be higher than current estimates. The proportion of orphans due to HIV/AIDS (37 percent of 650,000 orphans) is an indicator of the epidemic's devastating social impacts. USAID estimates that about 27,000 children in Burundi are HIV positive and many more are at risk or otherwise affected. Orphans and vulnerable children (OVCs) are at particularly high risk for contracting HIV/AIDS because they are more vulnerable to sexual exploitation due to desperate economic circumstances, and are more likely to lack parental guidance, positive self-esteem and decision-making abilities. Girls especially are at particularly high risk due to vulnerability to sexual exploitation and biological factors.

Mother to child transmission is a particular problem related to food security/nutrition. Medical professionals are not available to most Burundian women during birth. Instead they choose or are forced to give birth at home, attended by a traditional midwife, who often has received very little training. Therefore, they often do not receive prophylaxis to prevent vertical transmission. Most women cannot afford to feed their babies infant formula, and hence NGOs encourage exclusively breastfeeding for six months. However, given the food insecurity and poor nutrition of these women, they are frequently unable to produce sufficient milk and resort to adding other liquids and food before the child reaches six months.

With funding from the World Bank's Global Fund for Prevention, Burundi's *Conseil National pour La Lutte Contre le SIDA* (National Council for the Fight Against AIDS) offers caretaking and medical interventions, including free HIV testing and anti-retro viral drugs (ARVs). However, ruptures in stocks of testing kits and even ARV medicines often occur. Furthermore, the necessary equipment for testing CD4 levels is often not functioning.

2.2 Political Overview

Burundi has certain similarities with its northern neighbor Rwanda in terms of ethnic constituency, and similar tensions have resulted in civil conflicts on occasion since the country gained independence from Belgium in 1962. In August 1993, the assassination of the Rwandan and Burundian presidents as their airplane came under fire while flying over Kigali resulted in an explosion of inter-ethnic violence. While the 1994 Rwanda genocide attracted enormous media

⁹ UNICEF 2004

¹⁰ World Bank "Interim Strategy 1999-2001"

¹¹ UNICEF 2005

¹² CEFORMI "Enquete Nationale de Seroprevalence de l'infection par le VIH au Burundi" December 2002

¹³ UNAIDS "Burundi Report" 2004

coverage due to the incredible scale of the tragedy, Burundi's conflict has been less publicized. Nonetheless, the World Bank estimates that over 300,000 people lost their lives and 1.2 million were displaced due to the conflict, some to camps in Tanzania and others to internally-displaced persons (IDP) camps in Burundi. At the height of the conflict, an estimated 100,000 people fled their homes monthly, frequently at a moment's notice, and Burundians came to constitute the second largest single group of refugees in the world (following Palestinians).

The aftermath of the civil crisis left tens of thousands of children orphaned and created the phenomenon of child-headed households. In four provinces alone, some NGOs working on the ground have identified and assisted more than 23,000 child-headed households 1999 – 2005. Hundreds of thousands of displaced people, returnees, orphans, children, and female-headed households are amongst the most vulnerable groups.

The peace process, which started with the Arusha Peace and Reconciliation Accord (APRA) in August 2000, gained momentum when the largest rebel faction signed a ceasefire and power-sharing agreement with the Transitional GOB in November 2003. The political transition continued successfully in 2005. A new Constitution was approved in a national referendum in February 2005, communal elections were successfully conducted in June 2005, and parliamentary elections were held in July 2005. Mr. Pierre Nkurunziza, leader of the former rebel movement, National Council for the Defense of Democracy - Forces for the Defense of Democracy (CNDD-FDD), was elected the new president by the Parliament and sworn into office on August 26, 2005. By July 2005, most rebel groups had reached separate peace agreements with the GOB. On May 15, 2005, the Forces for National Liberation (FNL) signed an agreement to cease hostilities, but a formal accord is still outstanding and security remains fragile in the areas they occupy, notably *Bujumbura Rural*, in the immediate environs of Bujumbura.

On July 4, 2005, Burundians elected members of the CNDD-FDD – predominantly ethnic Hutu - comprising the majority with 58.5 percent. Subsequently, the National Assembly and Senate (composed of an electoral college of councilors in each province) nominated Pierre Nkurunziza for a five-year term as President.¹⁴ Nonetheless, CNDD-FDD did not win a large enough number seats to make amendments to the constitution given the 25 percent seats allotted to the FRODEBU party and 13 percent to Uprona.¹⁵ Various interviews in 2005 with newly-installed government officials revealed that efforts are underway to release an action plan on food security, economic reform and bolstering of the security situation. However, security continues to be particularly poor in Bujumbura Rural where the FNL rebel group has its stronghold. Furthermore, abuses by CNDD-FDD officials and military were reported to Human Rights Watch. The prevalence of violence and human rights abuses in areas that supported the new government has decreased significantly.¹⁶

Between 2002 and 2004, about half of IDPs returned home.¹⁷ Nonetheless, some 143,000 Burundian IDPs continue to live in 230 sites.¹⁸ The United Nations High Commission for Refugees (UNHCR) estimates that between April 2004 and December 2006 343,199 refugees returned home. The government of Tanzania has called for the repatriation of all Burundians residing in Tanzanian refugee camps (143,000) and the closure of all camps in 2008. This is likely to result in a dramatic increase of returnees, rising from the 22,801 so far in 2007 to an estimated 60,000 refugees and an additional 20,000 expellees (Burundians without refugee status) by the end of the year.¹⁹ Those returning will need support which will require the re prioritizing of food aid deliveries.

¹⁴ African Elections Database (<http://africanelections.tripod.com/bi.html>)

¹⁵ Agence Burundaise de Presse, "Deux Partis denoncent leur sous-representation dans le gouvernement," September 1, 2005

¹⁶ Human Rights Watch, "Burundi: Missteps at a Crucial Moment – a Human Rights Watch Report", November 4, 2005

¹⁷ OCHA "IDP Household Survey" April 2004

¹⁸ Ibid

¹⁹ WFP Executive Brief: Burundi 31st July 2007

The crisis has inflicted a heavy toll on infrastructure with many schools, health centers and private houses destroyed or damaged. The humanitarian sector is now making a concerted effort to rebuild structures.

2.3 Economic Overview

Burundi is a resource-poor country with an underdeveloped manufacturing sector. The economy is predominantly agricultural with over 90 percent of the population dependent on subsistence farming and 44 percent of the GDP derived from agriculture. According to the latest United Nations Development Program (UNDP) Human Development Report for 2006, Burundi is ranked as the ninth poorest country in the world (an improvement since 2004 when it was ranked third). About 55 percent of the population lives on less than \$1 per day.

The decade-long civil war has had an alarming impact on Burundi. During the pre-war period between 1986 and 1992, the Burundian economy grew an average of 3.7 percent per year, though at the same time its budget deficit rose from 8.4 percent to 14.2 percent. Additionally, the country embraced economic reform via structural adjustment programs encouraged by the World Bank contributing to a reduction in the inflation rate to 6.9 percent.²⁰ Reforms in the period included:

- Privatization of 15 percent of all state-run companies (versus 59 percent target)
- Reform of tax/duty structure for imports
- Adoption of variable currency exchange rate, yet leading to 50 percent devaluation of BF
- Monetary policy reform
- Revision of investment code, leasing structure
- Export promotion through a draw-back system in 1990
- Introduction of Value-Added Tax (VAT)
- Agricultural sector reform (e.g. seed production privatized)

Burundi's GDP per capita fell from US\$210 per year in 1990 to US\$110 per year per capita by 2002, thereby relegating the country to the poorest on earth that same year it further reduced to \$90 per year by the end of 2004 still the lowest in the world. Value of exports in 2002 fell to about 27 percent of 1995 exports, exacerbated by a precipitous drop in global coffee prices, which composed 75 percent of total exports. The BF saw a devaluation of 346 percent over this same period. The mass exodus of international aid led to the withdrawal of about US\$240 million in reserves by 2002.²¹ Burundi's current external debt stands at US\$1.5 billion and 53 percent of export receipts are absorbed for debt repayments. Based on improvement in macroeconomic reform and structural reform agenda by the new government, the World Bank and IMF granted Burundi debt relief assistance through the Highly Indebted Poor Countries initiative (HIPC), in total, the debt relief to Burundi under the enhanced HIPC Initiative will be approximately US\$826 million in Net Present Value (NPV) terms, equivalent to 91.5 percent of the NPV, effectively reducing its annual debt by 50 percent annually through 2015.²²

The country has experienced high inflation over the past three years due mainly to the decline in domestic food production partly brought on through climatic shocks. According to the Economist Intelligence Unit, consumer price inflation which is driven mainly by price of food commodities shot up from -1.4 percent in 2002 to 16 percent in 2005. This has led to significantly lower purchasing power for the majority particularly those most food insecure. However inflation has dropped back to more reasonable levels reflecting the increase in staple commodities available in the market.

²⁰ GOB "Cadre Strategique Intermediaire de la Relance de la Croissance Economique et de Lutte Contre le Pauvrete" November 2003

²¹ *ibid*

²² World Bank, "IMF and World Bank Support US\$1.5 Billion in Debt Service Relief for Burundi", Aug. 4, 2005

Figure 4: Figure 1: Burundi's Inflation rates (2001-2006)

	2001	2002	2003	2004	2005	2006
Inflation (%)	9.2	-1.4	6.1	12.6	16	2.7

Source: Economist Intelligence Unit

The country's economy continues to struggle, but data indicates growth in certain sectors. Unfavorable weather conditions coupled with poor crop management severely affected the 2004-2005 coffee crop and the 2006 – 2007 coffee crop, Burundi's primary export. The Burundi Coffee Board (OCIB) maintains stocks and manages the export process, but global coffee prices remain weak. In 2004, smallholder coffee producers received US\$0.45 per kg compared to US\$1.02 per kg in 1990.²³ Tea exports earned US\$10.2 million in 2004. Producer prices also declined 60 percent from 1990 to 2004. The production level of food products, chemicals, textiles, leather, construction materials all declined significantly from 1992-2003. The textile and sugar sectors rebounded in 2002, while the dairy sector felt the greatest blow with a drop in milk production from 2.1 million liters in 1992 to 70,736 liters in 2003.²⁴ A fundamental impediment to growth is insufficient domestic energy production to meet annual demand, which particularly deteriorated from 2002.²⁵ On a positive note, cellular telecommunications grew substantially - from 800 clients with mobile phones in 1999 to 35,802 by 2004.²⁶

There are two state-owned commercial banks in Burundi – *Banque de Credit de Burundi*, and BANCOBU, as well as five private banks - BGF, BPB, SBF, BBCI, and Interbank Burundi. All banks offer a wide range of services including savings, individual and corporate credit, international wire transfer, Western Union, letters of credit, bank guarantee, trade financing, and upcountry branches. Banque de Credit de Burundi, BANCOBU, and Interbank Burundi comprise 76 percent of the bank market with micro-credit and savings and credit cooperatives occupying the balance. Interbank garners the largest market share at 30 percent based on deposits, loans and net income with a liquidity ratio of 117.8 percent, 15.8 percent current ratio, 16 percent Cooke's ratio, and Shareholder's equity of 8.6 billion BF (US\$8.6 million) as of September 30, 2005. Loan interest rates during the crisis period reached a high of 21 percent, though Interbank's current rate ranges between 15 and 18 percent based on the client's credit history and collateral.

Figure 5: Burundi 2005 Commercial Banking Sector Financial Position (in millions)

Indicator	BF 1	US\$
Deposits	162,655	162.6
Loans	121,399	121.4
Net Income	3,850	3.8

Source: Interbank Burundi, BANCOBU, *Banque de Crédit de Burundi*

2.4 Agricultural Overview

Roughly 90 percent of Burundi's population depends on subsistence agriculture. Burundian farmers produce a diverse range of products throughout the country. Major crops include beans, cassava, maize, finger millet, peas, pigeon peas, potatoes, rice, sorghum, sweet potatoes, taro, yams, and even wheat. Approximately 80-95 percent of banana and sorghum production is for beer production.²⁷ Cassava mosaic disease and fungus affecting taro have escalated in recent years, significantly diminishing the production of these crops, particularly in Kirundo and Muyinga.

²³ OCIB "Agriculture de Rente ou d'Exportation"

²⁴ *ibid*

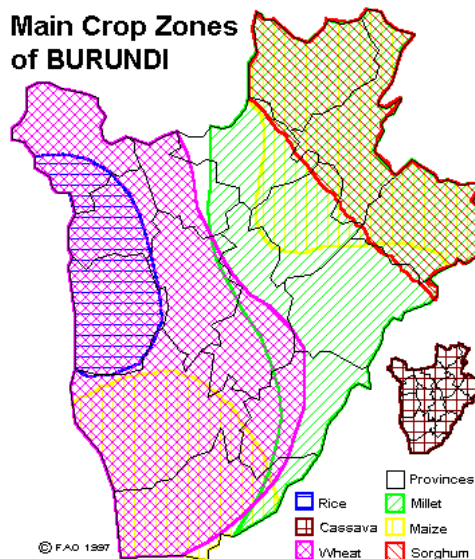
²⁵ Ministère de l' Energie et des Mines - REGIDESO

²⁶ Agence de Régulation et de Contrôle des Télécommunications (ARCT)

²⁷ Doyle, Kevin, Program Manager – Kirundi, CRS/Burundi (discussion with author)

Figure 6: Burundi Major Crops

English	French	Kirundi
Banana	<i>Bananes</i>	<i>Ibitoke</i>
Beans	<i>Haricot sec</i>	<i>Ibiharage vyumye</i>
Cassava	<i>Manioc</i>	<i>Imyumbati</i>
Maize	<i>Maïs</i>	<i>Ibigori</i>
Finger Millet	<i>Eulesine</i>	<i>Uburo</i>
Peas	<i>Petit pois</i>	<i>Ubushaza</i>
Pigeon Peas	<i>Feve</i>	<i>Feve</i>
Potatoes	<i>Pomme de terre</i>	<i>Ibiraya</i>
Rice	<i>Riz</i>	<i>Umuceri</i>
Sorghum	<i>Sorgho</i>	<i>Amasaka</i>
Soybeans	<i>Soja</i>	<i>Isoya</i>
Sweet Potatoes	<i>Patate Douce</i>	<i>Ibijumbu</i>
Taro	<i>Colcase</i>	<i>Amateke</i>
Wheat	<i>Blé</i>	<i>Ingano</i>
Yams	<i>Igname</i>	<i>Ibisunzu</i>



Coffee dominates the commercial crop sector, and coffee exports accounts for about 80 percent of foreign exchange earnings, hence Burundi's import capacity is largely tied to the vagaries of climate and the international coffee market.

Burundi has three agricultural seasons referred to as A, B, and C. The first of these (season A) coincides with rains between October and December, and account for about 35 percent of annual food production. Season B comprises the rains between February and May, and accounts for about 55 to 60 percent of annual food production. Finally, season C occurs with the rains in the first half of June, and in the second half of September, and accounts for about ten percent of annual food production.

Figure 7: Burundi Agricultural Seasons

Month	Weather	Season and Main Crops	Approximate Annual Food Production (%)
October	Rain	Season A Maize, Beans, Potato, Sweet Potato, Peanuts Soya bean, Banana, Sorghum	35
November	Rain		
December	Rain		
January	Dry		
February	Rain	Season B Beans, Potato, Sweet Potato, Vegetables	55
March	Rain		
April	Rain		
May	Rain		
June	Rain 1st half	Season C Maize, Beans, Potato, Rice, Sweet Potato	10
July	Dry		
August	Dry		
September	Rain 2 nd half		

Variations in the distribution of rain have reduced yields of cereal and pulse crops in recent years and farmers have turned to increased planting of roots and tubers. The northern provinces of

Kirundo and Muyinga, and the Moso are the worst affected by severe dry weather.²⁸ While in November 2006 torrential rains led the Government of Burundi declaring a state of national disaster in December 2006, and a rapid assessment in January 2007 showed that basic subsistence crops beans, maize, rice and sweet potatoes were worst effected.

Twelve years of war wrought devastation to an otherwise robust agricultural sector. The mass dislocation of populations severely compromised agricultural production, but also set the clock back in terms of agricultural extension, dissemination of improved seeds, soil management, cooperative development, bulk marketing, etc. During this time, district agricultural sub-offices practically shut down operations. Prior to the war, a region such as Ngozi would have had five managers, 18 agronomists, nine staff at the head office, one specialized technician, and 36 field based extension officers, according to the MINAGRI representative in Ngozi. Substantial gains made toward food security in the 1980s were lost.

Burundi has not carried out a comprehensive survey on consumption patterns since 1990, although they would like to, they are still waiting for about \$1 million to be provided to support this. The population of Burundi is estimated to have increased by 24% from 1990 to 2006, while production over the same period is estimated to have increased by only 2.4%. Simultaneously there has been a decrease in cereal production and an increase in root and tubers which has nutritional significance. If the population has increase by a factor of 10 over the estimated increases in production people must be eating considerably less or substituting from commodities that are not being considered. Considering the poverty levels in Burundi along with child malnutrition it is likely that people are eating less, and eating poorer diets. FAO etc produce balance sheets by estimating consumption; this is done by taking the 1990 level of consumption and applying it to the estimated population. (The exact population is also uncertain and is estimated to increase by around 2.7% per year). This creates distorted balance sheets. The deficits are not entirely real – neither are the few surpluses. The basic point is that people are not eating what they ate in 1990, no one really knows what they are eating and therefore how much aid can be distributed without affecting markets is unknown. What can be said is maize production is decreasing; maize is easy to distribute and therefore it is distributed. (Perhaps recent years' production decreases are related to maize distribution since there is no longer a market for the surplus), a similar scenario may exists for beans. Vegoil where there is good evidence of it affecting local markets is still distributed regardless.

The UN suggests that armed conflict is no longer the main direct cause of household food insecurity in Burundi, with the exception of certain communities in Bujumbura Rural, as a result of recent security improvements in the country. Nevertheless, the long years of conflict are responsible for lingering acute poverty levels among rural households as a result of:

- Reduction in soil fertility, land and environmental degradation caused by intensive agricultural production, recurrent looting and destruction of agricultural plots.
- Division of agricultural lands, resulting in insufficient cultivating land surface to meet household food needs.
- Recurrent climatic hazards, such as drought and hailstorms.
- Net loss of rural household income resulting in low productivity and a sharp drop in the price of agricultural products.²⁹
- Lack of financial means to re stock livestock and other assets which in the past had allowed households to whether shocks

In November 2003, the interim GOB unveiled its master-plan for development, the *Cadre Stratégique Intérimaire de relance de la croissance économique et de Lutte contre la Pauvreté*

²⁸ "Special Report" Crop and Food Supply Assessment Mission (CFSAM), WFP/FAO July 2004.

²⁹ "Burundi 2005" Consolidated Appeals Process (CAP)

(*CSLP-Intérimaire*) (Strategic Transitional Framework to Promote Economic Development and Relieve Poverty). This was an ambitious plan to address a wide-range of issues: security, fiscal and monetary policy, food security, health, education and infrastructure.

Though the Arusha Accords mandated that an interim government in Burundi maintain oversight prior to a democratic election, it had limited ability to pursue substantive agricultural policy change or government programs. Nonetheless, the tenets outlined in this plan remain pertinent and the new government released a new version in March 2006.

Using the CSLP-Intermediaire as a guideline to future government policy in the agricultural sector, a range of activities aims to augment rural incomes and increase production. The first priority is soil fertility; high population density and poor farming practices in hilly areas have exacerbated soil erosion, hence low yields. Initially the government considered establishing agro-ecological zones for certain crops in wetlands or in the plains where displaced people and returnees would be settled. However, it is unclear where the new government stands on this contentious issue.

The second priority concerns the dissemination of improved seed varieties and the use of fertilizers. Studies indicate that soil acidity is high and farmers fail to rotate with nitrogen-fixing crops, among other factors that contribute to poor yields. The government hopes to improve this situation by bolstering agricultural research institutions such as ISABU (*Institut des Sciences Agronomiques du Burundi*), FACAGRO (*Faculté des Sciences Agronomiques*), IRAZ (*Institut de Recherche Agronomique et Zootechnique de la CEPGL*) and the university. Further, it aims to encourage privatization of the agro-input sector through tax incentives. Distribution of inputs and multiplication of improved varieties could also be achieved through smallholder associations and cooperatives.

Recognizing the near collapse in foreign exchange earnings through Burundi's traditional export crops, the government plans to boost cash crop production and encourage diversification. Clearly, weak global coffee prices coupled with poor weather are uncontrollable, however, the government intends to increase farmer income by introducing improved clonal coffee seedlings reducing the number of intermediaries in the coffee marketing chain, provide pre-season credit, establish a pre-season price indication and increase the number of rural-based coffee washing stations to both improve quality and increase producer price.

Some similar efforts will be applied to promote cash crops such as tea and cotton to bolster production. Through the promotion of non-traditional agricultural exports, including cut flowers, fruit, and vegetables, the government hopes to reduce its reliance on coffee, tea and cotton as its primary foreign exchange earner.

2.5 Trade Overview

Burundi's main export earnings derive from coffee, tea, and cotton. Parastatals control the trade of these commodities. Export figures for these commodities from 1992 are well documented and show that 80 percent of export earnings are linked to coffee. Overall coffee exports declined in the last decade as a result of the war, poor global coffee prices, and erratic rainfall. Furthermore, cotton exports disappeared completely in 1997. Import data delineated by product classification is available but not thorough given the level of unreported import entries. Burundi's main trading partners include Kenya, Tanzania, Uganda, China, Singapore and Dubai. Trade with Europe is very limited, and is non-existent with the U.S. with the exception of food aid imports.

In 2004, Burundi joined COMESA, the free-trade area for East and Southern Africa. Under this provision, goods that originate from these countries are accorded duty-free or discounted status, but subject to some other taxes. This status may be altered by the government to protect infant industries or other strategic enterprises facing productive disincentive resulting from cheap imports. Practically, COMESA is implemented on a reciprocal basis using the same tariffs other countries apply to Burundi's exports.

The new government's top priority is to reduce smuggling at border points and increase import duty revenue. Freight forwarders noted that entire trucks enter the country at the Kobero border without bond, regularly disappearing into "thin air". Officially, importers are required to obtain an import license from the Central Bank and log bills of lading and commercial invoices with custom's officials for application of relevant duties. Tariff rates for commodity imports range from zero for industrial raw materials such as wheat to 40 percent for basic commodities, while reduced rates for COMESA-origin products range from three to eight percent for similar goods. Service taxes range from five to fifteen percent.

Figure 8: Burundi Import Duties by Commodity (percent) 2007

Commodity	Comesa	Non Comesa
Wheat grain	0%	0%
Wheat flour	Uganda 6%, others 0%	30%
Vegetable Oil	Uganda 1%, others 0%	5%
Maize	Uganda 1%, others 0%	5%
Beans	Uganda 1%, others 0%	5%
Rice	Uganda 1%, others 0%	5%

Source: Customs, SDV Transami

The government provides duty-free and tax exoneration for the import of selected raw material imports, machinery and humanitarian cargo. In a bid to encourage local and international investors, the GOB offers tax breaks to companies importing machinery develop non-traditional manufacturing sectors or to expand existing capacity.

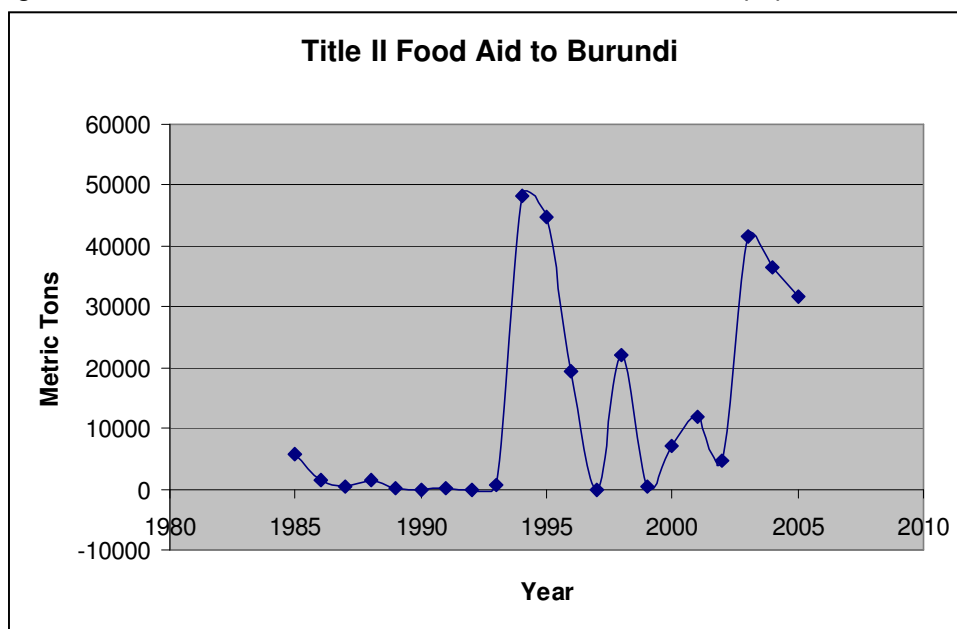
Duty-free import of raw material may also be granted. WFP has an agreement with the government to import food aid humanitarian cargo duty-free. Interviews with officials in the Ministry of Finance affirmed that projects engaged in food distribution to IDPs, returnees, etc. could receive such status, though experiences of NGOs in the country suggest the contrary when trying to clear humanitarian goods through customs. Although the government was unfamiliar with the monetization of commodities to implement both development and distribution activities, this could be approved if the program objectives were clear and terms agreed between the government and implementing agencies.

SECTION 3 DISINCENTIVE ANALYSIS

3.1 Distribution Overview

Title II food commodities for emergency and non-emergency programs have been allocated to Burundi since 1985. During the period prior to 1994, the country received limited quantities of commodities for non-emergency programs. Though limited information is available on the nature of these programs prior to the war, representatives from USAID/Food for Peace indicated that commodities were intended for distribution only.³⁰

Figure 9: Burundi 1985-2005 USAID Title II Food Aid Commodities (mt)



Source: USAID/Food for Peace, Washington, DC

Since 1994, WFP has received emergency Title II food aid commodities for its assistance programs to individuals affected by the war in Burundi. The current Protracted Relief and Recovery Operation (PRRO) for January 2007 to December 2008 target an average of 1,200,000 beneficiaries during the period and has four main objectives:

1. provide humanitarian assistance to people affected by drought and conflict, as required;
2. Protect and strengthen livelihoods, and enhance resilience to shocks for vulnerable households in the most food-insecure areas;
3. improve nutrition and health status of children, mothers, people living with HIV/AIDS and other vulnerable people;
4. support access to education, particularly for girls.

In 2004-06, WFP had four categories of food aid: Relief Food Distributions, Nutritional Programs, Social Programs and Recovery. The majority of these programs provide beneficiaries a full ration of 2,100-2,500 kcal per day with the exception of the Recovery Program (Food for Work/Training and School-feeding) and some Nutritional Programs (Therapeutic Feeding, Supplemental, and Mother-Child Healthcare).³¹ Cereals comprise the largest portion of the ration, though it also includes legumes and pulses, and vegetable oil.

³⁰ USAID/Food for Peace, Washington, DC

³¹ WFP "Burundi Food Security and Vulnerability Report" September 2004

Figure 10: Burundi 2001-5 WFP Food Distribution by Commodity (mt)

Commodity	2001	2002	2003	2004	2005	2006	2007	Total
Maize	5,303	12,919	47,952	46,248	48,186	43,320	34,079	238,006
Maize meal	7,930	13,724	3,510	429			1,004	26,596
Vegetable oil	1,194	3,145	1,641	3,307	2,504	2,723	2,308	16,821
Beans	1,538	3,677	3,157	6,436	9,064	9,770	6,375	40,016
Peas	207	721	9,259	5,579	4,996	7,418	282	28,462
Split peas	3,359	4,146	1,765	1,329	1,763	1,319	2,168	15,849
Rice				4,358	1,669			
Total	19,531	38,332	67,285	67,685	68,181	64,550	46,215	365,751
USAID Title II portion of total	11,900	4,620	41,660	36,610	31,620			

Source: WFP Burundi & USAID/Food for Peace

3.2 Monetization Overview

There is no precedent for Title II commodity monetization in Burundi. The USAid mission previously closed in 1996 and has opened a small office in the interim to present (OTI (closed 2006), OFDA (will close 2007), REDSO).

The French Government set a poor precedent for monetization in 2004 when it “monetized” 4,000 mt of wheat grain in Burundi. Representatives of the French development agency in Bujumbura approached the Managing Director of MINOLACS wheat mill to buy French wheat on favorable credit terms. Upon inspection of the cargo at the Port of Dar es Salaam, the Managing Director observed that the wheat was poor quality with a slight odor, indicating it was old stock. Despite raising objections to agents of the French government, they delivered it to Bujumbura by truck. He refused delivery once more but conceded to have the consignment tested at the Unga laboratory in Nairobi, Kenya. Tests revealed that the wheat was poor quality and registered a mere nine percent protein, essentially poorer quality than wheat grown domestically in Burundi. Given this information, the sale was cancelled, a standard provision in any wheat contract upon receipt of inferior quality product. The French agent then found other small traders in the market and some wheat may have been milled by another miller on a contract basis.

Wheat mills buy commercially from Argentina, Australia, Canada, Turkey, Ukraine, Russia and China without any quality problems. Despite the bad experience with wheat monetization, the Managing Director of MINOLACS noted that he remained open to buying US-sourced wheat in the future if their quality specifications could be met. The Managing Director of FARISANA also stated his interest in participating in tenders.

3.3 Emergency Market Intervention

An Emergency Market Intervention is a relatively new tool used by PL-480 implementers to bolster food security through a price-supported sale of Title II commodities. The intervention is useful in market failure situations where the most food insecure are susceptible to price spikes and a drastic drop in the availability of key staple foods. In 2003, the C-SAFE Consortium had a *Market Assistance Pilot Program* in southern Zimbabwe which provided 200,000 households who were unable to afford cereals at the current market price with sorghum meal/flour. Sales were conducted through the private sector which milled packaged and sold 20,000 mt of sorghum to

urban and rural households.³² The program was effective in terms of marketing the new product, a replacement to maize flour, and had the dual effect of supporting low-income households while building a commercial structure.

Despite recent decreases in crop production due to poor rainfall and crop diseases, Burundians are able to substitute other food items and benefit from three agricultural growing seasons. The variety in the Burundi food basket is substantial and the recent drop in cassava production, for example, has led to increases in sweet potato and rice consumption. Furthermore, their prices remained stable in 2004. Unlike drought-prone regions with a single growing season, Burundi has the potential to be food secure and any disturbance in rain patterns tends to be short-term.

An Emergency Market Intervention in Burundi is not warranted given the current market conditions and agricultural production.

3.4 Commodity Analysis Overview

This analysis assumed that the Burundian diet is comprised of five food groups. The analysis then determined the potential for the various, feasible P.L. 480 commodities within these food groups to meet the second criteria for a positive Bellmon Determination.

Figure 11: Burundi Food Groups and P.L.480 Commodities

Food Groups	P.L. 480 Commodities
Cereals	Maize, Rice, Wheat, Sorghum
Edible oils	Refined vegetable oil
Legumes and pulses	Dried beans, Peas
Livestock and dairy	Whole Milk Replacer
Roots and tubers	None

The analysis then outlined the composition of these food groups in order to determine the potential for substitution. The analysis then considered balances for P.L. 480-available commodities within these groups.

Commodity balances comprise the total domestic supply (domestic production plus imports, less exports) less the national consumption requirements for each commodity.

$$\text{Domestic Production} + \text{Imports} - \text{Exports} = \text{Domestic Supply}$$

$$\text{Domestic Supply} - \text{National Commodity Requirements} = \text{Commodity Balance}$$

In the case of Burundi, per capita consumption requirements were calculated as the per capita availability of commodities in the years 1983 through 1992. During this period the country was generally considered to be self-sufficient, even if it was not food sovereign (i.e. able to produce everything it consumed on its own). Thus annual consumption from 2000 onwards is based on the new population times by the previous consumption levels, this leads to substantial deficits in certain commodities which rather than reflecting a true deficit in a commodity reflects the lowering nutritional value of present diets and the inability of a large proportion of the population to buy in additional nutritional needs. In the case of edible oil, peas, powdered milk, and wheat flour, no commodity consumption requirement was calculated. Although these commodities contribute to general nutrition in Burundi, it was not appropriate to state that there was a *minimum* quantity that the population had to consume.

Figure 12: Burundi per Capita Commodity Consumption Requirements (kilos per year)

Commodity	Req.
Beans	60.22
Cassava	108.97
Maize	32.47
Millet	2.45

³² Consortium for Southern Africa Food Security Emergency website

Pigeon Peas	0.48
Potatoes	8.39
Rice	4.30
Sorghum	12.11
Soybeans	0.10
Sweet Potatoes	122.24
Taro	24.11
Wheat	1.61
Yams	1.42

The demographic census carried out in 1990, as well as the current FAO population estimates, indicate that the population has grown from about 6.7 million in 2000, to about 8 million currently with an average growth of 2.76 percent per annum.

Figure 13: Burundi 2000-2007 Population Aggregated from All Provinces

	2000	2001	2002	2003	2004	2005	2006	2007
Population estimate	6,664,835	6,847,007	7,032,178	7,211,356	7,424,120	7,686,884	7,849,648	8,062,413
Growth rate		2.73	2.70	2.55	2.95	3.54	2.12	2.71

Source: “*Projet Appui à la Politique Nationale de Population*” (PNP), Unité de Planification de la Population (UPP) ; Ministère de la Planification, du Développement et de la Reconstruction – FNUAP/BIT/BDI/95/P 0, ISTEERU

These figures were multiplied by the per capita consumption requirements in order to estimate national commodity requirements for each year. The authors calculated average over the period 2000 to 2006.

This analysis also takes into account additional factors, including:

- The traditional supply structure (domestic production versus imports);
- Existing policies; and
- Installed production and processing capacity (for example, capacity of milling equipment).

3.5 Livelihoods and Diet

Prior to the conflict that began in 1993, Burundi was a poor country afflicted by access-related food insecurity, but it was generally self-sufficient with regard to its food needs.³³ The relative robust state of general nutrition was reflected in the diverse range of commodities that comprise the Burundian diet.

³³ Glenn Slocum, Consultant/former USAID/Burundi Mission Director (Bellmon 2005)

Figure 14: Burundi Food Groups and Crops

Food Group	Crops
Cereals	Maize
	Millet
	Rice
	Sorghum
	Wheat
Edible oils	"Red" palm oil
	Refined palm oil
Legumes and pulses	Dry beans
	Peas
	Pigeon peas
	Soybeans
Livestock and dairy	Fresh milk
Roots and tubers	Cassava
	Potatoes
	Sweet potatoes
	Taro
	Yams

Burundi's food economy is notable for the high presence of protein-dense legumes and pulses, which comprise about 16 percent of the total tonnage of food produced.

Figure 15: Burundi 1990-2006 Food Groups Average Annual Tonnage and Percentage of Total (mt)

Food group	Average (MT)	Percent of total
Cereals	276,834	7.81
Legumes	320,756	9.05
Roots and tubers	1,477,354	41.67
Banana	1,470,421	41.47
Total	3,545,365	100.00

Source: ISTEERBU

Since 1993 the country has seen a shift in its commodity economy. On one hand, the total output in terms of average annual tonnage has increased in the years since the conflict began by about 4.24 percent. However this shift masks an important change in the composition of the overall commodity economy. While the average annual production of cereals and of legumes and pulses has declined by about 9.95 percent and about 12.75 percent respectively, this has been offset by a rise in average annual production of roots and tubers by about 11.14 percent.

Figure 16: Burundi Pre and Post-Conflict Food Groups Average Annual Tonnages (mt)

Food Group	1983-1992	1993-2006	Change (%)
Cereals	244,750	271,727	11.02
Legumes and Pulses	337,110	288,203	- 14.51
Roots and Tubers	1,333,470	1,483,145	11.22
Total	1,915,330	2,043,075	6.67

While this shift indeed represents an increase in overall average annual tonnage produced, this is largely because of the preponderance of roots and tubers, which accounted for about 72 percent of total average annual tonnages produced. Because of the nutritional values of roots and tubers, this shift represents a general decline in the nutritional quality of available food, particularly a decline in protein content. Some observers have attributed this shift to the insecurity during the war years, which meant that crops that matured underground may have been preferred,³⁴ though

³⁴ Christophe Droeven, CRS/Burundi Program Manager – Agriculture (Bellmon 2005)

this shift is also probably indicative of a general decline in soil fertility as well, and the breakdown in input supply networks.

In terms of average annual *per capita* food production, the country has seen a decline in all food groups in the years since the conflict began. The total decline is about 23 percent. This decline is most pronounced in the decline in legumes and pulses, at about 37 percent, while cereals declined by about 27 percent, and roots and tubers by only 18 percent.

Figure 17: Burundi Pre and Post-Conflict Food Groups Average Annual per Capita Production (mt)

Food Group	1983-1992	1993-2006	Change (%)
Cereals	0.0543	0.0398	- 26.72
Legumes and Pulses	0.0673	0.0422	- 37.29
Roots and Tubers	0.2651	0.2172	- 18.07
Total	0.3867	0.2992	- 22.63

While it would be easy to ascribe the decline in average annual per capita production to the effects of displacement of farmers during the conflicts since 1993, this should not be overstated. Prior to the conflict, the majority of Burundi's farmers were smallholders engaged in subsistence production, and it appears that in many cases displaced farmers were able to re-establish farming activities soon after conflict-related displacement. Even in the case of IDPs, many displaced persons were assigned land, and seemed to have begun farming after a relatively short interim. Furthermore, even in *Bujumbura Rural*, where insecurity remains an issue, land appears to be densely cultivated.

Rather, other factors may be related to the decline in average annual per capita production. A legacy of the conflict is the increase in women and child-headed households. Burundian law forbade female ownership of land until a reform in 2003. Although this was amended, customary law often still takes precedence. As a result, this group is particularly disadvantaged. An additional factor is probably urbanization of war-affected populations. In addition, anecdotal data suggests low supply elasticity for food crops, given high population density, poor input supply changes, and substitution for bananas for beer brewing. Finally, cassava mosaic disease (CMD) is probably slowing the expansion of this crop, which plays a major role in the roots and tubers food group.

3.6 Cereals

Burundi's cereal food group includes maize, millet, rice, sorghum, and wheat. Except rice, all of these foods are eaten as porridges, often (if financially possible) accompanied by beans. Rice is produced mostly as a commercial crop for urban markets. The average annual production of cereals for the past five years is approximately 283,000 mt (an increase from the last Bellmon from 252,000 mt), compared with 300,000 mt for the 4 year average from 1990 - 1993. Burundi has been, for the last 4 years, experiencing an increase in agricultural production of cereals (3.34 percent in 2006). Maize continues to be the main cereal crop, in 2006 it accounted for about 37 percent of total annual cereal production (down 6 percent from the 5 year average), sorghum accounted for 31 percent of cereal production (up 3 percent from the 5 year average) and rice accounted for 25 percent of cereal production (up 1 percent from the 5 year average). However 2006 had poor conditions for maize, beans, cassava and bananas production and the government lifted duty on various food items to encourage imports.

Figure 18: Figure 1: Burundi cereal harvested 2001 - 2006

Crop	2001	2002	2003	2004	2005	2006
Maize	124,000	126,000	120,500	123,000	123,000	110,220
Wheat	8,700	8,200	8,000	7,500	7,700	8,807
Rice	60,900	62,600	61,200	64,500	68,000	75,142
Sorghum	69,000	73,000	71,400	74,100	77,200	90,473
Finger millet	10,600	11	10,600	10,600	10,600	11,831
Total	273,200	269,811	271,700	279,700	286,500	296,473
Percentage increase from previous year		- 1.26	0.70	2.86	2.37	3.36

Source: ISTEERU

Figure 19: Figure 2: Burundi changes in cereal harvested 2001 – 2006

Crop	2006	Percentage	5 year average	Percentage
Maize	110,220	37.18	120,544	43.12
Wheat	8,807	2.97	8,041	2.88
Rice	75,142	25.35	66,288	23.71
Sorghum	90,473	30.52	77,235	27.63
Finger millet	11,831	3.99	8,728	3.12
Total	296,473		280,837	

Average annual area harvested in cereals totaled about 208,000 ha between 2000 and 2004. The largest area in cereals was under maize, which accounted for about 55 percent of the total average annual area harvested.

Figure 20: Burundi 2000 - 2004 Cereal: Area Harvested (ha)

Crops	2000	2001	2002	2003	2004	Average	Percentage
Maize	112,000	115,000	116,000	116,000	116,000	115,000	55.28
Millet	8,300	10,000	9,200	9,200	9,200	9,180	4.41
Rice	17,000	19,000	19,200	20,500	19,500	19,040	9.15
Sorghum	50,000	55,000	57,000	57,000	57,000	55,200	26.54
Wheat	9,000	10,000	10,000	10,000	9,000	9,600	4.61
Total	196,300	209,000	211,400	212,700	210,700	208,020	100

Source: FAOSTAT

Taking into account the average annual production in the decade prior to the war starting in 1993 the following 12 years saw an overall decline in cereal production of about 5 percent, however the last two years have shown a 6 percent increase in production compared to the previous 12 years which is now a 1 percent increase in production compared to the years before the war. There has been a significant reduction in maize and millet production. Rice has shown and continues to show large increases which is largely due to the promotion of expanded rice farming in wetlands, or *marais* and a urban population which increasingly prefers rice as a form of carbohydrate. There has also been an increase in the production of sorghum.

Figure 21: Burundi Pre and Post Conflict Cereal Production (mt)

Crops			Change		
	1983-1992	1993-2004	(%)	2005-2006	Change (%)
Maize	163,390	134,125	- 17.91	116,610	- 13.06
Millet	12,300	10,018	- 18.56	11,216	11.96
Rice (milled equiv.)(a)	18,954	31,785	67.70	46,521	46.36
Sorghum	60,950	66,042	8.35	83,837	26.94
Wheat	8,110	8,458	4.30	8,254	- 2.42
Total	263,704	250,428	- 5.30	266,437	6.39

3.6.1 Maize

Maize is widely grown throughout Burundi. As noted above, this is an important cereal crop in many regions of the country. Production levels continue to decline annually and between 2001 – 2006 the average production was around 121,120 mt compared to the average 163,390 mt for the 10 years prior to the war. Consumption per person has dropped from around 31 kg to 14 kg³⁵ based on maize produced in country – however when the 6 year average for WFP purchases of maize meal and maize flour are added (38,253 mt) the consumption per person increases to an estimated 19 kg. Custom records for 2005 did not show any commercial imports, compared to 2006 when 1044 mt of maize meal and 740 mt of maize flour were imported. Consumption of maize in 2006 is estimated at 155,000 mt.

Based on the average annual per capita supply in the decade before the conflict began in Burundi, and the estimated population in the period between 2000 and 2006, average annual national consumption requirements should be about 235,000 mt if the population was consuming the same amount of maize per annum as they did before the war. This would indicate an average annual national deficit of about 104,000 mt (basis an average annual distribution program of imported maize of 33,000 mt).

Figure 22: Burundi 2000-6 Balance Sheet for Maize (mt)

	2000	2001	2002	2003	2004	2005	2006	Average
Production	117,840	124,395	126,799	127,000	123,199	123,000	110,220	121,779
Commercial Imports	10,199	4,298	0	30,069	11,346	N/A	1,784	8,242
Food Aid Imports	N/A	13,233	26,643	51,462	49,555	48,186	43,320	33,200
Exports	0	0	0	0	0	0	0	0
Domestic Supply	128,039	141,926	153,442	208,531	184,100	171,186	155,324	163,221
Consumption Req.	216,007	222,322	228,334	234,152	241,061	246,852	253,393	234,589
Balance	-87,968	-80,396	-74,892	-25,621	-56,961	-75,666	-98,069	-71,368

Source: FAOSTAT, WFP, *Ministère des Finances*, ISTEERU

Given this large implied deficit, and the key role that it plays in the country's cereal composition, maize is probably a reasonable choice of commodity for use in targeted food distribution programs. Distribution of up to ten percent of the average annual deficit, or about 7,200 mt is unlikely to result in a disincentive to domestic production. One caveat is that some regions of the country traditionally rely on cassava as the primary starch in their diet. Maize may be a temporary replacement due to the drastic drop in production related to CMD. Consideration should be given

³⁵ Basis the most conservative population growth figures

in programming to ensure that maize distributed is appropriate to avoid its resale by beneficiaries.

3.6.2 Rice

Paddy rice is grown primarily in the northwest section of Burundi in inland valleys. Rice has shown a remarkable increase in production in the years since the war, largely as a result of its promotion as a cash crop. This has opened new income opportunities for farmers in certain areas of the country. The government run La Societe Regionale de Development Regionale de Development de L'Imbo (SRDI) manages 4,000 hectares which are cultivated by around 12,000 families organized into 17 associations. The area produces around 22,000 mt of paddy of which 12,000 mt is paid for by SRDI (at approximately BF 280 / kg last season), the remaining 10,000 mt is either eaten by the families or sold to small scale rice traders who have access to the small threshing mills. (SRDI receives a loan from the National Development Bank against stock in warehouse which allows it to pay the farmers at harvest.) SRDI has the capacity to mill 25 mt per day, and has over 5,000 mt of storage, additional storage is rented as needed. While in the past SRDI sold primarily to the army, police and other government institutions, now it sells to those who pay cash (mostly the traders).

Rice is primarily a cash crop and traditionally plays a minor role in the diet (paddy consumption per person in 1992 was estimated at 7 kg compared to about 10 kg in 2006). Outside of Bujumbura, milling of rice occurs on a small-scale in major towns. Burundian rice surveyed in the market came in three 'grades', premium grade which appeared to be clean, reasonably milled though about 30 percent broken at BF 900/kg and only sold from retail shops; 'zambia rice' grown in Burundi from apparently Zambian seed – thinner grain, dryer quality, about 35 percent broken at BF 750/kg, finally very poor quality rice, grey in colour, 45 percent broken at Bf 650. Tanzanian rice is the most preferred sold at around BF 900 /kg. For every sack of Burundian rice in the market there is a sack of Tanzanian rice beside it however Burundian rice sells faster due to its lower price.

In 2006 due to a poor general harvest the government removed duty from rice which resulted in official imports of about 7,618 mt (6,172 mt Pakistan, 770 mt Tanzania, 367 Vietnam, 180 mt Uganda etc). The government towards the end of 2006 assured importers that rice would remain duty free in 2007, however early 2007 the government reintroduced duty. Many of the main traders were caught out having shipments already on the way, and have had to pay duty even though the regulations appeared to say that if the cargo was in shipment any changes in duty would not apply. Before the import duty was increased one of the 3 main large importers estimated that he was selling around 300 mt per month and estimated that the total imports were around 800 mt a month. Officially 3,418 mt have been imported in 2007. Probably all of the Tanzanian rice in the market surveyed in September 2007 is being smuggled in on the trucks. This is increasingly easy at the moment due to the Tanzanian official limitations on the weight of trucks which are enforced in Dar, leaving extra space on the trucks which are filled up by the truck drivers on route with what ever commodity can be easily sold in Burundi.

Rice production 2001 – 2006 has shown an average increase of about 7 percent per annum with the 2006 production of paddy estimated at 75,142 mt (equivalent of 48,842 mt of rice with an extraction rate of 65 percent). Exports are negligible. Taking into account that imports in 2006 were duty free therefore most will have been recorded this indicates that consumption of rice is potentially up to 56,460 mt.

Based on the average annual per capita supply in the decade prior to the conflict, and the estimated population in the period between 2000 and 2006, average annual national consumption requirements are about 32,000 mt. This data indicates an average annual national surplus of about 11,000 mt. It is unlikely that there is a surplus, and in actual fact consumption of rice has increased especially in the urban context.

Figure 23: Burundi 2000-2006 Balance Sheet for Rice (mt)

	2000	2001	2002	2003	2004	2005	2006	Average
Production Paddy Commercial	51,777	60,920	62,648	61,256	64,532	68,000	75,142	63,468
Imports	3,273	3,271	0	3.7	3.6	4	7,618	2,025
Food Aid	0	0	0	0	4,358	0	0	623
Exports	0	0	0	0	0	0	0	0
Domestic Supply	55,050	64,191	62,648	61,260	68,894	68,004	82,760	66,115
Domestic supply rice at 65% extraction	35,783	41,724	40,721	39,819	44,781	44,203	53,794	42,975
Consumption Req.	28,658	29,442	30,238	31,009	31,923	36,189	37,148	32,087
Balance	7,125	12,282	10,483	8,810	12,858	8,014	16,646	10,888

Source: FAOSTAT, WFP, Ministère des Finances, ISTEERU

Given the importance of rice as a cash crop, distribution or monetization of rice would likely create a disincentive to local paddy rice production. At present comparing (conservative) US rice prices delivered duty paid to Bujumbura with the Burundian rice price, cost recovery would be no more than 66% of the total costs. Furthermore imports when they occur are of small amounts. The potential for disincentive is greatly increased by the comparatively higher value of this commodity vis-à-vis other cereals, which in turn augments the incentives for either diversion by implementers or monetization by beneficiaries. Leakage to markets would negatively impact limited income opportunities for rice farmers.

3.6.3 Sorghum

Sorghum and finger millet (know locally as *eulesine*) comprise the course grains used in Burundi. These cereals are used along with maize and domestic wheat for porridges. The average annual production of these commodities totaled about 84,000 mt between 2000 and 2006 sorghum production is increasing at a five year average of 7 percent pa and finger millet production at a five year average 4 percent pa. Sorghum, finger millet and wheat as porridges were in 2006 equivalent to the maize production (37 percent each) and in 2005 were 33 percent of the cereal production compared to maize at 43 percent.

Based on the average annual per capita supply in the decade prior to the conflict, and the estimated population in the period between 2000 and 2006, average annual national consumption requirements should be about 105,000 mt if consumption levels had remained the same. This data would indicate an average annual national deficit of about 21,000 mt.

Figure 24: Burundi 2000-2006 Average Annual Production of Sorghum (mt)

	2000	2001	2002	2003	2004	2005	2006	Average
Sorghum	60,980	69,068	73,246	71,471	68,691	77,200	90,473	73,018
Finger millet	9,466	10,586	10,706	10,597	10,339	10,600	11,831	10,589
Domestic supply	70,446	79,654	83,952	82,068	79,030	87,800	102,304	83,608
Consumption required	96,427	99,063	101,742	104,334	107,153	109,993	112,908	104,517
Balance	-25,981	-19,409	-17,790	-22,266	-28,123	-22,193	-10,604	-20,909

Source: Ministère de l'Agriculture et de l'Élevage, Département des Statistiques Agricol, ISTEERU

Given its drought-resistance, and its substitutability for other similar cereals, the use of sorghum in targeted distribution programs should be considered along with maize. Distribution of up to ten percent of the average annual deficit, or about 2,100 mt is unlikely to result in a disincentive to domestic production (and if purchased in selected areas regionally could promote a cash market in a drought resistant crop).

3.6.4 Wheat (Flour and Grain)

Wheat was introduced to Burundi around World War II by Belgian farmers seeking to supply a large wheat mill in Bukavu (DRC). The soil and altitude east of Bujumbura were ideal growing conditions for soft wheat propagation with production primarily in Bujumbura Rural (high plains east of city), Bururi, Muramvya, and Kayanza. Given high population density and steep terrain in these locations, wheat is cultivated by smallholders on an average of one acre. The crop is sown in Season B (February-May) during the long rains, and harvested in June and July. Average yields are quite low at one mt per ha due to poor seeds and farm management.³⁶ Furthermore, the wheat has only around nine percent protein level and unsuitable for bread flour.

The market for wheat is segregated between locally grown grain and imported grain processed into wheat flour. The most common use of domestic wheat grain is to grind it along with sorghum, soy, and finger millet (*euelsine*) for porridge. As such, wheat is found in most upcountry markets among traditional cereals. In urban markets, Burundians tend to buy ready made flour (*umusururu*). Bakeries buy wheat flour milled from imported grain due to its higher protein content and suitability for baking. Bread consumption is far more prevalent in urban areas.

Between 2000 and 2006 average annual production of wheat was around 8,000 mt. This commodity is not imported as food aid, and commercial imports of the type of wheat grain used for porridge during this period was probably zero. No such product is visible in local markets. Exports were also probably negligible. This indicates that average annual domestic supply for the porridge market over this period was equal to production. Based on the average annual per capita supply in the decade prior to the conflict, and the estimated population in the period between 2000 and 2006, average annual national consumption requirements should be about 11,600 mt. This data would indicate an average annual national deficit of about 3,600 mt for the porridge market.

Figure 25: Burundi 2000- 2006 Balance Sheet for Wheat (mt)

	2000	2001	2002	2003	2004	2005	2006	Average
Production	6,097	8,667	8,667	8,700	7,493	7,700	8,807	8,019
Commercial Imports	N/a	N/a	N/a	N/a	N/a	N/a	N/a	
Food Aid	0	0	0	0	0	0	0	
Exports	0	0	0	0	0	0	0	
Domestic Supply	6,097	8,667	8,667	8,700	7,493	7,700	8,807	8,019
Consumption Req.	10,744	11,037	11,336	11,625	11,968	12,221	12,545	11,640
Balance	-4,647	-2,120	-2,669	-2,925	-4,475	-4,521	-3,738	-3,585

Source: *Ministère de l'Agriculture et de l'Élevage, Département des Statistiques Agricoles*

There are two operational wheat mills in Burundi. The government opened the first wheat mill in Muramvya in 1981 to increase local production for self-sufficiency. The facility has a multi-level, 45 mt/day capacity Buehler mill, six silos with 30 mt capacity each, machine shop, warehousing and offices. Warehousing has capacity for approximately 3,500 mt of bagged wheat in addition to the 180 mt silo capacity. Unfortunately, poor supply and management led to the mill's closure three years later. In 1996, Interpetrol, the largest distributor of petroleum products, bought the mill, renovated the machinery and it again became operational in 2000 under the name *MINOLACS*. They estimate that they are milling over 13,500 mt of wheat per year.

Figure 26: Minolac's imports

2005	2006	2007
7,200	6,800	6,200

FARISANA *Minoterie*, located in Bujumbura, has a milling capacity of 45 mt of wheat grain per day using a Chinese mill. They have a 76 percent extraction rate of wheat grain and sell bran and

³⁶ Ntareme, Pierre Claver, Directeur, MINOLACS-Muramvya (discussion with previous Bellmon authors)

midlings to dairy and poultry farmers. Storage capacity at the mill is 5,000 mt. While Farisana estimate that could mill over 14,000 mt per year they have struggled to import sufficient wheat.

Figure 27: Farisana Imports of wheat in MT

2004	2005	2006	2007
4,000	5,000	8,000	5,000

Custom records show that in 2006 1,651 mt of wheat flour was officially imported of which the bulk was from Tanzania 1,205 mt, Uganda 180 mt plus other COMESA countries. In 2007 so far 1,602 mt of wheat flour has been officially imported Tanzania 1,205 mt and Uganda 168 mt.

Both mills have plans to increase capacity. MINOLACS has agreed a loan with PTA bank to the tune of \$2.4 million (which is waiting a final document from Central Bank which will guarantee the conversion of Burundian franc to dollars at the end of the loan period). This will increase capacity to 160 mt per day of which 50 percent will be used to supply the domestic market and 50 percent will supply the export market (DRC). Farisana hopes in the near future to install a new Chinese machine which will increase production to between 100 – 150 mt per day.

Flour demand is growing steadily according to interviews with millers and sellers in the market. Both agreed that their combined production is insufficient to meet market demand which one estimated to be 120 mt of flour per day.³⁷ Assuming a 75 percent extraction rate for wheat grain, installed capacity meets only half of domestic demand for the bakery and home-baking/cottage industry markets.

Increased production will also serve markets in Eastern DRC where there are no mills. Interviews with large traders in Bukavu and Goma for the Title II Bellmon Analysis in 2004 confirmed that these markets sell roughly 53 mt of flour per day and the supply shortfall is covered by imports from a conglomerate miller in Tanzania – Bakhresa under the brand name AZAM. A Bakhresa mill in Western Tanzania targets these substantial markets. Relatively uncontrolled borders in the northeast corridor allow the supply to flow untaxed, according to numerous sources.

The majority of wheat flour within the Burundian market is used for bread, however while the number of bakers has substantially increased between 2000 – 2004 (specifically small bakeries moving into the suburbs of Bujumbura), sales in established bakeries have reduced, they reported in 2005 that they felt bread sales had increased over all, but had seemed to reach a plateau probably based on the low purchasing power of the urban population and the higher wheat flour prices.³⁸ Furthermore the only way to maintain sales at these high wheat flour prices at the moment is to reduce the size of the loaf of bread. While both mills need to source wheat with sufficient protein to produce bread flour, MINOLACS tends to have higher quality specification than Farisana and buys from either the larger international traders (Louis Drefus and Holbud or directly from Bakresa, Dar es Salaam. They require higher protein levels of between 13.5 -14 percent DMB and wet gluten levels of about 32 which should easily equate to 12 – 12.5 percent HRW. Bakers prefer MINLACS product over both Farisana and Tanzanian flour, however due to both the cost of the flour (which is the most expensive in the market) and the availability the better bakers tend to mix MINOLACS flour at a ratio of 1:2 with other flour. Bakers and other customers pay in advance or cash. FARISANA tends to be settle for cheaper wheats and has accepted a variety of origins in the last few years such as Canada, China, Turkey etc..

Both mills struggle at times to source wheat due to their low volumes (against international trade), logistic difficulties and increasingly high price of wheat and transport to Burundi.

³⁷ Bashir, Munir, Directeur General, MINOLACS(discussion with author)

³⁸ Interviews with author in 2005

Both mills estimate that if they increase their production to 150 – 160 mt per day each there is sufficient market both in Burundi and the neighboring countries to keep them milling at nearly full capacity.

While there is no duty on wheat at the moment, there is service charge at 15 percent and a duty of 0.5 percent. At the moment both mills have received permission to pay a reduced service charge of 5 percent due to investments they have made in their infrastructure. The Ministry of Planning, Development and Reconstruction implied it would be possible for the PVOs (preferably just one) to apply for a similar reduced service charge based on the PVO's investment in development work as long as the development work is in line with the sector development plans discussed with the donors in the May round table talks and the limited commercial sales to existing clients with the reduced service charge; although unable to make any commitments the representative from the Ministry estimated an 80 percent success rate basis the information given in the meeting, and with proper representation from the US Embassy etc. it would likely be higher.

Milling capacity established in Burundi is around 22,400 mt per annum. However it is unlikely that this is achieved due to the problems the mills encounter in purchasing wheat. A small amount of wheat flour is imported into the market, but a far larger amount is smuggled across the porous borders. One miller estimating for every bag he sells there is a bag of Tanzanian flour available this would indicate an additional approximately 10,000 mt may be moving into the market unofficially. Locally produced wheat grain has a different market and pricing structure than imported grain destined for wheat mills. In 2007, wheat milled in rural areas used for *umusururu* had a stable price of 600 BF/kg.³⁹ While the millers are trying to promote local wheat production to try and reduce the cost of flour, it will take time to find varieties that will grow in Burundi and produce a quality of wheat suitable to assist with bread flour production.

Figure 28: Burundi Title II Wheat Grain CIF/Benchmark Analysis (US\$/mt)

	USA	Argentina	USA
	5%		17%
FOB	365 ⁴⁰	345	365
Ocean Commercial Freight to Dar	125	115	125
Discharge	18.34	18.34	18.34
Bags	3.00	3.00	3
Ex Warehouse Dar	511.34	481.34	511.34
Inland Freight to Bujumbura.	176	176	176
Duty on Wheat grain	0	0	0
Sub-Total	687.34	657.34	687.34
Redevance administrative (0.5%)	3.44	3.29	3.44
Taxe de Service (5% / 17%)	34.54	33.03	117.43
Total cost DDP Burundi	725.32	693.66	808.21
Difference from general market price	31.66		114.55
Cost Recovery (%)	95.64		85.83

US Wheat grain is competitive given the scenario that it pays 5 percent service charge with an estimated 95.64 percent cost recovery. The FOB price is dependent on the health of the US wheat crop, international demand which is high at the moment with price rocketing to the highest ever levels and transport ocean transport costs. Shipping costs for the last few years have been

³⁹ ISTEEBU price data on consumer goods and staples

⁴⁰ HRW 12% FOB price basis December January Shipment

particularly high given the volatile fuel market and the shortage of ocean transport. If the PVO clears the wheat and pays 15 percent service charge the cost recovery will reduce to 85.83 percent.

The Burundian Government has a very attractive tax structure for the import of raw material however if the PVO imports the wheat in themselves and fails to receive and exemption from the Ministry of Planning, Development and Reconstruction there will be a 10 percent difference between the service charge the mills pay and the service charge the PVO will pay which would not be recoverable through the sale of the wheat.

Wheat grain is inarguably the best commodity to monetize for a proposed PL-480 program for the following reasons:

- Estimated landed costs are competitive with commercial sales with an attractive Fair Market Value
- Both mills have sufficient storage to receive cargo
- Millers are having a difficult time buying grain commercially given their small requirements
- Despite some wheat production in Burundi, it is insufficient to meet flour demand and is unsuitable for bread flour.
- Wheat flour demand is growing, and both mills plan to expand threefold
- Import duty is nil
- Bank guarantee and *trait avalisée* facilities are available upon agreement of sales contract
- Both mills have the ability to open letters of credit through their banks.

The MYAP initially is for 3 years with a funding level of \$5 million per year for a combination of food distribution and development work funded through the monetization. The ratio between monetization and food distribution changes the dynamic of the monetization. Since it is highly unlikely that 100% monetization will occur, the quantities of wheat to be monetized each year are relatively small.

Figure 29: Percentage of the annual MYAP value in terms of MT of wheat

Percentage monetized	100%	70%	50%	30%
Wheat to be monetized (MT)	7,142.86	5,000.00	3,571.43	2,142.86
Amount of money generated from monetization	5,000,000	3,500,000	2,500,000	1,500,000

The most advantageous strategy (Plan A) basis anything less that 70% monetization per year would be to monetize all three years wheat supply within the first year. Thus up 15,000 mt would be shipped in 3 – 4 shipments through out the year.

Figure 30: Quantity of wheat to be shipped in year one against 3 year MYAP commitment

Percent Monetization	Total MT	Shipments	Mt per shipment
70%	15,000.00	4.00	3,750.00
50%	10,714.29	4.00	2,678.00
30%	6,428.57	3.00	2,142.00

Advantages;

- The Burundian wheat millers would be able and willing to purchase the wheat and it would facilitate their purchases in a time when small scale purchases are very difficult due to the high demand in the wheat markets
- All development funds would be available for the full three years from year one and would earn interest while waiting to be utilized
- One off tender process to cover entire shipment in the first year
- Circumvents the uncertain future of monetization
- WFP can has facilities to store the commodity in Ngozi
- WFP can handle the shipments through its pipeline
- If the sale of the wheat is to be through ex warehouse sales in Ngozi the lead PVO would only need to apply for alleviation of the service charge for one year.
- Both mills have service charge reduction in place for the next year and so will be competing equally.
- Rail transport is unlikely to be transformed in the near future and therefore both mills are therefore bidding basis the same transport methods

Risks and disadvantages;

- Wheat prices crash in the later half of next year and additional wheat needs to be monetized to make up the funds required.
- WFP would need additional staff to handle the logistics
- Careful planning of the logistics would be needed to prevent significant overlap with WFP's food pipeline

The recommended annual monetization for break bulk Hard Red Winter wheat 12.5 percent protein is up to 15,000 mt. This would represent 55 percent of the mills' current installed capacity requirements and roughly half of their combined production in 2007. The ideal sales method would be through one body handling the entire tonnage and asking for competitive bids. The easiest method of sale would on arrival of the vessel in Dar es Salaam, the lead PVO requests the millers to bid basis a price delivered duty unpaid (DDUP) to the mill, this means the PVO will be responsible for the transport to the mills but shall not be responsible for the clearing of the cargo and the payment of duties, nor would risk on the commodity in transit from Dar es Salaam to Burundi be the PVO's responsibility. The PVO would have to evaluate the different bids basis the two different destinations and award the bids basis the transport premium as well as the bid price. Each mill would bid against the other for all or part of the consignment. An alternative to this is that the PVO would announce their transport costs from ex warehouse⁴¹ Dar es Salaam to the two mill locations prior to the tender, and ask for bids basis an ex warehouse Dar es Salaam price plus the stipulated freight. This would allow for a completely clear comparison of prices offered, and the contract would then be DDUP the mill location in Burundi.

The disadvantage of monetizing wheat in Burundi is the limited market. There are only two mills, if they collude on the price the PVO is stuck with wheat. Hence the suggestion to hold the sale when the wheat arrives in Dar and give the impression that if the Burundians do not offer a fair market price it will be sold else where. The sale basis arrival Dar can either be basis DDUP the mill, or ExW Ngozi depending on the method of delivery that is chosen.

There are three main possible methods of awarding the tender;

1. Out right award to the miller who offered the highest price
2. Award the miller who offers the highest price the quantity asked for, the second miller gets the remaining tonnage, but both millers get the wheat at the lower price offered
3. The millers are told that the quantity of wheat will be awarded proportionally basis the difference of the prices bid

⁴¹ INCOTERM – implies goods are made available for the buyer to collect from the warehouse

Out right award

This is the simplest way to hold a tender. If the tonnage is small it will work, or if there are a large number of participants. However if the tonnage is larger than the monthly needs of one mill it is likely that one mill will not offer for the whole tonnage in which case both mills will have to be awarded the tonnage but one mill will be at a higher price. If one mill does bid for the whole tonnage it may bid a lower price than the mill which only bids for one month's supply since it has taken into account the costs of storing the wheat for a longer period.

Award basis the lower price

This method ensures that no miller is receiving wheat at a higher price than another – so there is not a reluctance to bid realistic prices in the tender process. There is an incentive of offer the higher price because the winner will get the tonnage they actually require.

Proportional award

This method ensures both millers receive wheat regardless whether they win or not. The tender would announce that prices within say 5% of the highest price would be awarded proportionally 75% to the higher price and 25% to the lower price, if the difference was between 5 – 10% then the ratio would be 80:20, a price more than 10% different from the highest price would not receive grain.

If the PVO decides that the sale should be ex warehouse (ExW) Burundi the best location would be Ngozi (WFP has sufficient storage capacity). Ngozi is on the road transport route presently being used due to the inability to ship by rail and would allow both millers to supply their mills without incurring additional transport costs (for instance if the wheat is in Bujumbura it then has to go back over the same road to get back towards MINOLAC's mill which would incur additional charges and mean that MINOLAC would not be able to compete fairly in the tenders since that additional cost would have to be taken into consideration in their bid. Given that both mills intend to expand production, annual imported wheat grain demand could range between 36-70,000 mt. The market in Burundi is significant and additional potential exists in the Eastern DRC market. In the event of expansion, Title II wheat monetization could be raised to 15,000 mt per year.

WFP runs an efficient pipeline into Burundi handling significant quantities. WFP is the largest single importer and as such has negotiated competitive rates with transporters, links with the rail way which when possible gives them blocked trains to transport to Isaka further reducing the transport costs. It is strongly recommended that the PVOs do not try and set up a parallel pipeline. Firstly it will be competing with WFP over the same resources and therefore potentially actually bringing about an increase in prices. It is strongly recommended that one PVO becomes the lead PVO and handles the monetization into the market. The market is too limited to have more than one entities selling to the same millers. If this happens the millers will exploit the situation and offer lower prices.

However with ever increasing wheat prices and strong competition for the remaining stocks the question to be considered is whether Burundi will still be able to purchase wheat as these prices continue to rise. Furthermore the cost efficiencies of milling at the coast will become more significant as the prices rise and smuggled imports may take over the market, particularly when one considers that 22 – 24 percent of the wheat is lost in processing which equates \$154 – 168 / mt when priced against the Burundian import price and this will only increase as the price continues to increase against market fundamentals.

3.7 Edible Oils

Edible oil plays an important role in the Burundian diet. A study in 2004 of vulnerable households confirmed that four to six percent of total household expenditures are for edible oil. Furthermore, vulnerable and food secure households consume oil nearly everyday while chronically food

insecure households consume oil at least 1-2 days per week.⁴² Artisan-produced red palm oil in rural areas is the oil of choice and a key ingredient in many local dishes. Refined cooking oil is also widely available, though used mostly for frying.

Oilseeds produced in Burundi are palm nut and cottonseed and smaller quantities of soybean and sunflower. Plantations bordering Lake Tanganyika, south of Bujumbura (Bujumbura Rural, Bururi and Makamba) produce roughly 90 percent of Burundi's palm nut production.⁴³ Cotton production is limited to the Imbo Plain in the east bordering Tanzania.

Soybeans have a dual role as a pulse used in the local diet and as a cash crop sold to oil mills in Bujumbura. Soy is cultivated in small quantities in the center of the country. Sunflower production is limited to Kirundo District. Smallholder production was roughly 500 mt 2003 and was produced for a small oil mill run by a church.⁴⁴ Cold pressed sunflower oil is being sold by the Centre Agro Pastoral de Mutwezi a Kirundo with a label which included a USAid logo, unfortunately no information was forthcoming either from USAid or the general market.

Edible oil manufacture in Burundi comprises red palm oil production employing a rudimentary "cold-pressed" method, and industrially-refined cooking oil. It is estimated that annual unrefined red palm oil production is between 18-22,000 mt using oilseed from approximately 7,000 hectares of palm plantation farmed by small scale farmers.⁴⁵ Artisan oil manufacture accounts for 85 percent of the total production but extraction rates from palm fruit kernels are low at 13-15 percent. While the majority of sales from retail shops are refined cooking oil, the majority of sales in the markets are of locally produced palm oil. Whole sellers visit the markets twice a weeks selling palm oil in large numbers of 3-5 l jerry cans which are immediately decanted into 1 – 1.5 liters plastic bottles that have been recycled (i.e. were originally selling another commodity). Customers visit the markets on average between once and twice of week, generally buying local unrefined palm oil in a ration of 4:1 compared to refined cooking oil. Customers buy small quantities which are decanted into plastic bags (both unrefined palm and refined oil). Customers and traders report that while unrefined palm oil is excellent with beans etc it cannot be used to cook rice which requires refined oil. In the central markets there were between 20 – 30 traders (apparently their numbers have been reducing over the last two years) selling between 10 – 30 liters per day (30 liters a day tend to be prior to festivals and in Ramadan). While the Central market is the largest in Bujumbura, there are an additional 8 small official markets and two small unofficial markets with a much smaller number of oil traders (the two other markets visited had 6 each) selling small quantities of oil in less salubrious circumstances. Traders report that sales of unrefined palm oil drop by about 60 percent when WFP distributes oil, and the whole sellers go and buy up the oil and deliver it to the traders to sell. This oil is generally cheap. USA oil was evident in the market at the time of the survey.

Three companies (MINAGO, RUPO and SAVONOR) employ industrial techniques to extract 21-22 percent and remove impurities, thereby producing a better product. SAVONOR sells unrefined red palm oil under the Palmola label on a contract basis for large buyers such as the military. Two companies produce refined cooking oil – SAVONOR and RAFINA. The German-owned SAVONOR manufactures palm sterein (soap) and palm olein (refined cooking oil) from locally-sourced palm fruit kernels; they work with an 800 hectare plantation with around 2,000 farmers, a hectare should produce 5 mt, but here its producing around 3 mt. Their core business is soap and wax candles, though they can manage to produce 5 mt / day of refined cooking oil under the Cooki label, in addition to Palmola however production is seasonal and in low season they shut the mill, they estimate that they produce 2,400 mt per year in total at the moment. They hope to increase their capacity to 10 mt / day in the near future. SAVANOR has just finalized a contract with WFP to deliver 75 mt of refined palm oil.

⁴² WFP "Burundi Food Security and Vulnerability Report" September 2004

⁴³ Vicens, Heimo, Director SAVONOR (discussion with author 2005 Bellmon)

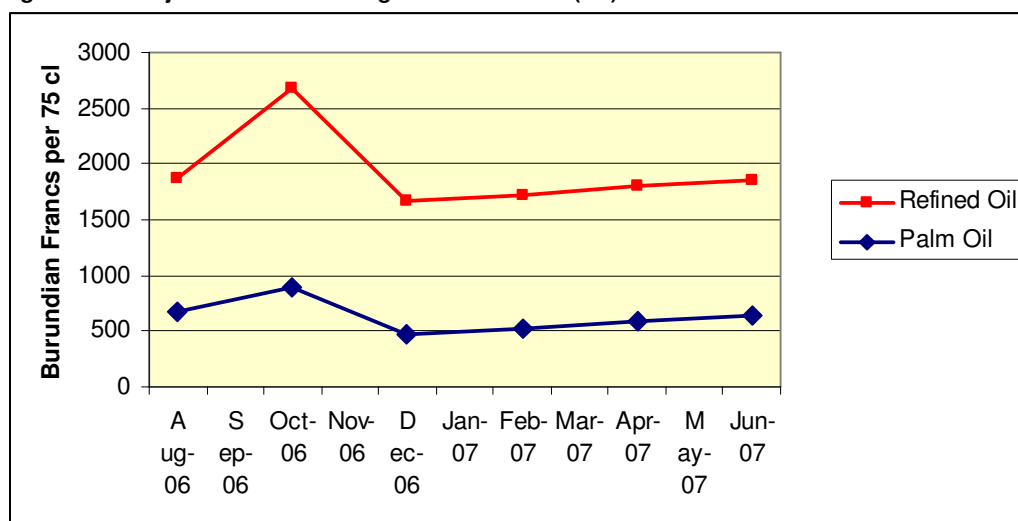
⁴⁴ Droeven, Christophe, CRS-Burundi (discussion with author 2005 Bellmon)

⁴⁵ Matthias Kuntze, Director SAVONOR (discussion with author)

Among other reasons (disease, lack of fertilizers etc.) the lowering of production each year is due to the aging of the palms, after the age of 20 palm tree production reduces significantly. The EU in conjunction with the Office du Palm⁴⁶ is funding a proposal which will replace up to 500 hectares per year. So far this year the Office du Palm has managed to persuade farmers on about 200 hectares to participate; young palm trees take up to 5 years before they start producing fruit and therefore income to the farmers.⁴⁷

The oldest edible oil miller in the country is RAFINA, founded in 1960 by Belgians. The mill has a production capacity of 24 mt per day, however generally they are running at about 15 mt / day apart from in the low season when they only run a few hours a day and produce between 6 – 7 mt a day. The bulk of their oil production is from cottonseed (80 percent) with the balanced comprised of palm nut, peanut, sunflower and soybean. The factory buys primarily from smallholder farmers through depots upcountry. Roughly 30 percent of their cottonseeds are sourced from purchases at the Tanzanian border due to insufficient supply in Burundi, a major constraint to the factory's operation. Extraction rates were improved over ten years ago following an agricultural extension activity by the government promoting seeds with higher oil content. 60 – 70 percent of their production is sold in Bujumbura. With the new COMESA preferential duty rates competition has increased and the amount they are selling each month has reduced.

Figure 31: Bujumbura 2006 - 7 Vegetable Oil Prices (BF)



Source: ISTEERU 2006-7 Price Bulletins for basket of goods

3.7.1 Refined Vegetable Oil

Both edible oil producers were critical of WFP's free distribution of USA soybean oil. They argued that the majority of oil distributed ends up in the market, thereby depressing vegetable oil prices. The majority of imported refined vegetable oil in the market comes from Uganda (including brands such as Golden Fry, Roki, Viking) taking advantage of the preferential import duty of just 1 percent basis the refining of the crude oil in Uganda adds significant value to the commodity matching COMESA regulations on these matters. Kenya is also selling oil into the market (Ufuta), there was some Malaysian oil but retailer and traders said it moves very slowly compared to East African brands. Large scale importers estimate that together they are selling 4000 cartons each containing 20 liters per week – ie 3,744 mt peer year. The imports sell to the retail shops, the retail shops sell to the small 'duka' stall shops and to small scale traders, small scale traders then

⁴⁶ Hon Ir Jean de Deiu Mutabazi, Minister of Agriculture and Livestock (discussion with the author)

⁴⁷ Matthias Kuntze, Director SAVONOR (discussion with author)

decant small amounts of oil from the bottles and jerry cans and sell to the population in plastic bags. Jerry cans also have a value of BF 3,000 and are sold by the traders.

Figure 32: Refined oil imports in liters

	2005	2006	2007
United Emirates	5,870	17,790	12,111
Malaysia	417,140	1,100,309	501,111
Kenya	154,786	219,157	7,333
Uganda		693,357	1,191,111
Others	133,316	438,277	838,333
Total	711,111	2,468,889	2,550,000
Portion of Humanitarian aid		119,597 ⁴⁸	71,111 ⁴⁹

Source: Customs and Excise, ISTEEBU

Figure 33: Estimated cooking oil availability 2006 in metric tons

Production of palm oil nuts	22,000
85% traditionally processed	18,700
Extraction rate av 14%	2,618
Savonar production	2,400
Est. Total local palm oil available	5,018
Other processed oils	3,000
Estimated imports	3,744
WFP imports	2,723
Est. total cooking oils availability	11,762

Source: Interviewees

Figure 34: Estimated import costs and sale price per 20 liter jerry can

	Uganda	USA
Cost FOT Kampala / Dar es Salaam	\$ 21.00	\$28.50 ⁵⁰
Transport to Bujumbura	\$ 2.26	\$4.00
Import duty (1% Uganda, 5% USA)	\$ 0.23	\$1.63
Service charge	\$ 3.95	\$5.53
Other duties	\$ 0.12	\$0.13
Total costs	\$ 27.56	\$39.78
Convert to Burundi Franc	30,595.04	44,155.80
Sale ex retail shop	33,000.00	

Source: Importers and retail shops

Regardless of cost recovery aspects imports into Burundi are limited and therefore sale of imported refined cooking oil from the US would have to be limited to very small quantities and

⁴⁸ Agro Action Allemande

⁴⁹ WFP

⁵⁰ Estimated CNF FO costs

have a strong possibility of providing a disincentive to the market. An estimated 31 percent of refined vegetable oil costs would not be recoverable in the Burundi markets.

Considering that unrefined red palm oil is such a key component of the diet and is in the process of being re vamped along with developments in other oil seed sectors and refined cooking oil is used mostly in urban areas for frying further, beneficiary lipid needs could be better served by local purchase of edible oil suitable to local tastes. Given that edible oil production in Burundi depends upon local oilseed, it is evident that the sale and distribution of USA oil is a disincentive to local production. At present WFP is distributing 23 percent of the total oil available each year and 40 percent of imports. Care must be taken when purchasing locally that the purchases are not decreasing availability of the cheaper local oil to the market and affecting the customer's ability to make purchases in the market.

3.8 Legumes and Pulses

As noted, the Burundian diet is rich in legumes and pulses, which are eaten as side dishes with almost all of the other staples. Peas and pigeon peas are additional legumes and pulse produced in Burundi, though their use is very limited.

3.8.1 Dry Beans

Discussions with government officials and traders confirmed that beans were an integral crop to the diet and were an income-earner. Bean dishes are widely eaten and often accompanied by palm oil by those that can afford it. There are many types of dry beans. The most important is mixed beans, *haricots mixte*. Also present in quantity are yellow beans, *haricots jaunes* often imported from Tanzania. They are eaten in all parts of the country. The data indicates that there is substantial bean production in Burundi, yet insufficient to meet demand.

Traders supplying beans to the WFP's local purchase program have a collection point in Gitega where security is good. In 2005 they sold 1,008 mt of beans to WFP for use in various programs. Nonetheless, it appears that most of the beans WFP distributed were procured regionally (e.g. Uganda), with a portion of USAID Title II origin.

Between 2000 and 2006 average annual production of beans was about 205,748 mt. An additional average annual tonnage of about 5,000 mt was imported as food aid. Commercial imports and exports were probably negligible. This indicates that average annual domestic supply over this period was about 210,000 mt. Based on the average annual per capita supply in the decade prior to the conflict, and the estimated population in 2006, average annual national consumption requirements should be about 439,000 mt which would indicate an average annual national deficit of beans of about 228,000 mt.

Figure 35: Burundi 2000- 2006 Balance Sheet for Beans (mt)

	2000	2001	2002	2003	2004	2005	2006	Average
Production	187,437	248,914	245,289	245,000	220,218	91,000	202,375	205,748
Commercial Imports	0	0	0	0	0	0	67	10
Food Aid	N/A	1,537	3,582	2,403	6,299	9,064	9,988	4,696
Exports	0	0	0	0	0	0	0	0
Domestic Supply	187,437	250,451	248,871	247,403	226,517	100,064	212,430	210,453
Consumption Reqs	401,356	412,326	423,477	434,268	447,080	469,846	482,297	438,664
Balance	-213,919	-161,875	-174,606	-186,865	-220,563	-369,783	-269,867	-228,211

Source: FAOSTAT

Given the capacity of the country to produce beans, importation of this commodity probably represents a potential disincentive to domestic production, and beans for use in food aid programs are best procured through local purchase (LPC).

3.8.2 Peas

Peas are mostly produced for urban consumption. The country's average annual production of peas in the period between 2000 and 2004 was about 33,900 mt. Average annual imports for food aid were about 5,900 mt. Commercial imports and exports were probably negligible. Thus the average annual domestic supply of peas is about 38,400 mt.

Figure 36: Burundi 2000- 2006 Balance Sheet for Peas (mt)

	2000	2001	2002	2003	2004	2005	2006	Average
Production	33,330	33,500	33,500	33,144	33,500	32800	35583.9	33,623
Commercial Imports	0	0	0	0	0	0	0	0
Food Aid(a)	3,565	4,253	9,630	6,738	5,800			
Exports	0	0	0	0	0	4,995.85	7,418.45	6,057
Domestic Supply	36,895	37,753	43,130p	39,882	39,300	37795.85	43002.35	33,518

Source: FAOSTAT, ISTEERU

a. Includes peas and split peas

Given the limited role of this commodity, peas are probably the suitable legume for use in targeted food distribution programs. Given the decline in protein availability, distribution of this commodity is probably the best option. Given the regular food aid supply, distribution of up to about 3,800 mt, or ten percent of average annual supply, is unlikely to result in a disincentive to domestic production.

3.9 Livestock and Dairy

Dairy production in Burundi was decimated during the prolonged conflict, and small-scale milk production in rural areas also declined. The primary milk producing areas include Bujumbura, Cankuzo, Bururi, Bubanza and Muramvya. Many smallholders abandoned their livestock due to insecurity, such as Kayanza. Production figures vary dramatically, but a recent study estimated annual milk production at 9.7 million liters in 2002.⁵¹

In a dairy sector study of milk traders conducted in early 2004, traders asserted that sales of dairy products increased by 10 percent between 2000 and 2003.⁵² The increase in milk and milk products consumption was attributed to: lower prices, improved efficiency in transport means, better quality products, increased consumer awareness and preference, improved political situation, favorable weather contributing to higher dairy production and better payment terms from the suppliers to the outlets.

Dairy farming in Burundi is practiced on large and small-scale farms. The key dairy farms include Mahwa, Kiryama, Kirekura and Vyerwa. There are no major processors of fresh milk in Burundi except for some cottage industries such as DME Bujumbura, which processes yoghurt, fermented milk, and cheese. Most of the milk produced in the large-scale farms is sold to vendors unprocessed and some is used in making cheese and butter on a small-scale at farm level. Milk produced around Bujumbura is sold unprocessed.⁵³ At the moment, the only branded dairy in Burundi is La Perle in Bujumbura with a capacity of approximately 100 liters per day. It produces yoghurt, cream cheese, and ice cream and is supplied by two commercial dairy farms. It imports dairy processing ingredients from Belgium and packaging materials from Nairobi. Its business is

⁵¹ "Burundi Export Market Study Report for Land 'O Lakes Uganda" SBO Research, March 2004

⁵² ibid

⁵³ ibid

exclusively high end and thus limited. There are two small unbranded cheese processors that sell to the informal market, one of which does not use sanitary procedures. A large cheese factory in Kirundo that received funding from Belgium collapsed because of an inadequate market. A dairy plant in Bujumbura with an installed capacity of approximately 30,000 liters has been out of operation for nine years. Built about 40 years ago, the plant's equipment is either missing, in bad repair, or out of date, and would need to be completely rebuilt at the cost of around US\$1 million.

Lack of local processing capacity has led to high importation of dairy products into Burundi, especially powdered milk and some UHT from neighboring countries. The brands of long life milk are all imported and in short supply. The leading brands in this category are Dairy Fresh from Dairy Corporation Kampala and Viva from Nyabisindu Dairy in Kigali. Kenya, Zambia and Zimbabwe also supply exports. It is difficult to establish the exact quantities of dairy products imported into the market because most of the products arrive informally. Traders interviewed for the Bellmon 2005 asserted that it was no longer possible to legally import and sell powdered milk (Nido) due to the large volume re-exported from DRC.

SECTION 4 LOGISTICS ANALYSIS

4.1 Security and Corruption

Although security improved in Burundi following the installation of the transitional government in November 2003, precautions are advised for the transport of goods within the country. In particular, the FNL rebel group occupies Bujumbura Rural. As a result, commercial or humanitarian vehicles heading out of Bujumbura on the steep climb toward Ngozi or Gitega are vulnerable to attack. Periodic attacks on commercial vehicles also occur on the road between Muyinga and Ngozi after entering the Kobero border crossing from Tanzania. Therefore, humanitarian trucks tend to travel in convoy with military escort, and government troops patrol the road in sensitive areas. Hijacking of vehicles by bandits also occurs occasionally.

Pirate attack of loaded barges bound to Bujumbura or Uvira, DRC ports have occurred on Lake Tanganyika. Vessels loaded with WFP cargo often sails with Tanzanian military escorts while in Tanzanian territorial water, to be shifted to Burundian Army oversight upon crossing the frontier.

While the government made great strides to control smuggling at border crossings prior to 1994, eleven years of war saw the deterioration of border controls. Several traders, producers and freight forwarders complained that a substantial amount of goods seep through Burundi's porous borders making it difficult to compete with untaxed products. Many believe corrupt customs officials at entry points support this situation.

WFP has operated a pipeline for food aid commodities to Burundi since the outbreak of the civil war in 1993. The costs of transporting commodities match and are some time cheaper than that used by the private sector (WFP has the influence and the volume to book blocked trains from Dar es Salaam to Isaka). In the event that additional Title II CSs began to operate food programs in Burundi, it makes sense to coordinate shipments with WFP particularly since working separately means competing for the same resources. Implementers should also keep in mind the difficult operating environment when designing programs, and plan accordingly. To the extent possible, it makes good sense from a security perspective to incorporate commodities that have limited resale value and potential, in order to minimize the risk of diversion. Effort should be made with the timing of the call forwards to coordinate shipments with WFP so that the resources needed to move commodity from Dar es Salaam to Burundi are not swamped by excessive amounts of cargo arriving simultaneously.

4.2 Ports Analysis

Burundi is landlocked, so cargo must be transported from Dar es Salaam or occasionally Mombasa. There are three major entry points for imported goods to Burundi – Port of Bujumbura via Lake Tanganyika, Kobero, Tanzania by road, or Kanyaru, Rwanda by road. Due to cost and security constraints, Bujumbura-bound cargo used to use Port of Dar es Salaam and Port of Bujumbura. Cargo bound for locations up-country, such as Ngozi or Gitega, may use Port of Mombasa via Uganda and Rwanda, or by road from the Port of Dar es Salaam entering at the Kibero border and by-passing rebel-strongholds.

4.2.1 Dar es Salaam

The Port of Dar es Salaam is Tanzania's principal port and commercial capital, and trans-shipment point for most Burundi-bound cargo. The draft is 13 meters for vessels up to 234 meters length. The port has eleven berths, with five terminals for general cargo, oil, containers, grain, and passengers. The container terminal is privately managed, while the Tanzania Ports Authority operates bulk terminal facilities. Annual handling capacity is 10 million mt, though actual tonnage passing through is often well below capacity.

Storage capacity at the port is approximately 2.5 million mt, including open storage space and sheds. Storage capacity outside the port includes bonded warehouses, Strategic Grain Reserve storage, privately owned warehouses and silos. In addition, the National Milling Corporation has silos in Dar es Salaam that can accommodate 50,000 mt, and which are available for rental.

The Port of Dar Es Salaam is connected to two railway networks. Tanzania Railways Corporation (TRC) controls 2,600 km of railroad that connects the port of Dar Es Salaam with the Central and Northern regions. The railroad terminates at Mwanza, Lake Victoria and Kigoma, Lake Tanganyika. Unfortunately at the moment due to problems with the rail lines and problems with rolling stock virtually no cargo is traveling from Tanzania to Burundi by rail particularly through the Kigoma route. In a visit by the President of Tanzania to Burundi in July, rehabilitation of the rail link to Kigoma was discussed along with the rail link to Isaka. There is also a joint survey to consider the possibilities to extend rail links from Isaka to Bujumbura and Kigali, Rwanda and from Western Tanzania to Bujumbura however these are long term projects. Burundi, DRC, Kenya, Rwanda, and Uganda receive and export cargo via road or lake transshipment. TAZARA operates 1,860 km of railroad and connects the port of Dar Es Salaam to points in Zambia.

The port facilities, storage and rail linkages at Dar es Salaam are sufficient to handle the commodities considered in this Bellmon Analysis. However, careful attention must be paid to management of commodities in Dar es Salaam due to frequent logistical delays if rail is being used and problems with intermodal onward transport. Also, the limited availability of rail wagons can cause delay in shipping times.

4.2.2 Mombasa

Mombasa is Kenya's main port of entry for sea freight. It handles over 11.93 million mt of imports and two million mt of export every year. In the last five years, the port has been handling over 110,000 mt of rice, 800,000 mt of wheat, and between 219,000 and 296,000 mt of edible oil annually. Mombassa serves as the major port for several landlocked countries of East and Central Africa. It is connected to the rest of the country, and to neighboring Uganda by railway and an international trunk road.

The Kenya Ports Authority (KPA) operates the Port of Mombasa. KPA is a member of the International Association of Ports and Harbours (IAPH) and the Port Management Association of Eastern and Southern Africa (PMESA) of which it houses the secretariat. The port is managed by a Board of Directors that includes Kilindini Harbor, Port Reitz, the Old Port Tudor and the whole of the tidal waters encircling Mombassa Island.

Berthings at the port include:

- 13 general cargo berths with a quay length of 2,448m
- 16 deep-water berths with a total quay length of 3,044 meters and a maximum depth of 11 meters.
- Three container berths with 72 reefer points for refrigerated containers
- Three dry bulk wharves

At the general cargo berths there are 35 portal electrical traveling cranes, nine portal electrical fixed cranes, and 22 mobile cranes, three multi-purpose forklift trucks with a capacity of 16 tons and two overhead belt conveyors for bulk soda ash with a capacity of 110 tons per hour. Additional port facilities include:

- Four ship to shore gantries
- 11 rubber-tired gantries
- Two rail-mounted gantry cranes
- Nine top loaders
- Three prime movers
- 64 Tug masters
- Six shunters⁵⁴

The storage facilities have a customs bonded warehousing facilities. Every storage facility has a weighbridge for both road and rail freight. The vegetable oil storage firms normally require a six-week notice before the arrival of the cargo to nominate individual tanks for each client. Storage charges at Mbaraki for oil are currently US\$4.00 per mt per month.

Grain Bulk Handling is set up to handle bulk grain cargo with a potential discharge rate of 12,000 mt per day. It has 120,000 mt of silo storage along with the necessary bagging equipment and a further 15,000 mt of flat bed storage.

Facilities at Mombassa port can easily handle the commodities considered in this Bellmon Analysis. However cargo transiting through Kenya must comply with Kenya Plant Health Inspectorate Services (KEPHIS) regulations, these regulations may be extended to apply to Tanzania and Burundi in the future.

4.2.3 Bujumbura

Constructed in 1959, the Port of Bujumbura is on the northeast shore of Lake Tanganyika and handles an average of 200,000 mt per year. In 1992 the port was expanded to handle an annual maximum of 500,000 mt. In the same year, a lease agreement was signed for ten years with the EPB (a 43 percent public, and 57 percent private partnership company) which has been extended for an additional 10 years. The port has 920 meters of quays with an area protected by two jetties, and a port basin. Cargo operations take place on the port basin on 550 meters of quay while the other quay handles petroleum products. There are covered storage facilities at the port with capacity of 18,560 m², nearly half the storage is devoted to exports such as coffee. There are 5 cranes with a lifting capacity of 5 mt; each crane can handle 500 mt per day, a mobile crane and a crane with a lifting capacity of 50mt – to lift containers. All cargo is lifted on palates, if not already palletized has to be loaded onto pallets in the holds. Some equipment is in disrepair.

The port has a 7.75 metre draft. Traditionally, Lake Tanganyika is at its lowest level in November and at its peak in May, thereby creating problems for off-loading at certain times of year. There have been reports that the Port has been on the point of closing down due to low water levels, this was denied by the director of operations at the port, however he did allow that a small percentage of the far end of the quay had silted up and was no longer used however operation were in no way constrained at the other end of the quay. (In 2006 43,000 of the 73,000 mt of cement imported into Burundi was handled through the Port of Bujumbura shipped from Zambia)

WFP faces numerous challenges at the Port of Bujumbura. According to personnel in the 2005 Bellmon report, the cranes are non-functioning and have not been maintained. In addition, WFP had to purchase pallets for their own use. They also purchased a forklift. In addition, the shallow two to three meter draft adds another constraint to off-loading. The port also does not employ sufficient labor to assist with off-loading. Finally, Bujumbura port is congested with commercial cargo at certain times of the year. A WFP representative remarked that when a request for a discount was made due the inefficiencies listed above that lead WFP to purchase equipment, port officials responded that the commodity would not move unless the full price was paid. However

⁵⁴ Kenya Ports Authority (2004) – Internet site: (www.kenya-ports.com/traffic.htm)

due to the failure of the Tanzanian rail links the port was for the moment not being used by WFP or commercial wheat importers.

The port charges \$3 / mt for discharging a vessel, and charges US\$0.10 per mt for storage for the first 14 days rate thereafter increase.

4.3 Transport Analysis

There are three transport options available from Dar es Salaam to Bujumbura. One involves sending cargo via rail to Kigoma; de-stuff to barges on Lake Tanganyika then northward to Bujumbura Port. While this route was the least expensive, it was the slowest with cargos taking up to 2 months to transit from Dar es Salaam to Port Bujumbura. In 2005, approximately 25-30 percent of WFP cargo moved via the lake to Bujumbura.

The second route involves loading cargo onto trucks at Dar es Salaam, and transporting it directly to Bujumbura via the Isaka road. A WFP representative, importers and millers indicated that this was by far the preferred route to Bujumbura at this time due to the lack of rail wagons in Dar es Salaam. The third option is to send cargo by rail to Isaka, de-stuff to trucks and continue by road to the Kobero border crossing and into Burundi a route used more often by WFP, booking complete trains to handle the shipments.

Dar es Salaam/Kigoma/Bujumbura - Commercial transporters in the past preferred this route because it was the cheapest option and relatively secure. Landed costs on this route ranged in 2005 between US\$118-134 per mt. Transit time is up to two months. Transportation through this corridor was not without security problems as noted herein. At the time of this report this route was not available.

Dar es Salaam/Dodoma/Isaka/Bujumbura - Direct trucking from Dar es Salaam to Bujumbura is about US\$3,545 per 20-foot container. Unfortunately, axle-limits in Tanzania permit only 13.5 mt gross weight per loaded container, an effective rate of US\$262 per mt, bagged cargo loaded directly into truck allows about an average of 28 mt to be loaded onto the trucks which gives a rate of around \$200 / mt. Transit time is approximately one week which doubles in the rainy seasons. Truck convoys enter Burundi in Kobero town in Muyinga Province, and then proceed to Ngozi where they are cleared. WFP has been exempted from customs and duties, and there is some indication that other humanitarian cargo would be similarly exempted. Nonetheless, papers need to be filed upon arrival to ensure that cargo can be quickly off-loaded from trucks.

Dar es Salaam/Isaka/Ngozi onwards - On this route, cargo is loaded onto rail cars at the port, de-stuffed at Isaka, and then enters Burundi via road at Kobero border. WFP uses this route when they are able to clock book complete trains from Dar es Salaam, it is also used by MINOLACS wheat mill when they can book rolling stock, (because their factory is in Muramvya 50km east of Bujumbura accessed directly from Ngozi) however competition from WFP makes this hard. There are no weigh bridges west of Isaka, Tanzania, and transporters ignore axle limits.

Another option is to ship commodities to Mombasa, send by rail to Kampala and finally by road via Kigali and Ngozi, but this route is the longest and least cost effective. A small proportion of the cargo WFP imports from Mombasa actually travels the entire distance to Ngozi. Much of the commodity that WFP transports via this route has been purchased in either Uganda or Rwanda. Thus, it is actually an efficient route for transporting cargo originating from this region.

WFP / Burundi handle about 77,000 mt of food aid per year. About 20 percent of food aid is locally purchased in Uganda and Tanzania and transits through Rwanda. WFP brings 75 percent of imported food aid directly by truck from the port or Dar es Salaam, and 12 percent from the northern corridor.

Figure 37: WFO summary of discharge costs in Dar es Salaam

	bagged cargo	Cargo in containers
Berthing	14.25	
Harbour costs	3.45	3.45
Fumigation	0.32	0.32
Handling		0.6
Warehousing	1.5	1.5
C&F charges	3.75	1.75
Others	1.72	1.72
Total	24.99	9.34

WFP basis a cost per kilometer pays \$176.50 per mt to Ngozi and \$184.50 per mt to Bujumbura.

Due to concerns that Bujumbura could become cut off from the rest of Burundi due to rebel activity, WFP maintains a warehouse operation in Ngozi, a traditionally secure area.

Internal Transport - Local transporters are available in Bujumbura to transport commodities throughout the country. The freight forwarding companies have small fleets of six to ten trucks, while local transporters own one to two trucks. ONUB has a substantial fleet of trucks though these are used strictly for internal operations and peacekeeping. WFP contracts out much of its transport requirements to local companies. WFP has established rates with contractors based on fuel costs and distances. They have a short-list of ten reliable transporters. There is strong competition for transporters between WFP and commercial importers when their cargos arrive in Dar es Salaam at the same time.

4.4 Storage Analysis

Freight forwarders in Burundi noted that storage in Bujumbura is available, though much of it is occupied by the commercial sector, WFP, and NGOs. However, the supply of good quality storage increased when ONUB withdrew peacekeepers and operations. Warehouses need sufficient security guards and alarm systems to guarantee the safety of secured commodities.

Potential storage locations and their capacities include warehouses managed by CRS, SDV Transami, and SODETRA. Wheat mills have sufficient storage on-site.

Figure 38: Burundi Additional Warehouse Space (mt)

Organization	Capacity On-Site	Capacity Off-Site
CRS	500	
SDV Transami	3,000	
SODETRA	2,200	
MINOLACS	3,680	N/A
FARISANA	5,000	10,000

At the present WFP is utilizing 10,000 mt of warehousing space in Ngozi. The organization owns two warehouses with a combined capacity of 10-12,000 mt (at a cost of US\$1.00 per mt), and has the potential to rent space within a warehouse complex for about US\$1.50 per mt that can accommodate 7,000 mt within the mobile tent stores which are still in situ. Some of the space in Ngozi is used for pre-positioning commodities in the event that Bujumbura is cut off due to rebel activity. Ngozi was strategically selected as the primary warehouse for this reason. WFP indicated that although it tends to utilize all of this warehouse space, it is willing to make space available for others.

WFP maintains a good quality warehouse in Bujumbura with a capacity which has been increased to 12,000 mt from the previous level of 5,600 mt

Storage is devoted primarily to food aid items and roughly 2,000 mt is used for non-food items (seed, tools & equipment). On average WFP handles 4 quarterly consignments of approximately 20,000 mt, Total imports per quarter are variable however, and pipeline breaks can delay cargo arrivals. WFP indicated that they would be able to handle, the logistics and storage of two lots of 3,500 – 4,000 mt each, especially if Ngozi was the final destination.

SECTION 5 LIST OF CONTACTS

Figure 39: List of Contacts (listed alphabetically by agency/organization and by last name)

Mr Nsabiyaemye	Assistant Country Director	ADRA
James Bariyanga	Resident Representative	Africare
Dr Andrea Jost	Chief of Mission	Agro Action Allemande
Fernandes Agnel	Operations Manager	Alsafa
Liberate Kiburago	Manager of Imports Export services	Central Bank of Burundi
Kevin Doyle	Head of Programs	CRS
David Macharia	Management Quality Coordinator	CRS
Lewis Carroll	Third Secretary (Economic Affairs)	Embassy of United States of America
Moise Nsengiyumua	Chief of Port	EPB
Viren Doshi	General Director	ETS Doshi Stores
Vital Baranyitondeye	Assitant Representative in Charge of Programs	FAO
Bernard Biranyuranwa	President General Director	Farisana
Immaculate	Logistics Manager	Farisana
Famousa Kamara	Country Director	International Medical Corps
Leonard Simbaburanga	Program Assistant	International Medical Corps
Christine Baker?	Country Director	IRC
Noe Nduwabike	Researcher	Institut de Statistiques et d'Etudes Economique du Burundi ISTEERU
Venant Niyongere	General Director	La Societe Regional de Developement Regionale de Developement de L'Imbo SRDI
Hon Ir Jean de Deiu Mutabazi	Minister	Ministry of Agriculture and Livestock
Longin Ninganza	Director of Studies and Programs	Ministry of Agriculture and Livestock
Terence Nzeyimana	Director of Internal Commerce	Ministry of Commerce
Emile Nimpaye	Director	Ministry of Planning, Development and Reconstruction
Edouard Nyandwi	Director of Transport Routes	Ministry of Transports, Post and Telecommunication
Munir Bashir	General Director	Minolacs
Joel Goire	Country Director	MSF
Ernest Ndimubandi	General Director	Multi-Trade
Mr Aschille	Director of Statistics	Office of Customs
Mr Binagra	Director of Research	Office of Customs
Alain Ndikumasabo	General Director	Rafina
Matthias Kuntze	General Director	Savonar
Salvator Sindayihebura	General Director	SDV Transami
Floribert Nzoyihera	Operations Manager	SODETRA (SPRL) Ltd
Chantal Ninteretse	Program Assistant	USAid Foreign Disaster Assistant
Mary Ellen McGroarty	Deputy Country Director	WFP
Eunice Smith	Logistics Director	WFP
Mathieu Gassi Simbary	Operations Director	World Vision

Special thanks to Noe Nduwabike of ISTEERU for his assistance with data collection and Deo Ndayisimiye for his efforts at translation and insights into the Burundian situation.

SECTION 6 LIST OF ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome	IAPH	International Association of Ports and Harbours
APRA	Arusha Peace and Reconciliation Accord	IDA	International Development Association
ARVs	Anti-retro viral drugs	IDPs	Internally displaced persons
ASA	American Soybean Association	IMF	International Monetary Fund
BHR	Bureau for Humanitarian Response	IRAZ	<i>Institut de Recherche Agronomique et Zootechnique de la CEPGL</i>
BF	Burundian Francs	ISABU	<i>Institut des Sciences Agronomiques du Burundi</i>
CAP	Consolidated Appeals Process	ISTEEBU	Institut de Statistiques et d'Etudes Economiques du Burundi
CIF	Cost, Insurance, Freight	Kg	Kilograms
CS	Cooperating Sponsor	KPA	Kenya Ports Authority
CDSO	Crude De-gummed Soybean Oil	KEPHIS	Kenya Plant Health Inspectorate Services
CFSAM	(FAO/WFP) Crop and Food Supply Assessment Mission	LDC	Least-Developed Country
CIA	Central Intelligence Agency	LIFDC	Low-Income Food-Deficit Country
CMD	Cassava mosaic disease	LPC	Local purchase
CNDD-FDD	National Council for the Defense of Democracy-Forces for Defense of Dem	MINAGRI	Ministry of Agriculture
COMESA	Common Market of Eastern and Southern Africa	Mt	Metric Tons
CRS	Catholic Relief Services	N/a	Not available
CSLP	<i>Cadre Stratégique de relance de la croissance et de Lutte contre la Pauvreté</i>	NDBC	National Dry Bean Council
DDUP	Delivered Duty Un Paid	NFDM	Non-Fat Dried Milk
DRK	Dark red kidney (bean)	NGO	Non Governmental Organization
DNS	Dark northern spring (wheat)	OCIB	<i>Office de Culture Industriel de Burundi</i> (Burundi Coffee Board)
DRC	Democratic Republic of Congo	ONUB	<i>Organisation des Nations Unis de Burundi</i>
EARO	(CRS) East Africa Regional Office	OVCs	Orphans and vulnerable children
EPB	<i>Société Concessionnaire de l'Exploitation du Port de Bujumbura</i>	P.L. 480	Public Law 480
Est	Estimate	PLWA	People Living with AIDS
FACARGO	Faculté des Sciences Agronomiques	PMESA	Port Management Association of Eastern and Southern Africa
FAM	Food Aid Management (Consultative Group)	PVO	Private Voluntary Organization
FAO	Food and Agriculture Organization	SARO	(CRS) South Africa Regional Office
FAO-STAT	FAO Statistical Database	SP/REFES	Secrétariat Permanent de Suivi des Réformes Economiques et Sociales
FAS	Foreign Agricultural Service	TAZARA	Tanzania-Zambia Railway
FAS	Free alongside Ship	TRC	Tanzanian Railways Corporation
FDD	Forces for the Defense of Democracy	UNDP	United Nations Development Programme
FEWS-NET	Famine Early Warning Systems-Network	UNHCR	United Nations High Commission for Refugees
FFE	Food for Education	UPRONA	Unity and Progress Party
FFP	Food for Peace	US\$	United States Dollars
FFPr	Food for Progress	USAID	United States Agency for International Development
FFW	Food for work	USDA/FAS	United States Department of Agriculture/Foreign Agricultural Service
FNL	Forces for National Liberation	USG	United States Government
FRODEBU	Front for Democracy in Burundi	USWA	U.S. Wheat Associates
FY	Fiscal Year	VAT	Value-Added Tax
GDP	Gross Domestic Product	WFP	World Food Programme
GMO	Genetically Modified Organism	WISHH	World Initiative for Soy in Human Health
GOB	Government of Burundi	WHO	World Health Organization
Ha	Hectares	WTO	World Trade Organization
HDI	Human Development Index		
HIPC	Heavily Indebted Poor Country		
HRW	Hard red winter (wheat)		
HWW	Hard white winter (wheat)		

SECTION 7 BURUNDI FY07 BELLMON

Scope of Work For Consultancy Services

A. Terms of Reference

The Consultant will conduct a 14 day research and draft and prepare an update of the Bellmon Analysis for Burundi. This includes the following tasks:

- a. To update the Bellmon that was conducted in 2005. This would include to identify specific Title II commodities (if any) for monetization and distribution in Burundi that will not represent a disincentive to local production or interfere with domestic marketing, and are logistically feasible (transportation and storage) given current policy and infrastructure to and within Burundi. Also, to establish that adequate storage facilities are available in the recipient country to prevent the spoilage or waste of commodities;
- b. To describe the conditions under which these commodities can be programmed or monetized in order to (a) enhance household access to needed food requirements; (b) generate the maximum feasible amount of funds for other food security activities; and (c) promote development of commercial markets;
- c. To conduct an assessment of potential market access interventions available in Burundi, if any.

The Contractor will carry out the following functions and duties in order to provide an update of the Bellmon Analysis for Burundi:

1. Initial meeting or phone call with pertinent PVOs in Burundi. This would include the Country Directors, Senior Commodity Managers and Regional Representatives (that may be based in Kenya) that should include, but is not limited to: Catholic Relief Services, Land O Lakes, ACDI/VOCA, CARE, World Vision, ADRA, International Rescue Committee, Medecins Sans Frontiere.
2. Complete desk review using secondary data related to market analysis, country situation, PVO programs, World Food Program (Protracted Relief and Recovery Operation (PRRO), Vulnerability Assessment Mapping (VAM), Crop and Food Security Assessment Monitoring (CFSAM), Emergency Food Security Assessment (EFSA) reports and commodity pipeline figures), UN Food and Agricultural Organization (FAO) statistics such as the Early Warning Bulletins, various studies related to Burundi and other NGO reports. The Contractor will be responsible for accessing the aforementioned materials.
3. The Contractor is responsible for securing their own logistical support for the execution of the study. The USAID office in Burundi is there as a reference, but is not responsible for providing transportation, office space, etc. during the field work portion of the contract. They may be requested to facilitate appointments with key informants.
4. Interview key informants to obtain information relevant to the Bellmon Analysis, including, but not limited to:
 - a. PVO's Senior Commodity Managers
 - b. PVO's Program Office Directors
 - c. USAID/Regional Food for Peace Officer,
 - d. US Embassy (Economic Officer)
 - e. WFP/Bujumbura and other relevant locations

- f. FAO Burundi
 - g. USAID/Burundi : Representative and Program Officers
 - h. US Office for Foreign Disaster Assistance/Burundi
 - i. Burundi government representatives in Bujumbura
 - i. OCC
 - ii. Ministry of Commerce
 - iii. ONATRA (Matadi)
 - iv. Service Nationale des Statistiques Agricoles
 - v. Office des Douane et Accises
 - vi. Ministere de l'Agriculture, Peche et Elevage
 - j. Freight agents (e.g. SDV Agetraf AMICONGO, etc.)
 - k. Managing Director, MIDEMA (Bujumbura)
 - l. Representatives of Ministere de l'Agriculture, Peche et Elevage in regional locations
 - m. Importers, wholesalers, and retailers of relevant commodities in various markets
 - n. Determination of House Hold food basket.
6. Collect commodity price information in key markets
7. The consultant will be required to synthesize findings and prepare a report detailing the results of this monitoring mission for USAID:
- 1. Document formatting – MS Office (Excel, Word, Access and PowerPoint)
 - 2. Editing
 - 3. Proofreading
 - 4. Packaging of the final report, reference materials, CD-ROM, etc.)

B. Qualifications required

The Consultant will need to have:

- Knowledge commodity sales and the distribution of commodities as it relates to the Great Lakes Region (25 %)
- Demonstrated ability to develop market analyses, specifically related to: (50%)
 - Assessment of impact of food aid commodities on local food markets and to determine if food distributions pose a disincentive to local production
 - Assess the potential impact upon markets if additional commodities are monetized and/or distributed in other markets within a given country
 - Assess potential market access interventions within a given country
- Extended knowledge of shipping, transport and storage infrastructure within Burundi (10%)
- Excellent oral and written communication skills in English (10%)
- Speaking and Reading French (5%)

C. Time frame

The Consultancy will cover a period of not more than fourteen (14) working days from the approval date of the Purchase Order.

D. Logistics

The Consultant shall not have access to USAID ISD staff and equipment and will be escorted to USAID. premises.

E. Reporting Requirements

The Consultant shall work under technical direction of the Regional Food for Peace Officers, Denise Gordon and David Rinck, USAID/East Africa/Food for Peace or their designee. On matters related to the technical scope of work: Denise Gordon, dgordon@usaid.gov

F. Deliverables

The review will provide the following outputs for the contract:

- Written bi-weekly updates to USAID detailing progress towards contract objectives
- A Final Report (10 written copies + 1 electronic copy)
- Thorough analysis of issues listed under “Review Goals” section of this proposal including narrative section, maps, and tables
- Recommendations for further consideration/action
- Presentation of review to USAID personnel

G. Period of Performance

The Consultant's period of performance for this task is o/a end of August 2007 to mid September 2007.

H. Mode of Payment

In accordance with standard U.S. government provisions, payments shall be made to the Consultant within 30 days and acceptance of deliverables upon submission of acceptable report by the Deputy Chief USAID/EA/FFP and receipt of approved invoice and receipts by The Controller, USAID/EA/RFMC. For reimbursable items: 30 days from receipt of 1034 voucher.

Please mail your invoice to:
The Controller
USAID/EA/RFMC
Unit 64102
APO AE 09831-4102