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Burundi: Sixth Review Under the Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria—Staff Report; Staff Supplement; Staff Statement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Burundi

In the context of the sixth review under the arrangement under the Poverty Reduction and Growth Facility and request for a waiver of performance criteria, the following documents have been released and are included in this package:

- The staff report for the Sixth Review Under the Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on November 7, 2007, with the officials of Burundi on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 28, 2007. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A staff supplement on the joint IMF/World Bank debt sustainability analysis.
- A staff statement of January 16, 2008 updating information on recent developments.
- A Press Release summarizing the views of the Executive Board as expressed during its January 16, 2008 discussion of the staff report that completed the review.
- A statement by the Executive Director for Burundi.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Burundi*
Memorandum of Economic and Financial Policies by the authorities of Burundi*
*Also included in Staff Report

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

To assist the IMF in evaluating the publication policy, reader comments are invited and may be sent by e-mail to publicationpolicy@imf.org.

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BURUNDI

Sixth Review Under the Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria

Prepared by the African Department

(In consultation with other departments)

Approved by Jean A. P. Clément and Mark Plant

December 28, 2007

- **Discussions** for the sixth PRGF review were held in Bujumbura April 27–May 16; July 29–August 8; and October 26–November 7, 2007. The missions consisted of Mr. Mathieu (head), Mr. Manoel, and Mr. Basdevant (all AFR); Ms. Maziad (May and August missions) and Mr. Gemayel (November mission) (both PDR). Mr. de la Piedra, the Resident Representative, participated in the last two missions. The authorities were led by Second Vice-President Ntisezerana, and included new Minister of Finance Nizigama; the Ministers of Justice, Good Governance, and Planning; and Central Bank Governor Sindayigaya. The mission met with President Nkurunziza and also with representatives of the donor and diplomatic communities. Mr. Nintunze (OEDAE) also participated in the discussions. Mr. Dinh and Mr. Nganou participated in the August and Ms. Madani (all World Bank staff) in the November discussions. The PRGF arrangement was extended through January 22, 2008 on September 20, 2007 (Decision No. 13974 - (07/82)).

- **Macroeconomic performance was generally satisfactory in late 2006 and the first half of 2007 before being pushed off track by a major governance incident and emerging fiscal slippages**. All end-December 2006 quantitative performance criteria were met except for a temporary accumulation of external arrears, though structural reforms lagged. The structural performance criterion and one of two structural benchmarks for end-June 2007 were missed. The authorities have taken action to correct the governance problem, bring the fiscal program back on track, and accelerate structural reform. A macroeconomic assessment letter was sent to major donors on November 19, 2007, to allow for disbursement of 2007 budget support grants.

- **The attached letter of intent (LOI) and memorandum of economic and financial policies (MEFP)** review performance in the PRGF-supported program through September 2007 and set out policies and objectives for the remainder of 2007 and 2008. The authorities request completion of the sixth review and waivers for nonobservance of performance criteria. A joint Bank-Fund debt sustainability analysis (DSA) accompanies this report.

- **Policy issues:** The program seeks to strengthen the macroeconomic environment and governance by buttressing public financial management (PFM) and accelerating structural reform. Public expectations of a peace dividend, especially as expressed in public sector wage pressures, need to be carefully managed.

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Executive Summary

- **The political situation was tense in 2007, as the government lost its parliamentary majority, but it has recently brightened**. The security situation deteriorated somewhat following the last rebel group's (FNL) abandon of peace negotiations in July. However, an agreement with the major opposition political parties was reached in November 2007, resolving a long political deadlock. The Cabinet was reshuffled to bring in representatives of the two major opposition parties and the Ministry of Finance was strengthened by absorbing the Ministry of Economy and Planning and aid coordination. Parliamentary activity, which had been blocked by the political stalemate, has resumed.

- **The macroeconomic program was generally satisfactory through mid-2007 but went off track following a major governance incident that was exacerbated by emerging fiscal pressures**. As a result, the sixth review was delayed and donor budget support held up. The authorities reacted by cutting nonpriority spending, increasing some excise taxes, and implementing measures to correct the governance incident. Structural reform lagged and the structural performance criterion and one benchmark at end-June were missed. Monetary policy continued to be prudent, and inflation, although higher than expected, was contained. A very poor coffee harvest means growth will be lower than expected.

- **Prospects for 2008 are for real economic growth of about 6 percent and single digit inflation**. Structural reforms are speeding up, especially to strengthen PFM, reinforce monetary policy, and improve financial sector supervision. The authorities will pursue the privatization of government assets, including in the key coffee sector. The managed floating exchange rate regime has served Burundi well so far.

- **Risks to the program** are primarily associated with a fragile political situation, the need to manage public expectations of a peace dividend, notably for public sector wage increases, weak PFM, and low implementation capacity. While there is a critical mass of data sufficient to monitor a program supported by the Fund, data are inadequate to permit effective surveillance because of acute shortcomings in the national accounts, government finance, and balance of payments statistics.

- **The accompanying DSA shows Burundi to be in debt distress**.

- **Staff recommends completion of the sixth PRGF review**, given the authorities' commitment to sound macroeconomic policies and prompt action to address the governance incident and strengthen PFM. Staff supports Burundi's request for waivers for the nonobservance of performance criteria.

I. Political Tensions and a Major Governance Incident Made Economic Management Difficult

1. **Macroeconomic performance was broadly satisfactory in late 2006 and through mid-2007** (Table 1). Annual inflation was held to the single digits but economic growth, at 3.6 percent in 2007, will be lower than targeted because of a very poor coffee harvest and exports, and delays in implementing structural reform, owing primarily to the political difficulties (Figure 1, Table 2). Monetary policy was strengthened and continued to be prudent (Table 3). Gross international reserves declined to about 2.8 months of imports by September 2007 owing to delays in external budget support. The real effective exchange rate depreciated by 11.4 percent through August 2007. On July 1, 2007, Burundi became a member of the East African Community (EAC).

2. **The quantitative performance criteria for end-December 2006 were observed except for a temporary accumulation of external arrears** (MEFP, Table 1).[1] The quantitative quarterly indicative performance targets through September 2007 were met, except for overages in the primary deficit in March and June, and on domestic financing at end-June (MEFP, Table 3). The structural benchmark, at end-March 2007, on the launching of a risk–based internal audit at the central bank (BRB) was met. The performance criterion at end-June 2007, related to a single computerized payroll file in the Ministry of Finance was missed. This reflected the delay in conducting the census of public sector employees (end-June structural benchmark), which was to produce a single wage management file. Both targets were missed, primarily because of the impact of political tensions and delays and complications in the provision of technical assistance (TA) support (MEFP, Table 2).

3. **The program was pushed off track in mid-2007 by a major governance incident, exacerbated by revenue underperformance and expenditure pressures** (Table 4). Unbudgeted payments totaling 1.6 percent of GDP were made to the largest domestic petroleum distribution firm, INTERPETROL. The Inspector General's Office found these payments to be fraudulent and implicated the former Minister of Finance and the former BRB Governor. The governance incident was a serious blow to fiscal policy, especially after another governance shock in 2006. Fiscal performance was further affected by a cut in petroleum taxation in July from 20 to 10 percent in the face of the large increase in world market prices (0.3 percent of GDP), delays in demobilization, promises of a large increase in civil service allowances, and a budget estimate error on excises and anticipated dividend receipts (about 1.0 percent of GDP).

4. **The government soon began implementing strong remedial measures to address the governance issue and introduced measures to bring the fiscal program back on track**. It made efforts to recover funds, launch legal proceedings against those allegedly responsible,

[1] Delayed payments in 2006 to the OPEC Fund and the Arab Development Bank were cleared early in 2007.

reinforce PFM, and launch an external audit of petroleum sector cross–arrears with the budget. Revenue measures were introduced (0.3 percent of GDP), proposed expenditure increases were postponed, and expenditure commitments in nonpriority areas were cut by about 1.5 percent of GDP. Disbursement of the bulk of donor budget support is expected in late 2007; in the interim the BRB is providing bridge financing. The monetary impact of additional interim budget financing is largely offset by a run-down in external reserves.

5. **The authorities have made uneven progress toward the HIPC completion point (CP)** (Table 5). They established the HIPC Oversight Committee in June and launched an audit of the HIPC account in early December 2007. Social indicators in the education sector have improved markedly, especially since free primary education was declared in 2005. Coffee washing stations were not sold in the second half of 2007, as expected, because of continuing delays in elaborating a privatization strategy and in drafting a new legal and regulatory framework. Burundi needs to accelerate efforts if it is to meet the HIPC CP triggers in 2008.

II. Policy Discussions for the Remainder of 2007 and for 2008

6. **Policy discussions focused on steps to address the governance incident, correct the fiscal stance, and accelerate structural reform**. Prior actions (MEFP, Table 2) were agreed in key areas that have experienced delays and on those to strengthen PFM. Managing public expectations of a peace dividend will be critical to macroeconomic stability and reinvigorating structural reform, particularly privatization, is critical to raising investment and growth.

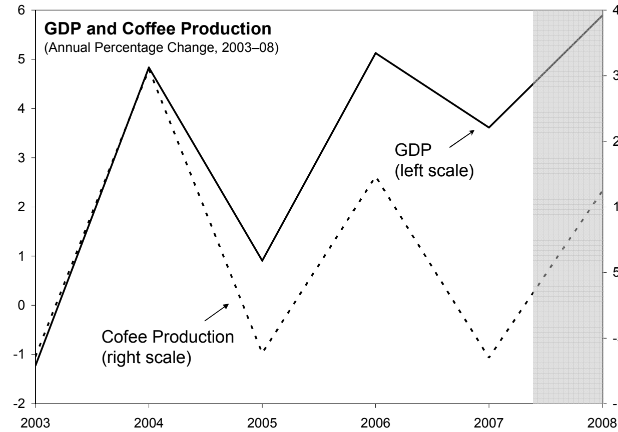
7. **The economy is expected to strengthen in 2008**. Growth is projected to rise to about 6 percent as cyclical coffee output rebounds. Prudent monetary policy and a budget that avoids domestic financing are expected to keep inflation in the single digits. The monetary program provides room for credit to the economy to rise strongly in real terms. Gross international reserves would rise to about 4.2 months of imports by year-end.

A. Strengthening PFM is Vital

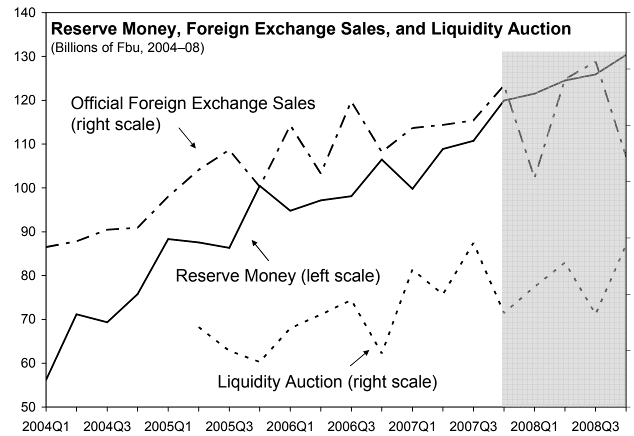
8. **Fiscal policy for the rest of 2007 seeks to recover from the impact of the governance incident and for 2008 will continue shifting expenditure from security to social and infrastructure needs while financing the deficit entirely with external grants and highly concessional loans** (MEFP, ¶¶ 10–13, and Table 4). The revenue effort is being

Figure 1. Recent Economic Developments

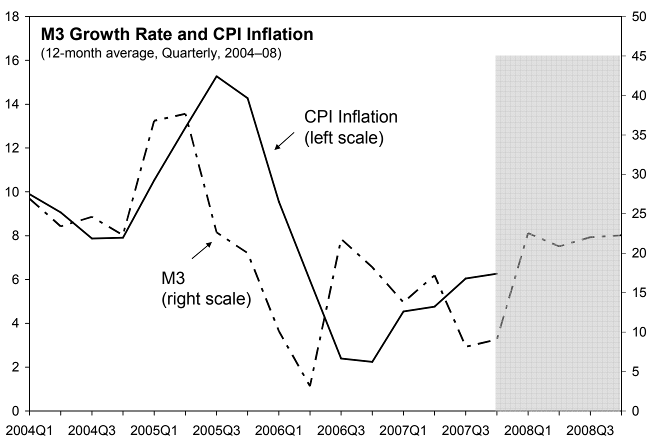
Sharp fluctuations in coffee production makes for volatile growth.



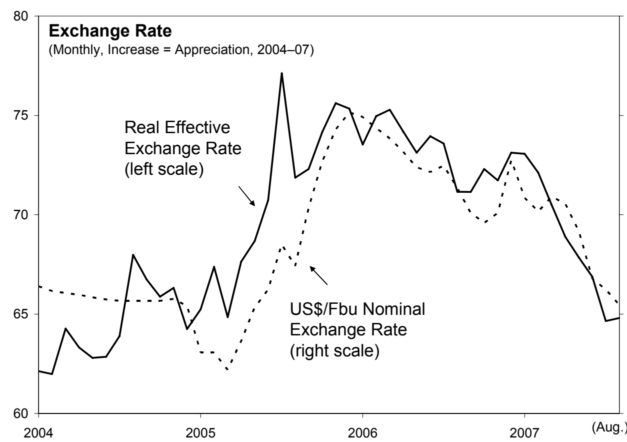
More active use of monetary instruments has helped



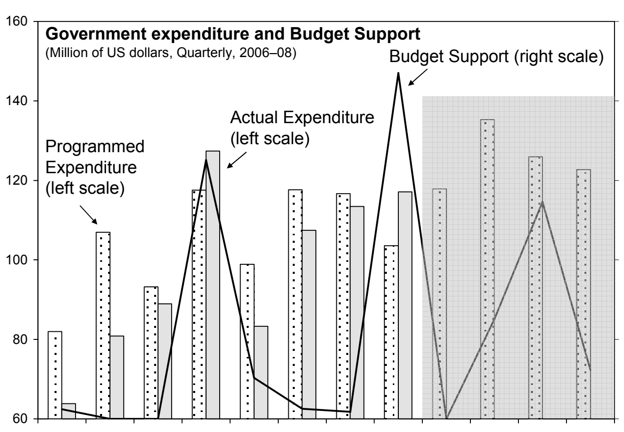
... contain monetary growth and inflation.



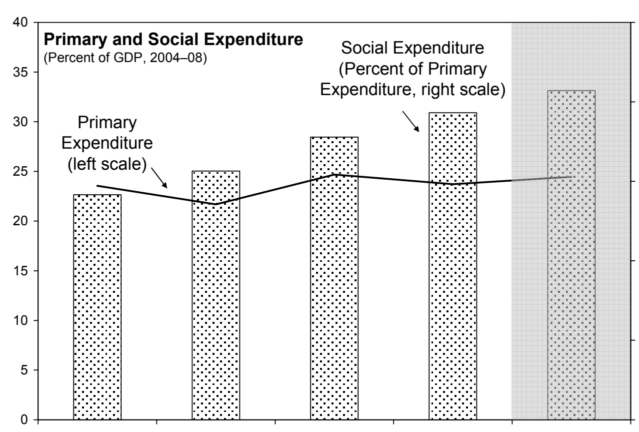
But political tensions and governance shocks weighed heavily on the exchange rate ...



... delayed external budget support and made budget execution difficult.



However, social expenditure is increasing.



Source: Burundi authorities and IMF staff estimates.

buttressed with revenue measures equivalent to 1.3 percent of GDP in 2008. The 2008 budget contains expenditure contingencies of about 1 percent of GDP linked to possible additional financing, including from reaching the HIPC CP, to improve flexibility. Given considerable uncertainties on the timing of achieving the HIPC CP the program does not rely on full HIPC/MDRI relief in 2008.[2] The primary deficit is to improve and the overall deficit (commitment basis, including grants) will be kept to 1 percent of GDP, without recourse to domestic financing. Spending on the social sectors will rise further to 10.1 percent of GDP in 2008.

9. **Revenue administration is being gradually reinforced and tax policy reform is being launched to remove distortions and improve economic efficiency,** with intensified TA. The intent is to prepare for the introduction a value-added tax (VAT) in 2009—something especially needed with Burundi's entry into the EAC—and modernize the outdated tax code.

10. **Burundi's wage bill will be better managed; it is among the highest in sub-Saharan Africa**. The wage bill will be held to about 10.5 percent of GDP as improved management and a further round of demobilization compensate for the hiring of new school teachers, a benefits increase for civil servants, and a salary increase for high-ranking officials. The program includes a prior action on the launching of the census of government employees, which will serve to establish a single wage bill data management file at the Ministry of Finance.

11. **A special concern is to buttress PFM**. The authorities are tightening expenditure commitment procedures, more carefully monitoring commitments, and improving public accounting. There is good progress in moving to a treasury single account. These efforts are supported by increased Fund and World Bank TA. A FAD back-stopped resident accounting expert was posted in 2007 and a PFM policy expert is expected to be posted in early 2008.

B. Monetary Policy is Becoming More Proactive

12. **Monetary policy is becoming progressively more proactive and market-based in the context of a managed exchange rate regime**. The BRB is modernizing its internal operations to strengthen governance and its ability to supervise the financial system (MEFP, ¶¶14–15). A new central bank law, recently approved by Cabinet and submitted to parliament, will make the BRB more independent and accountable. Improvements in BRB operational capacity are being assisted by MCM, including through the Financial Sector Reform and Strengthening (FIRST) Initiative.

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[2] The program baseline assumes the HIPC CP in 2009. For illustrative purposes the alternative scenario in the DSA assumes the HIPC CP is reached at end September 2008.

13. **The BRB is working to reinforce supervision of the financial sector and raise minimum capital requirements**. Though the banking system is still fragile and under-capitalized, nonperforming loans have decreased as domestic arrears are cleared by the budget. A medium-term reform strategy is needed, to be elaborated with the support of a Financial Sector Assessment Program mission planned for 2008.

14. **Burundi maintains a multiple currency practice subject to Fund approval under Article VIII**.[3] The exchange regime is liberalized for current international transactions and little remains to be done for Burundi to accept the obligations of Article VIII, Sections 2, 3, and 4.

C. Structural Reform Must be Accelerated to Raise Growth

15. **The program calls for an acceleration of structural reform, especially privatization of productive sectors (coffee, tea, banking, and hotels) and improvement in the investment climate** (MEFP, ¶¶16–18). Persistent delays have prevented progress in elaborating a strategy to privatize the coffee washing stations and set out a new legal, regulatory, and institutional framework for the sector. Nevertheless, new private investment in the coffee sector is emerging as a result of the liberalization of investment and the state marketing structure, but the public ownership legacy weighs heavily on further progress.

16. **Burundi's membership in the EAC is expected to boost trade and growth over the medium term**. To take full benefit of this access, Burundi will need to focus on tax reform, improve the business climate, and spend more on infrastructure.

17. **The authorities have begun a medium-term effort to improve the quality of national statistics, with the support of AFRISTAT** (MEFP, ¶19). While there is a critical mass of data sufficient to monitor a program supported by the Fund, data are inadequate to permit effective surveillance because of acute shortcomings in the national accounts, government finance, and balance of payments statistics (see statistical issues discussion in the Informational Annex).[4] A new statistical law promulgated in September 2007 provides a better legal foundation for the data collection entities.

18. **Burundi needs considerable technical assistance across the range of macroeconomic management** (MEFP, ¶24). Burundi is responsive to Fund TA recommendations but implementation is slow. Fund-provided TA has increased with the posting of a full-time resident representative and resident experts and from the new AFRITAC-

[3] Consisting of an official exchange rate that can differ by more than 2 percent from market rates.

[4] The impact of possible inadequate information on Burundi's obligations under Article VIII, Section 5, including the application of the procedural framework for Article VIII, Section 5, will be addressed in the next Article IV consultation.

Centre. But sustained efforts by the international community are needed to strengthen donor coordination and increase TA.

III. Program Monitoring, Financing, and Risks

19. **The prior actions for completion of the sixth review address slippages in implementing structural reforms and the need to improve PFM**. Indicative quarterly quantitative targets have been set for 2008 (MEFP, Table 4). The BRB has made good progress addressing the issues raised in the safeguards assessment. The program is fully financed for 2007 and a residual financing gap for 2008 could be covered by disbursements under a successor PRGF arrangement in line with access norms—the authorities have expressed interest in a successor PRGF arrangement (Tables 6-8). Sustained donor support in the form of grants and highly concessional lending is critical to Burundi's development efforts.

20. **Burundi is in debt distress**. The DSA demonstrates that Burundi remains highly vulnerable to debt distress, even after full delivery of HIPC and MDRI relief, as key debt ratios are well above the country specific thresholds. At the HIPC CP, the NPV of debt would fall below the threshold of 100 percent of exports. However, Burundi would remain vulnerable to exogenous shocks, particularly those that result in lower growth. This argues in favor of a fiscal stance that is financed primarily with external grants, with only limited recourse to external loans entirely on highly concessional terms.

21. **Risks to the program in a difficult post-conflict environment relate to a fragile political and security situation, limited institutional and implementation capacity and weak PFM**. There is a continuing need to manage public expectations of a peace dividend, especially for public sector employees, and to reinforce PFM.

IV. Staff Appraisal

22. **In a difficult post-conflict environment Burundi made uneven progress in late 2006 and 2007 on its PRGF-supported program**. Political tensions during most of 2007 handicapped the passage of key economic legislation. The November announcement of an agreement to bring the major opposition parties into the government is a promising development.

23. **The authorities responded appropriately to the governance incident, revenue underperformance, and spending pressures that pushed the program off track in mid-2007, bringing fiscal policy back on track in the third quarter**. Budget management in the face of such shocks is difficult and compromises progress in implementing sustained pro-poor expenditure. The authorities must act with determination to strengthen PFM and stay vigilant to prevent incidents that undercut fiscal discipline. Staff encourages the authorities to maintain the revenue effort while carefully managing public expectations of a peace dividend, especially in the public sector.

24. **The BRB is making progress with internal governance and efficiency and is encouraged to pursue a proactive policy**. The managed-float exchange rate regime has been serving Burundi well so far. Monetary policy has in recent years been progressively strengthened. What is needed now is reinforced cooperation with the Ministry of Finance on liquidity forecasting. It is important that the BRB continue working to bolster the banking system, by improving supervision and raising bank capitalization norms.

25. **Staff urges the authorities to proceed, in a transparent fashion, with preparations to privatize key productive sectors of the economy, especially the coffee sector**. Timely structural reform, especially improvements in the business environment and privatization, are vital to attract private investment and spur economic growth. The increasing frequency of poor coffee harvests, primarily on account of a lack of investment and poor incentives for producers, underscores the importance of structural transformation of the economy.

26. **Staff does not recommend approval of Burundi's multiple currency practice and encourages the authorities to eliminate it as soon as possible**. Debt-service payment procedures need to be improved to avoid external arrears.

27. **The DSA shows Burundi to be in debt distress**. Staff encourages the authorities to pursue a forceful and sustained reform effort, accelerate efforts to meet the CP triggers, reinforce debt management procedures and institutions, and strictly avoid recourse to any borrowing that is not highly concessional.

28. **Staff calls on the authorities to strengthen implementation of Fund-provided TA recommendations on a timely basis and improve the quality of national statistics**.

29. **Staff recommends completion of the sixth review of the PRGF arrangement on the basis of the authorities' commitment to sound macroeconomic policies and structural reform**. Staff also recommends approval of the authorities' request for waivers of the structural performance criterion, because corrective measures were taken, and on the accumulation of external arrears because it was temporary.

30. **Staff welcomes the authorities' intention to make public the staff report, the letter of intent, and the MEFP**.

Table 1. Burundi: Selected Economic and Financial Indicators, 2006–10

	2006		2007		2008	2009	2010
	Prog. IMF Country Report No. 06/311	Act.	Prog. IMF Country Report No. 07/113	Proj.	Projections		
	(Annual percentage change, unless otherwise indicated)						
National income and prices							
Real GDP growth	6.1	5.1	5.5	3.6	5.9	5.7	6.0
GDP deflator	4.8	3.7	4.6	9.5	6.2	4.0	4.0
Consumer prices (period average)	2.5	2.8	4.2	7.1	6.6	4.0	4.0
Consumer prices (end of period)	8.7	9.3	4.1	8.7	5.2	4.0	4.0
External sector							
Exports, f.o.b. (US$)	22.5	2.6	15.1	-24.1	77.7	17.4	16.0
Imports, f.o.b. (US$)	31.8	17.1	17.2	13.4	17.6	8.4	8.8
Export volume	22.1	-6.8	7.0	-26.2	75.8	16.9	15.4
Import volume	26.9	-3.1	15.9	4.2	14.6	12.5	11.3
Terms of trade (deterioration = –)	-3.3	-8.9	6.4	-5.5	-1.5	4.2	2.9
Real effective exchange rate (end of period; depreciation = –) [1]	...	-2.9	...	-11.4	...	...	...
General government							
Revenue	5.5	3.9	13.8	7.9	18.8	10.9	12.1
Total expenditure and net lending (commitment basis)	26.2	14.1	15.2	16.7	19.1	11.5	11.9
Noninterest current expenditure (excl. demobilization and elections)	51.2	28.4	25.6	9.4	22.2	20.2	5.7
	(Change in percent of beginning of period M2, unless otherwise indicated)						
Money and credit							
Net foreign assets	-1.3	2.2	-1.4	7.3	1.8	...	...
Domestic credit	22.9	23.1	12.9	13.2	15.7	...	...
Government	8.2	7.8	0.4	12.7	8.9	...	...
Private sector	14.7	13.7	12.5	1.8	6.7	...	...
Money and quasi money (M2)	20.5	16.4	12.4	14.9	15.8	...	...
Income velocity (= Ratio of GDP to M2; end of period)	3.1	3.1	3.3	3.1	3.0	...	...
Reserve money (12–month growth rate)	10.5	5.9	11.6	12.6	8.7	...	...
Central bank refinancing rate (percent; end of period)	...	14.5	...	...	...	...	...
Commercial bank lending rate (percent; medium term; period average)	...	18.4	...	...	...	...	...
	(Percent of GDP, unless otherwise indicated)						
General government							
Revenue (excluding grants)	19.0	19.0	19.7	18.1	19.1	19.3	19.6
Total expenditure and net lending [2]	41.8	38.4	42.4	39.6	41.9	42.5	43.2
Primary budget balance (excluding foreign-financed projects)	-8.9	-5.6	-6.6	-5.6	-5.3	-7.1	-6.8
Overall balance (commitment basis)							
Excluding grants	-22.8	-19.4	-22.7	-21.4	-22.8	-23.2	-23.5
Including grants [3 4]	-0.4	-1.8	0.7	2.1	-0.7	81.7	-2.5
Saving and investment [3]							
Current account balance [3]	-17.5	-14.5	-15.3	-11.6	-13.6	-12.3	-13.2
Current account balance, excluding official transfers	-37.9	-35.6	-37.5	-33.6	-32.0	-28.3	-28.5
Gross investment	16.1	16.3	17.9	17.6	20.1	21.6	21.8
Government	9.6	8.3	8.9	8.6	10.6	11.8	11.8
Private	6.5	8.0	9.0	9.0	9.5	9.8	10.0
Domestic saving	-21.8	-19.3	-19.5	-16.0	-11.9	-6.7	-6.7
Government	-13.2	-11.1	-13.8	-12.8	-12.2	-11.4	-11.7
Private	-8.6	-8.2	-5.8	-3.2	0.3	4.7	5.0
Gross national saving	-1.4	1.9	2.6	6.1	6.5	9.2	8.5
Government	3.3	1.5	0.6	1.7	-0.4	2.2	-1.9
Private	-4.7	0.3	2.0	4.3	6.8	7.0	10.4
	(US$ millions, unless otherwise indicated)						
External sector							
Current account, including grants [3]	-166.8	-131.9	-159.9	-114.2	-153.7	-152.4	-178.4
Overall balance of payments [3]	4.7	-10.2	4.3	-7.4	-10.2	51.0	-11.4
Gross official reserves (end of period)	145.0	131.0	159.5	163.7	186.6	224.2	231.5
Gross official reserves (months of imports of the following year)	3.3	3.7	3.6	3.9	4.2	4.6	4.5
Debt-service ratio (scheduled; percent of exports; before HIPC and MDRI relief) [4]	46.5	53.1	37.5	58.4	39.5	32.5	1.7
Debt-service ratio (actual; percent of exports; after HIPC and MDRI relief) [4]	13.4	10.8	2.0	7.2	3.9	0.8	1.7
Stock of debt	1,457.9	1,516.1	1,452.8	1,498.1	1,464.2	431.5	463.0
External payments arrears	0.0	52.4	0.0	0.0	0.0	0.0	0.0
Memorandum item:							
GDP at current market prices (Fbu billions)	957	939	1,031	1,065	1,197	1,316	1,451

Sources: Burundi authorities; and IMF staff estimates and projections.

[1] Data for 2007 are through August.

[2] Including cost of the 2010 general elections.

[3] Assumes financing gap is covered by grants in 2009–10.

[4] Assumes HIPC completion point and MDRI in 2009. See Table 4, footnote 3, for additional details.

Table 2. Burundi: Balance of Payments, 2006–10 [1]

	2006	2007		2008	2009	2010
	Actual	Prog. IMF Country Report No. 07/113	Proj.	Projections		
	(US$ millions)					
Current account	-131.9	-159.9	-114.2	-172.3	-185.3	-221.1
(excluding official transfers)	-325.2	-375.0	-332.7	-361.2	-350.3	-383.1
Trade balance	-181.1	-265.2	-227.4	-240.6	-253.7	-269.3
Exports, f.o.b.	58.6	70.0	44.5	79.1	92.8	107.7
Of which: coffee	39.7	54.3	26.6	45.7	48.9	51.4
Imports, f.o.b.	-239.7	-335.2	-271.9	-319.6	-346.6	-377.0
Of which: petroleum products	-57.5	-56.0	-66.2	-78.1	-81.5	-85.5
Services (net)	-160.3	-110.9	-118.6	-136.9	-120.1	-136.9
Income (net)	-12.8	-20.1	-15.8	-14.4	-2.9	-2.9
Of which: interest on public debt (including IMF charges)	-11.0	-12.2	-14.6	-12.6	-1.7	-1.7
Current transfers (net)	222.3	236.3	247.6	219.6	191.4	187.9
Private (net)	29.0	21.2	29.1	30.7	26.4	26.0
Official (net)	193.3	215.1	218.5	188.9	165.0	161.9
Of which: program grants	64.8	83.0	92.8	86.7	85.0	85.0
Capital account	69.6	118.8	117.9	145.0	1199.4	146.5
Of which: HIPC relief [2]	35.7	39.4	39.4	39.7	1004.3	0.0
MDRI grant [2]	0.0	...	0.0	0.0	64.8	0.0
Financial account	29.6	38.9	-11.1	17.2	-963.1	39.1
Direct investment	32.0	15.0	11.0	12.0	15.0	7.1
Medium- and long-term official loans (net)	-5.4	-11.1	-24.1	3.6	-986.5	31.5
Disbursements	34.3	21.5	24.0	39.4	36.0	32.9
Project loans	34.3	21.5	24.0	39.4	36.0	32.9
Program loans	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (excluding IMF) [2]	-39.7	-32.6	-48.1	-35.8	-1022.5	-1.4
Other investment	3.0	35.0	2.1	1.6	8.4	0.5
Errors and omissions	22.5	0.0	0.0	0.0	0.0	0.0
Overall balance	-10.2	-2.2	-7.4	-10.2	51.0	-35.5
Financing (increase in assets = –)	10.2	-4.3	7.4	-8.4	-83.9	-7.2
Net change in official foreign reserves (increase = –)	5.5	-6.9	-9.9	-12.4	-83.9	-7.2
Gross official reserves	-18.4	-28.4	-32.6	-22.9	-37.7	-7.2
Liabilities to IMF, net	21.0	21.5	10.5	10.5	-46.2	0.0
Other, net	2.9	0.0	12.2	0.0	0.0	0.0
Change in arrears (increase = +)	0.8	-49.9	-0.4	-48.0	0.0	0.0
Exceptional financing [3]	3.9	52.5	17.7	52.0	0.0	0.0
Financing gap [4]	0.0	6.5	0.0	18.6	32.8	42.8
	(Percent of GDP, unless otherwise indicated)					
Memorandum items:						
Trade balance	-19.9	-26.5	-23.0	-21.3	-20.5	-20.0
Current account [4]	-14.5	-15.3	-11.6	-13.6	-12.3	-13.2
Of which: excluding current official transfers	-35.6	-37.5	-33.6	-32.0	-28.3	-28.5
Gross official reserves						
US$ millions	131.0	159.5	163.7	186.6	224.2	231.5
Months of following period's imports, c.i.f.	3.7	3.6	3.9	4.2	4.6	4.5
Imports						
Growth rate	17.1	17.2	13.4	17.6	8.4	8.8
Percent of GDP	26.3	33.5	27.5	28.3	28.0	28.0
Exports						
Growth rate	2.6	15.1	-24.1	77.7	17.4	16.0
Percent of GDP	6.4	7.0	4.5	7.0	7.5	8.0
Debt-service ratio (percent of exports of goods and services)						
Scheduled current maturities (including IMF)	53.1	37.5	58.4	39.5	32.5	1.7
Actual debt service (including IMF; after HIPC and MDRI)	10.8	2.0	7.2	3.9	0.8	1.7
Exchange rate (Fbu per US$; period average)	1029	...	...	...	...	...
Nominal GDP (US$ millions)	912	1001	989	1129	1238	1346

Sources: Burundi authorities; and IMF staff estimates and projections.

[1] Compiled in accordance with *Balance of Payments Manual, 5th edition* .

[2] Assumes HIPC completion point and MDRI in 2009. See Table 4, footnote 3, for additional details.

[3] Includes the March 2004 Paris Club rescheduling on Naples terms, and assumes rescheduling of current debt service and arrears to non-Paris Club creditors at comparable terms.

[4] Assumes financing gap is covered by grants in 2009–10.

Table 3. Burundi: Monetary Survey and Central Bank Accounts, 2006–08

	2006	2007									2008			
	Dec.	Mar.		Jun.		Sep.		Dec.			Mar.	Jun.	Sep.	Dec.
	Act.	Prog. IMF Country Report No. 07/113	Act.	Prog. IMF Country Report No. 07/113	Prel.	Prog. IMF Country Report No. 07/113	Prel.	Prog. IMF Country Report No. 07/113	Proj.		Projections			
	(Fbu billions, unless otherwise indicated)													
Monetary survey														
Net foreign assets	76.0	39.6	77.7	59.4	62.3	39.4	31.3	46.0	97.8		88.2	86.3	107.8	103.9
Central bank	42.9	25.6	32.4	45.4	19.4	25.4	7.6	32.0	54.8		41.2	34.4	53.9	48.1
Deposit money banks	33.1	14.0	45.3	14.0	42.9	14.0	23.8	14.0	43.0		47.0	51.9	53.8	55.8
Net domestic assets	276.2	304.3	283.7	304.0	306.9	334.4	329.1	340.0	307.1		334.8	347.3	344.2	365.6
Domestic credit	337.4	396.5	344.6	386.4	360.2	414.8	390.3	418.1	376.8		401.5	408.5	407.4	430.8
Net claims on the government	141.2	155.7	137.0	136.6	174.6	162.2	171.6	157.8	179.4		193.5	215.1	210.2	210.2
Credit to the economy	196.2	240.8	207.5	249.7	185.6	252.6	218.7	260.3	197.4		208.0	193.4	197.2	220.6
Other items, net (assets = +)	-61.2	-92.2	-60.8	-82.3	-53.3	-80.3	-61.2	-78.2	-69.7		-66.7	-61.2	-63.2	-65.2
M3	352.2	343.9	361.4	363.5	369.3	373.8	360.4	386.0	404.9		423.0	433.6	452.0	469.5
Foreign currency deposits	52.3	61.5	53.4	64.6	54.5	67.8	57.8	71.2	60.2		62.6	65.1	67.7	70.4
M2	299.9	282.4	308.0	298.9	314.8	306.0	302.6	314.8	344.7		360.4	368.6	384.3	399.1
Currency in circulation	68.4	71.0	62.9	75.0	71.7	76.0	78.7	77.2	83.5		83.2	85.3	85.4	88.7
Local currency deposits	231.5	211.4	245.1	223.9	243.1	230.1	223.8	237.6	261.2		277.2	283.2	298.9	310.4
Demand deposits	147.5	124.6	150.4	131.9	147.7	135.5	137.4	140.0	160.4		170.2	173.9	183.5	190.6
Quasi-money	84.0	86.9	94.8	92.0	95.4	94.5	86.4	97.6	100.8		107.0	109.3	115.4	119.8
Central bank														
Net foreign assets	42.9	25.6	32.4	45.4	19.4	25.4	7.6	32.0	54.8		41.2	34.4	53.9	48.1
Foreign assets	132.7	141.0	138.7	160.8	131.8	158.5	128.5	165.1	172.7		171.7	174.9	194.5	198.6
Of which: official reserves	131.4	140.1	137.5	160.0	127.6	157.7	125.5	164.2	171.8		170.8	174.0	193.6	197.8
Foreign liabilities	89.8	115.4	106.3	115.4	112.3	133.1	121.0	133.1	117.9		130.5	140.5	140.6	150.5
Of which: use of Fund resources	82.9	96.4	98.6	96.3	99.8	114.3	103.3	114.4	100.2		112.8	122.8	122.9	132.8
Net domestic assets	63.5	81.8	67.4	67.6	89.5	89.5	103.2	85.2	65.2		80.3	90.1	72.0	82.3
Domestic credit	137.8	164.9	129.5	144.7	143.5	168.5	160.5	166.2	132.5		144.2	148.5	132.3	144.6
Government (net)	144.4	159.7	120.4	140.6	140.3	166.2	148.1	161.8	162.9		169.9	169.9	162.9	162.9
Nongovernment credit	-6.6	5.2	9.1	4.0	3.2	2.3	12.4	4.4	-30.5		-25.8	-21.5	-30.6	-18.3
Of which: liquidity auction	-10.5	1.1	4.4	-0.1	0.0	-1.8	9.1	0.3	-33.8		-29.1	-24.8	-33.9	-21.6
Other items, net	-74.3	-83.1	-62.1	-77.1	-54.0	-79.1	-57.3	-81.1	-67.3		-63.8	-58.3	-60.3	-62.3
Reserve money	106.5	107.4	99.8	113.0	108.9	114.9	110.8	117.2	119.9		121.5	124.5	125.9	130.4
Memorandum items:														
Gross international reserves														
US$ millions	131.0	136.0	131.0	155.3	120.4	153.1	117.6	159.5	163.7		161.2	164.2	182.7	186.6
Months of imports f.o.b.	3.7	3.1	3.1	3.5	2.9	3.5	2.8	3.6	3.9		3.6	3.7	4.1	4.2
M2 growth (12–month percent change)	16.4	9.2	19.1	15.9	22.0	18.3	6.4	12.4	14.9		17.0	17.1	27.0	15.8
M3 growth (12–month percent change)	18.3	13.3	19.1	18.7	20.6	18.1	5.2	14.0	14.9		17.0	17.4	25.4	16.0
Credit to the economy (12–month percent change)	25.1	43.0	23.2	38.7	3.1	19.0	3.0	15.6	0.6		0.2	4.2	-9.8	11.7
Reserve money (12–month percent change)	5.9	13.3	5.3	16.3	12.1	17.1	12.9	11.6	12.6		21.8	14.4	13.7	8.7
Money multiplier (M3/reserve money)	3.3	3.4	3.6	3.4	3.4	3.5	3.3	3.5	3.6		3.7	3.7	3.8	3.8
Velocity (GDP/M2; end of period)	3.1	3.4	3.2	3.2	3.1	3.3	3.4	3.3	3.1		3.3	3.2	3.1	3.0
Velocity (GDP/M3; end of period)	2.7	2.8	2.9	2.7	2.7	2.7	3.1	2.7	2.6		2.6	2.6	2.6	2.6

Sources: Banque de la République du Burundi (BRB), and IMF staff estimates and projections.

Table 4. Burundi: General Government Operations, 2006–10

	2006	2007										2008					2009	2010
	Act.	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec		Year		Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Year [3]	Projections	
		Prog.	Act.	Prog.	Act.	Prog.	Prel.	Prog.	Proj.	Prog. [2]	Proj.	Budget						
	(Fbu billions)																	
Revenue	178.8	48.4	50.2	56.9	48.2	47.5	47.0	50.3	47.5	203.0	192.9	58.3	57.9	54.3	58.8	229.2	254.3	284.9
Tax revenue	163.4	47.0	48.8	44.9	40.9	45.9	45.0	47.4	46.1	185.2	180.8	57.0	50.4	50.1	55.4	212.8	237.3	266.3
Income tax	45.9	15.1	19.9	12.9	10.9	8.1	9.8	12.0	13.1	48.1	53.7	21.3	14.2	9.9	14.7	60.0	69.4	79.2
Taxes on goods and services	83.9	22.8	20.7	22.7	22.2	26.9	25.9	24.8	24.6	97.2	93.4	26.4	26.1	29.7	29.9	112.1	127.7	145.7
Taxes on international trade	29.7	8.6	7.8	9.2	6.7	10.7	8.4	8.9	7.6	37.4	30.5	8.7	8.8	9.2	9.8	36.5	35.6	36.3
Other tax revenue	3.9	0.5	0.4	0.2	1.0	0.2	0.9	1.6	0.8	2.5	3.1	0.6	1.3	1.2	1.0	4.2	4.6	5.1
Nontax revenue	15.4	1.4	1.4	11.9	7.3	1.5	2.0	2.9	1.4	17.8	12.1	1.3	7.5	4.2	3.4	16.4	16.9	18.7
Expenditure and net lending	361.0	98.9	83.3	117.6	107.4	116.7	113.4	103.6	117.1	436.8	421.3	117.9	135.3	125.9	122.7	501.8	559.7	626.4
Current expenditure	221.5	61.8	57.7	69.8	72.9	72.0	61.3	64.5	61.1	268.2	253.0	66.6	81.9	73.1	66.2	287.8	314.7	344.1
Salaries	93.9	28.3	25.5	30.8	31.2	31.3	28.5	31.3	27.0	121.7	112.2	31.0	32.5	31.7	30.3	125.5	135.0	145.3
Civilian	55.9	17.2	14.0	19.7	19.7	19.0	16.8	19.0	15.3	74.9	65.8	18.6	20.2	19.8	19.1	77.7	85.4	93.9
Military	22.9	6.4	7.0	6.4	7.0	7.1	6.9	7.1	7.0	27.1	27.9	7.4	7.1	6.9	6.8	28.2	29.6	31.1
New police force (SSR program)	15.1	4.7	4.5	4.5	4.5	5.2	4.8	5.2	4.7	19.7	18.5	5.0	5.2	5.0	4.4	19.6	20.0	20.4
Goods and services	63.8	12.4	14.8	21.5	22.2	23.2	14.8	14.1	15.0	71.3	66.8	15.7	25.6	16.8	16.4	74.5	89.1	99.9
Civilian	29.0	7.0	9.3	10.0	10.6	10.8	6.7	7.8	6.5	35.5	33.1	8.2	15.8	8.0	7.8	39.8	52.1	60.7
Military	22.9	3.5	3.5	7.5	7.5	8.1	4.8	4.1	5.8	23.0	21.6	4.9	6.3	5.1	6.1	22.3	23.0	23.4
New police force (SSR program)	11.9	2.0	2.0	4.1	4.1	4.4	3.3	2.3	2.7	12.8	12.1	2.6	3.6	3.7	2.5	12.4	14.0	15.7
Transfers and subsidies	39.5	11.6	10.8	11.6	12.7	11.6	9.8	11.6	10.7	46.5	44.0	11.9	17.3	15.6	13.6	58.6	70.0	78.8
Interest payments (due)	24.3	9.4	6.6	5.9	6.8	5.9	8.2	7.5	8.4	28.7	30.0	8.1	6.4	9.0	5.9	29.3	20.7	20.1
Domestic	12.6	6.5	4.1	2.5	4.1	3.4	3.5	4.9	4.7	17.3	16.4	4.4	4.4	5.1	3.7	17.5	18.8	18.3
Foreign	11.7	2.9	2.5	3.3	2.7	2.5	4.7	2.6	3.7	11.3	13.6	3.7	2.0	3.9	2.2	11.8	1.9	1.9
DDR project	23.5	9.3	9.3	8.3	8.3	7.8	7.8	7.8	7.8	33.0	33.0	8.1	7.6	5.6	5.1	26.4	15.0	0.0
Elections	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	29.0
Project expenditure	116.8	28.4	16.8	40.1	26.8	37.4	44.9	31.8	48.8	137.6	137.3	43.7	46.3	47.7	51.9	189.6	231.9	255.2
Domestic resources	35.3	2.2	6.3	14.4	8.7	11.4	6.3	5.8	10.2	33.8	31.4	7.6	10.6	9.6	8.6	36.3	55.1	61.8
External resources	81.5	26.2	10.5	25.7	18.1	26.0	38.6	26.0	38.7	103.8	105.9	36.1	35.7	38.2	43.4	153.3	176.8	193.4
Net lending	-0.8	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-2.0	-2.0	-0.5	-0.5	-0.5	-0.5	-2.0	-2.0	-2.0
Overall balance (commitment basis)	-182.2	-50.5	-33.1	-60.8	-59.2	-69.2	-66.5	-53.2	-69.6	-233.8	-228.4	-59.6	-77.4	-71.7	-63.9	-272.6	-305.4	-341.4
(after grants) [1]	-17.1	6.6	8.8	20.0	-33.9	-25.0	-12.4	5.3	60.0	6.9	22.5	-14.9	-11.0	26.1	-8.0	-7.8	1,075.5	-36.9
Of which: primary balance	-52.9	-5.7	-6.7	-21.0	-26.1	-29.6	-11.9	-12.0	-14.8	-68.3	-59.5	-7.4	-27.7	-18.9	-9.6	-63.6	-92.9	-98.9
Change in arrears (reduction –)	-13.7	-4.3	3.8	0.0	-7.4	0.0	0.0	0.0	-32.8	-4.3	-36.4	-1.3	-1.0	-2.0	0.0	-4.3	-3.0	0.0
External (interest)	-1.8	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic	-11.9	-4.3	4.2	0.0	-7.4	0.0	0.0	0.0	-32.8	-4.3	-36.0	-1.3	-1.0	-2.0	0.0	-4.3	-3.0	0.0
Of which: payment to Interpetrol	...	...	...	...	-17.3	...	...	...	...	...	-17.3						...	...
Overall balance (cash basis)	-195.9	-54.8	-29.3	-60.8	-66.6	-69.2	-66.5	-53.2	-102.4	-238.1	-264.8	-60.9	-78.4	-73.7	-63.9	-276.9	-308.4	-341.4
(after grants) [1]	-30.8	2.3	12.5	20.0	-41.3	-25.0	-12.4	5.3	27.2	6.9	-13.9	-16.2	-12.0	24.1	-8.0	-12.1	1072.5	-36.9
Financing (identified)	199.7	54.8	26.9	60.8	69.5	69.2	65.9	53.2	102.6	238.1	264.8	60.9	78.4	73.7	63.9	276.9	293.4	315.5
External grants	168.9	57.2	39.4	80.9	28.2	44.2	53.4	58.4	129.8	240.7	250.9	44.7	66.4	97.8	55.9	264.8	1,365.9	278.6
Program support	67.5	15.3	10.3	42.2	2.5	5.2	1.7	22.8	81.5	85.5	96.0	0.0	25.1	54.6	12.2	91.9	90.4	91.7
HIPC relief (IMF, WB, AfDB, PC)	36.7	12.1	12.1	10.1	10.2	10.7	10.7	7.7	7.7	40.6	40.7	11.4	9.5	10.0	6.9	37.8	1,068.0	0.0
MDRI grant (IMF, WB, AfDB, PC)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	68.9	0.0
Project grants	41.2	20.6	7.7	20.2	7.2	20.6	33.3	20.2	32.9	81.7	81.1	25.9	25.0	28.3	32.3	111.6	138.6	157.9
Special programs	23.5	9.3	9.3	8.3	8.3	7.8	7.8	7.8	7.8	33.0	33.0	7.4	6.9	4.9	4.4	23.5	0.0	29.0
DDR	23.5	9.3	9.3	8.3	8.3	7.8	7.8	7.8	7.8	33.0	33.0	7.4	6.9	4.9	4.4	23.5	0.0	0.0
Elections	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	29.0
External borrowing	6.4	-1.3	-5.0	-1.9	0.1	-2.6	4.3	-2.5	-8.1	-8.3	-8.8	2.1	2.3	2.5	1.1	8.0	-1,049.1	33.9
Program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	40.3	5.6	2.8	5.4	10.9	5.3	5.4	5.7	5.8	22.1	24.8	10.2	10.7	9.9	11.0	41.7	38.3	35.5
Amortization (due)	-40.8	-7.5	-8.7	-8.3	-12.0	-8.5	-9.9	-9.2	-21.3	-33.6	-51.8	-9.1	-9.5	-8.4	-11.0	-38.0	-1,087.4	-1.5
Change in amortization arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-51.1	0.0	-51.1	0.0	0.0	0.0	0.0	-50.9	-50.9	0.0	0.0
Debt relief (rescheduling; cancellation)	6.9	0.6	0.8	0.9	1.2	0.6	8.8	52.0	7.4	54.2	18.3	1.0	1.0	1.0	51.9	55.1	0.0	0.0
Privatization proceeds	3.1	1.0	0.0	1.0	0.0	2.0	0.1	1.6	1.0	5.6	1.1	0.0	2.1	0.0	2.1	4.1	4.0	3.0
Domestic	21.3	-2.0	-7.5	-19.1	41.2	25.6	8.0	-4.4	-20.1	0.1	21.6	14.0	7.7	-26.6	4.9	0.0	-27.4	0.0
Banking sector	20.1	-2.0	-4.2	-19.1	37.6	25.6	-3.0	-4.4	-22.6	0.1	7.8	14.0	7.7	-26.6	4.9	0.0	-27.4	0.0
Nonbank sector	1.2	0.0	-3.3	0.0	3.6	0.0	11.0	0.0	2.5	0.0	13.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap/errors and omissions	-3.8	0.0	2.5	0.0	-2.9	0.0	0.6	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15.0	25.9

continued

Table 4. Burundi: General Government Operations, 2006–10 (concluded)

	2006		2007		2008	2009	2010
	Prog. IMF Country Report No. 06/311	Act.	Prog. [2] IMF Country Report No. 07/113	Proj.	Budget [3]	Projections	
	(Percent of GDP, unless otherwise indicated)						
Revenue	19.0	19.0	19.7	18.1	19.1	19.3	19.6
Tax revenue	17.3	17.4	18.0	17.0	17.8	18.0	18.3
Income tax	4.3	4.9	4.7	5.0	5.0	5.3	5.5
Taxes on goods and services	8.9	8.9	9.4	8.8	9.4	9.7	10.0
Taxes on international trade	3.8	3.2	3.6	2.9	3.0	2.7	2.5
Other tax revenue	0.3	0.4	0.2	0.3	0.3	0.4	0.4
Nontax revenue	1.7	1.6	1.7	1.1	1.4	1.3	1.3
Expenditure and net lending	41.8	38.4	42.4	39.6	41.9	42.5	43.2
Current expenditure	26.4	23.6	26.0	23.8	24.0	23.9	23.7
Salaries	9.9	10.0	11.8	10.5	10.5	10.3	10.0
Civilian	6.0	6.0	7.3	6.2	6.5	6.5	6.5
Military	2.3	2.4	2.6	2.6	2.4	2.2	2.1
New police force (SSR program)	1.7	1.6	1.9	1.7	1.6	1.5	1.4
Goods and services	8.5	6.8	6.9	6.3	6.2	6.8	6.9
Civilian	4.0	3.1	3.4	3.1	3.3	4.0	4.2
Military	3.0	2.4	2.2	2.0	1.9	1.7	1.6
New police force (SSR program)	1.5	1.3	1.2	1.1	1.0	1.1	1.1
Transfers and subsidies	5.1	4.2	4.5	4.1	4.9	5.3	5.4
Interest payments (due)	2.9	2.6	2.8	2.8	2.4	1.6	1.4
Domestic	1.7	1.3	1.7	1.5	1.5	1.4	1.3
Foreign	1.2	1.3	1.1	1.3	1.0	0.1	0.1
DDR project	2.1	2.5	3.2	3.1	2.2	1.1	0.0
Elections	0.0	0.0	0.0	0.0	0.0	0.0	2.0
Project expenditure	13.5	12.4	13.4	12.9	15.8	17.6	17.6
Domestic resources	4.6	3.8	3.3	2.9	3.0	4.2	4.3
External resources	9.0	8.7	10.1	9.9	12.8	13.4	13.3
Net lending	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1
Overall balance (commitment basis)	-22.8	-19.4	-22.7	-21.4	-22.8	-23.2	-23.5
(after grants) [1]	-0.4	-1.8	0.7	2.1	-0.7	81.7	-2.5
Of which: primary balance	-8.9	-5.6	-6.6	-5.6	-5.3	-7.1	-6.8
Change in arrears (reduction –)	-2.9	-1.5	-0.4	-3.4	-0.4	-0.2	0.0
External (interest)	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Domestic	-2.7	-1.3	-0.4	-3.4	-0.4	-0.2	0.0
Overall balance (cash basis)	-25.7	-20.9	-23.1	-24.9	-23.1	-23.4	-23.5
(after grants) [1]	-3.3	-3.3	0.7	-1.3	-1.0	81.5	-2.5
Financing (identified)	25.7	21.3	23.1	24.9	23.1	22.3	21.7
External grants	22.4	18.0	23.4	23.6	22.1	103.8	19.2
Program support	11.9	7.2	8.3	9.0	7.7	6.9	6.3
HIPC relief (IMF, WB, AfDB, PC)	3.7	3.9	3.9	3.8	3.2	81.1	0.0
MDRI grant (IMF, WB, AfDB, PC)	...	0.0	0.0	0.0	0.0	5.2	0.0
Project grants	4.7	4.4	7.9	7.6	9.3	10.5	10.9
Special programs	2.1	2.5	3.2	3.1	2.0	0.0	2.0
DDR	2.1	2.5	3.2	3.1	2.0	0.0	0.0
Elections	0.0	0.0	0.0	0.0	0.0	0.0	2.0
External borrowing	0.5	0.7	-0.8	-0.8	0.7	-79.7	2.3
Program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	4.2	4.3	2.1	2.3	3.5	2.9	2.4
Amortization (due)	-4.2	-4.3	-3.3	-4.9	-3.2	-82.6	-0.1
Change in amortization arrears	-0.4	0.0	-5.0	0.0	-4.2	0.0	0.0
Debt relief (rescheduling; cancellation)	0.8	0.7	5.3	1.7	4.6	0.0	0.0
Privatization proceeds	0.4	0.3	0.5	0.1	0.3	0.3	0.2
Domestic	2.4	2.3	0.0	2.0	0.0	-2.1	0.0
Banking sector	2.2	2.1	0.0	0.7	0.0	-2.1	0.0
Nonbank sector	0.2	0.1	0.0	1.3	0.0	0.0	0.0
Financing gap and errors and omissions	0.0	-0.4	0.0	0.0	0.0	1.1	1.8
Memorandum items:							
Primary spending (Fbu billions)	266.3	231.7	271.3	252.4	292.8	347.2	383.8
Primary expenditure (program definition) [4]	27.8	24.7	26.3	23.7	24.5	26.4	26.4
Military and security expenditure	8.4	8.0	8.0	7.8	7.3	6.6	6.2
(percent of primary expenditures)	30.3	32.6	30.5	32.9	29.7	24.9	23.6
Social expenditure (percent of GDP)	9.3	8.8	10.7	9.2	10.1	11.1	11.6
Social expenditure (percent of primary expenditures)	33.4	35.6	40.6	38.6	41.4	42.0	43.7
GDP at current market prices (Fbu billions)	957	939	1031	1065	1197	1316	1451

Sources: Burundi authorities; and IMF staff estimates and projections.

[1] Assumes 100 percent grants financing of the gaps.

[2] Expenditure for 2007 program column excludes a Fbu 4.7 billion contingency, subject to the confirmation of external budget support additional to that assumed in the original budget.

[3] Expenditure for 2008 budget excludes a Fbu 10.3 billion contingency (Fbu 6 billion for civil salary, Fbu 1 billion for goods and services civil; Fbu 1.1 billion for goods and services military; Fbu 0.7 billion for goods and services national police, and Fbu 1.5 billion for capital expenditure locally financed). This contingency is subject to the confirmation of recovery of payments to INTERPETROL and other additional financing (above the amounts included in the budget), including from HIPC/MDRI debt relief should the HIPC completion point be reached in 2008. See discussion in the MEFP, paragraph 11 and TMU, paragraph 14.

[4] Current expenditure, excluding interest, and domestically financed project expenditure.

Table 5. Burundi: Progress Toward HIPC Completion Point Triggers

Trigger	Progress
1. **PRSP**: Preparation of a full PRSP through a participatory process and its satisfactory implementation for one year, as evidenced by an Annual Progress Report that has been the subject of analysis in a Joint Staff Advisory Note.	A full PRSP was published in September 2006 and discussed by the IMF and the World Bank Boards in March 2007.
2. **Macroeconomic stability**: Maintenance of macroeconomic stability as evidenced by satisfactory performance under the PRGF-supported program.	Macroeconomic developments in the past two years have been broadly in line with the program, which has remained on track, except for a short period in mid-2007.
3. **Use of budget savings resulting from HIPC-related debt-service relief during the interim period**: Use of budgetary savings from debt relief in accordance with the priorities identified at the decision point and in the PRSP duly documented and discussed by a national Independent Oversight Committee on a semiannual basis.	Pro-poor spending has increased markedly. The HIPC expenditure monitoring committee was re-activated in mid-2007. A financial and technical audit was launched in December 2007.
4. **Public expenditure management**: Establishment of an integrated public expenditure computerized system that provides a budget monitoring and control system, in particular for poverty-related spending, and the production of at least two quarterly budget execution reports based on the new unified budget nomenclature.	An integrated computerized expenditure management system was put in place in January 2006 using the new budget nomenclature. Quarterly budget execution reports have been produced since mid-2006, but their coverage and reliability need improvement.
5. **Governance measures and the delivery of services in key sectors**: Completion for the education, health, and justice sectors of (i) a budget tracking exercise (budget monitoring) of public spending on the delivery of pro-poor services; (ii) an evaluation by users of the quality of services provided; (iii) an evaluation by providers of constraints to effective delivery of pro-poor services; and (iv) preparation of an action plan to address problems identified.	A technical team began work to conduct an evaluation of services delivery (points i-iii) on August 20, 2007, with World Bank support. The surveys are expected to be completed by end-December and the analyses by end-February 2008. An action plan would be prepared before end-June 2008.
6. **Demobilization**: Execution of the National DDR Program in line with the pace and final objectives set forth in the Letter of Demobilization Policy to the World Bank, dated 19 February, 2004.	The demobilization program made good in 2004-05 but has experienced delays since then. 24,105 persons demobilized by end-October 2007. The objective, after integrating all forces, is to reduce the army to 25,000 men. However, about 17,300 persons were absorbed into a new national police force, instead of being demobilized. Plans are being finalized for a new round of demobilization in late 2007–08 (FNL excluded), covering about 3,500 from the army (FDN) and 4,500 from the national police. This would reduce the FDN to about 25,000 and the police to about 15,000.
7. **Structural measures**: Tendering for sale the state holdings in a majority of coffee washing stations.	In November 2006, the government approved a detailed action plan for the reform of the coffee sector, elaborated with the support of the World Bank. The action plan included i) a study of the competitiveness of the sector (done in 2007); ii) the identification and implementation of a strategy for the sale of main assets; and iii) the drafting of a new legal, regulatory and institutional framework for a liberalized sector. Parts ii) and iii) have been delayed and need to be reprogrammed.
8. **Social sectors**	
Education: Increase in the gross national enrollment rate in primary schools from 74 percent in 2003/04 to 77 percent in 2006; and from 16 percent in 2003/04 to 18 percent in 2006 in secondary schools, subject to the provision that the average increase in provinces with lower than average enrollment rates in 2004 must be higher than the increase in the national rate over the same time period.	The elimination of primary school fees in September 2005 resulted in a large increase in first grade enrollment. Primary school enrollment rate rose from an estimated 80 percent in 2003/04, to 85 percent in 2004/05, to about 101 percent in 2005/06, and 118 percent in 2006/2007. The gross enrollment rate in secondary education is estimated at 19 percent in 2006/07. No data are currently available on regional enrollment rates.

Table 5. Burundi: Progress Toward HIPC Completion Point Triggers

Trigger	Progress
Health: Increase in the national immunization rate for children of less than one year of age from 75 percent in 2004 to 85 percent in 2006, subject to the provision that the average increase in provinces with lower-than-average immunization rates in 2004 must be higher than the increase in the national rate over the same time period.	In June 2006, the Burundian Ministry of Health organized a national campaign for the vaccination against measles with the support of UNICEF and WHO. At end-October 2007 preliminary data suggest BCG coverage at 71 percent; polio 3 at 74 percent; DPT3 equivalent at 69 percent; and Measles at 30 percent. Data for 2006 are poor and not yet available for regional rates.
9. **Debt management**: Production of monthly external debt reports, including projections for the upcoming three months, for at least six months before the completion point.	Reports have been produced for the months of March to July 2007. However, the reports for April to July were sent with considerable delay (about six months). The reports do not make full use of the new SYGADE software and reliability needs to be improved.

Table 6. External Financing Requirements and Sources, 2006–10
(US$ millions)

	2006	2007	2008	2009	2010
	Actual	Projections			
1. Gross financing requirements	-382.6	-414.0	-468.1	-1456.7	-391.7
External current account deficit (exc. official transfers)	-325.2	-332.7	-361.2	-350.3	-383.1
Debt amortization [1]	-39.7	-48.1	-35.8	-1,022.5	-1.4
Repayment of arrears	0.8	-0.4	-48.0	0.0	0.0
Gross reserves accumulation (–)	-18.4	-32.6	-22.9	-37.7	-7.2
IMF repurchases and repayments					
Before HIPC/MDRI relief	0.0	0.0	0.0	0.0	0.0
After HIPC/MDRI relief	-0.1	-0.2	-0.2	-46.2	0.0
2. Available financing	332.2	373.4	386.8	1,423.8	349.0
Foreign direct investment (net)	32.0	11.0	12.0	15.0	7.1
Debt financing from private creditors (to private sector)	3.0	2.1	1.6	8.4	0.5
Official creditors (to public sector) [2]	297.1	360.3	373.2	1,400.4	341.3
Multilateral [1]	220.0	262.6	264.9	250.2	258.1
Of which: balance of payments financing [3]	0.0	0.0	0.0	0.0	0.0
Bilateral	41.4	58.2	68.7	81.2	83.3
To public sector	41.4	58.2	68.7	81.2	83.3
Of which: balance of payments financing [3]	0.0	0.0	0.0	0.0	0.0
HIPC and MDRI relief (including IMF)	35.7	39.4	39.7	1,069.1	0.0
IMF [4]	21.2	10.7	10.7	0.0	0.0
Other flows [5]	29.2	29.9	52.0	0.0	0.0
Financing gap	0.0	0.0	18.6	32.8	42.8

Sources: Burundi authorities, and IMF staff estimates and projections.

[1] Excluding the IMF.

[2] Includes both loans and grants.

[3] Includes those transactions that are undertaken to finance a balance of payments deficit or an increase in reserves.

[4] Includes HIPC/MDRI relief.

[5] Includes all other net financial flows and errors and omissions.

Table 7. Burundi: Indicators of Fund Credit, 2006–10

	2006	2007	2008	2009	2010
	Actuals		Projections		
	(SDR millions, unless otherwise indicated)				
Fund credit outstanding (end of period) [1]					
SDR millions	55.0	62.2	69.3	66.7	60.7
US$ millions	82.7	93.5	104.3	100.3	91.3
Percent of quota	71.4	80.7	90.0	86.6	78.8
Fund obligations	0.1	0.8	1.0	3.7	7.1
Fund total charges and interests	0.1	0.8	1.0	1.1	1.1
SDR periodic charges	0.0	0.4	0.6	0.6	0.6
PRGF interest repayments (existing disbursements)	0.1	0.3	0.3	0.3	0.3
PRGF interest repayments (projected disbursements)	...	0.0	0.1	0.2	0.2
Fund total repayments/repurchases	0.0	0.0	0.0	2.6	6.0
Existing disbursements	0.0	0.0	0.0	2.6	6.0
Projected disbursements	0.0	0.0	0.0	0.0	0.0
Fund credit outstanding as percent of:					
Exports of goods and services	86.7	111.3	85.1	63.3	49.9
Gross official reserves	63.1	57.1	55.9	44.7	39.4
Fund credit outstanding after HIPC/MDRI relief, as percent of:					
Exports of goods and services	...	...	84.9	63.2	49.8
Gross official reserves	...	...	55.8	44.6	39.3
Fund obligations as percent of:					
Exports of goods and services	0.2	1.3	1.2	3.4	5.7
Gross official reserves	0.1	0.7	0.8	2.4	4.5
	(US$ millions)				
Memorandum items:					
Actual/projected PRGF disbursements	21.0	10.5	10.5	0.0	0.0
Exports of goods and services	95.4	84.0	122.5	158.4	182.8
Gross international reserves	131.0	163.7	186.6	224.2	231.5
HIPC and MDRI relief	0.1	0.2	0.2	46.2	0.0

Sources: Burundi authorities, and IMF staff estimates and projections.

[1] Projections are before HIPC and MDRI relief.

Table 8. Burundi: Schedule of PRGF Disbursements and Reviews, 2004–08

Date	Disbursement (In millions of SDRs)	Conditions
Executive Board consideration, January 23, 2004	26.40 [1]	Executive Board approval; Disbursed.
January 19, 2005	7.15	Completion of first review, based on observance of performance criteria at end-June 2004; Disbursed.
July 27, 2005	7.15	Completion of second review, based on observance of performance criteria at end-December 2004; Disbursed.
July 14, 2006	7.15	Completion of third review, based on observance of performance criteria at end-June 2005; Disbursed.
July 14, 2006	7.15	Completion of fourth review, based on observance of performance criteria at end-December 2005; Disbursed. The third and fourth reviews were combined.
March 9, 2007	7.15	Completion of fifth review, based on observance of the performance criteria at end-June 2006 and the structural performance criterion at end-September 2006. Disbursed.
January 2008 [2]	7.15	Completion of sixth review, based on observance of the quantitative performance criteria at end-December 2006 and the structural performance criterion at end-June 2007.

[1] Of which, SDR 19.25 million was for the early repayment of outstanding drawings under the Post-Conflict Emergency Assistance Policy.

[2] The PRGF arrangement was extended until end September 2007 at the time of the third and fourth reviews and to January 22, 2008 on September 20, 2007.

Appendix I—Burundi: Letter of Intent

Bujumbura, December 17, 2007

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C., 20431

Dear Mr. Strauss-Kahn,

1. On behalf of the authorities of the Republic of Burundi, we hereby transmit the attached memorandum of economic and financial policies (MEFP) for 2007 and 2008, within the program supported by the arrangement concluded between Burundi and the IMF in January 2004 under the Poverty Reduction and Growth Facility (PRGF). The attached technical memorandum of understanding (TMU) sets forth the terms and conditions for implementing the program, as well as the definitions and calculations of the criteria and objectives.

2. The quantitative performance criteria at end-December 2006 were observed (Table 1), except for a temporary accumulation of external payment arrears, for which we request a waiver. We also request a waiver for the nonobservance of the structural performance criterion on the establishment of a unified data file for computerized payroll management at the Ministry of Finance (end-June 2007) on the basis of corrective actions being undertaken as specified in the MEFP, ¶¶ 7 and 12 (Table 2). The census of all government employees (structural benchmark for end-June 2007) was launched on December 10, 2007. This postponement was due to significant delays in recruiting a consulting firm to conduct the work.

3. In support of the macroeconomic and financial objectives set for 2007-08, we hereby request completion of the sixth review under the PRGF and disbursement of SDR 7.15 million (9.3 percent of quota).

4. The economic and financial policies set forth in the MEFP should ensure that the objectives of the 2007 and 2008 program are met. However, the authorities are ready to take any further measures that may be necessary for the sound implementation of the program. Burundi will consult with the Managing Director on the adoption of such measures in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultations.

5. The quarterly quantitative performance criteria and indicative targets for 2006, 2007 and 2008 are shown in Tables 1, 3 and 4, respectively. The prior actions for the sixth review as well as the structural performance criterion and indicative benchmarks for 2007 are shown in Table 2.

6. We stand ready to provide the IMF Managing Director with all the necessary information he may request to monitor program implementation and achieve program objectives on schedule.

7. The Burundi authorities wish to make this letter, the attached MEFP, the TMU, as well as the staff report on the sixth review of the program under the PRGF arrangement, available to the public. We hereby authorize their publication and posting on the Fund's website subsequent to Executive Board approval. We will do the same on the official websites of the Burundi government.

Sincerely yours,

/ s /

Clotilde Nizigama
Minister of Finance, Economy, and
Development Cooperation

/ s /

Gaspard Sindayigaya
Governor, Bank of the Republic of Burundi

/ s /

Gabriel Ntisezerana
Second Vice-President, Republic of Burundi

Attachment: Memorandum of Economic and Financial Policies (MEFP) for end 2007 and 2008
Technical Memorandum of Understanding (TMU)

Appendix I—Attachment I

Burundi: Memorandum of Economic and Financial Policies for End–2007 and 2008

I. Introduction

1. This memorandum summarizes the government's progress in implementing the economic program for 2006 and 2007, to September. It also sets out the authorities' economic and financial policies for end-2007 and 2008. On the basis of the progress achieved and these policies, the authorities request Fund support through the completion of the sixth review under the Poverty Reduction and Growth Facility (PRGF) arrangement. The measures and objectives of the program are consistent with the Poverty Reduction Strategy Paper (PRSP) published in September 2006.

II. Recent Economic Developments and Performance Under the Program in 2006 and the First Nine Months of 2007

Performance in 2006

2. **The program remained on track in 2006, despite a generalized delay in implementing structural reforms**. Almost all the quantitative targets for December 2006, after adjustment, were observed (Table 1). The only exception was an accumulation of external payment arrears, which were cleared up in January 2007. Economic growth was satisfactory (5.1 percent) despite climatic vagaries. Coffee production rebounded sharply, to about 30,000 metric tons, and contributed greatly to the strong growth. However, agricultural food crops, excluding coffee, suffered from drought in the northern part of the country, and this was followed by flooding at the end of the year. The drought also depressed energy production (down 6.9 percent in 2006).

3. **Fiscal performance in 2006 was consistent with program objectives**. Faced with delays in the disbursement of external budgetary support, the government cut spending by nearly 3.5 percent of GDP. Consequently, the primary deficit (excluding grants) was well below the program limit (5.6 percent of GDP versus 8.9 percent). The overall budget deficit, on a commitment basis, including grants, exceeded the program objective (1.8 percent of GDP versus 0.4 percent). Revenues were in line with the program target (19.0 percent of GDP). A portion of domestic arrears prior to 2004 was cleared in cash (Fbu 4.7 billion). Bank credit to government remained well below the program's adjusted limit.

4. **Monetary policy was prudent, which allowed inflation to be contained in 2006**. The monetary aggregates rose by 16.4 percent for M2 and by 18.3 percent for M3. These results are roughly in line with program projections. Thanks to prudent management, inflation (measured by the consumer price index) was contained at 9.3 percent by the end of

the year, slightly higher than the 8.7 percent target. Credit to the economy continued to recover, rising by around 25 percent during 2006, driven by bank financing of the coffee crop and of business development. Interest rates continued on a gradual declining trend, assisted by the elimination of the 7 percent tax on bank transactions and lower benchmark rates set by the Bank of the Republic of Burundi (BRB).

5. **Burundi's external position remained consistent with program objectives, although the concentration of external aid disbursements toward the end of the year introduced some volatility.** The Burundian economy maintained its competitiveness during 2006, with a 2.9 percent depreciation of the effective real exchange rate. Imports rose sharply (by 17 percent), primarily because of the demand for capital goods and intermediate goods. Exports rose only slightly (2.6 percent), and coffee exports, despite high production, stagnated because power outages slowed coffee milling severely. Foreign aid flows, which were concentrated in the last two months of the year, sparked a rapid appreciation in the exchange rate against the US dollar at the end of the year, after depreciating during the year. The Fbu/US$ exchange rate ended the year very close to its end-2005 value.

The first nine months of 2007

6. **Overall, economic performance showed a modest deterioration during the first nine months of 2007**. Inflation, which had declined to 2.2 percent at the end of June as a result of prudent monetary policy, rebounded to 11 percent at the end of September, primarily reflecting higher taxes and price adjustments. Economic growth slowed, following a drop in coffee production (to 7,000 metric tons). Fiscal policy was generally consistent with program objectives, except for a budgetary incident in April/May. Highly controversial payments totaling Fbu 17.3 billion were made to a Burundian oil company. These payments destabilized the budget, undermined the macroeconomic program, exposed public financial management (PFM) problems, and delayed disbursement of external budgetary support. To dampen the impact of rising world oil prices, the authorities reduced petroleum product taxes from 20 percent to 10 percent.

7. **The schedule for implementing the structural reforms was delayed, in particular with respect to the coffee sector**. Delays in the provision of technical assistance led to a delay in launching the census of all government employees, so that the end-June structural benchmark was missed. As a result the structural performance criterion at end June on the unified computerized payroll management data file, which was one of the key outputs of the census was also missed. Nevertheless, some reforms were implemented at the end of the period, in particular on public financial management. Work units were created in May to reform accounting, treasury management, and computerization of the Integrated Financial Management Information System (IFMIS). The HIPC expenditure monitoring committee was reestablished. Several treasury accounts, including off-budget accounts, were closed.

8. **The anti-money laundering law, prepared with IMF technical assistance, was approved by the government and submitted to Parliament, and the new statistics law was promulgated on September 25, 2007**. The accompanying regulatory texts to this law, incorporating a new institutional framework for the ISTEEBU and its employee statutes, were approved in November 2007. The National Statistics Development Strategy (SNDS) is now being finalized.

III. Program for End-2007 and 2008

A. Macroeconomic Objectives

9. **The strategy for end-2007 and 2008 focuses on: (i) pursuing macroeconomic stabilization; (ii) strengthening public financial management; and (iii) implementing structural reforms.** Growth should remain modest in 2007, at 3.6 percent, because of a very sharp drop in coffee production and delays with the structural reforms. For 2008, economic growth should pick up to around 6 percent, with a recovery of coffee production. Monetary policy will continue to rely on controlling reserve money under a managed floating exchange rate regime. Inflation is expected to remain under control at 8.7 percent in 2007, and 5.2 percent in 2008.

B. Public Finance

10. **Budget policy for the remainder of 2007 seeks to restore balance following the INTERPETROL incident**. The incident resulted not only in the loss of resources but also a delay in budgetary support. In the absence of corrective measures, the budget balance was thus disrupted. The government immediately launched legal action to recover unjustified payments. A security deposit of FBu 6 billion was obtained from INTERPETROL. The government also accelerated measures to strengthen PFM. It launched an independent external audit of cross-debts between the petroleum sector and the government. Until the audit is completed, no payment on these arrears will be made. The 2007 budget was maintained without revision, and non-priority expenditures were reduced (about 1.5 percent of GDP). Exceptional, and temporary, financing from the BRB was obtained through the issuance of treasury bills, repayment of which will come from disbursement of budget support expected at the end of the year. Taxes on sugar and beer were raised. Despite these measures, total revenues are likely to be lower than the program target, at around 18.1 percent of GDP, following the reduction in the petroleum products tax and an overestimate of revenue in the budget. The overall balance, on a cash basis, including grants, will show a deficit of 1.3 percent of GDP. External budgetary support is projected at US$90 million, most of which will be disbursed at the end of 2007. Domestic financing will be limited to FBu 21.6 billion (2.0 percent of GDP), of which FBu 13.7 billion (1.3 percent of GDP) is the clearance of domestic arrears. The remaining stock of domestic arrears (excluding the petroleum sector) was cleared in December through the issuance of five-year treasury bonds.

11. **The 2008 budget seeks to maintain macroeconomic stability, while pursuing the reorientation of spending in favor of the social sectors.** Revenues should reach 19.1 percent of GDP. Taxes on soft drinks and on petroleum products have been raised (by FBu 50 and to 12 percent, respectively). The government intends to restore the 20 percent tax rate on petroleum products gradually. The overall deficit on a commitment basis, including grants, will be kept at about 0.7 percent of GDP, without resort to domestic financing. The budget includes increases in civil service benefits for transportation, family allowances, and housing, and salary increases for high ranking government officials. No further salary or allowances increases for government employees will be granted in 2008 unless offset by savings obtained on the wage bill. It is essential for the budget sustainability that the census of government employees and the new phase of demobilization be completed in 2008. The 2008 budget includes some spending (including payment of the retroactive portion of the increase in allowances for civil servants) conditional upon recovery of the amounts involved in the INTERPETROL incident, and upon higher-than-projected financing resources (external budgetary support, debt relief, and receipts from privatization; see TMU, paragraph 14). Demobilization of the army and the police, achieved with MDRP project support, is essential for redirecting budgetary spending towards the social sectors.

12. **The government will pursue measures to strengthen PFM, with stepped-up technical assistance from the IMF, the World Bank, and the European Union.** It will also continue the progressive reallocation of spending from security towards poverty reduction. The government is determined to pursue the objectives set forth in its letter on demobilization, reinsertion, and reintegration (DDR) program policy sent to the World Bank in February 2004, and to reduce the size of the army and of the national police force, by implementing the DDR program. Therefore, the government has decided to launch a new phase of demobilization of the army and the police in 2007-08. Wage bill management will be further reinforced, inter alia, through the launching of an employee census, which will lead to the creation of a single wage data management file. Strengthening of the IFMIS will be pursued so that financial transactions can be accounted for in real time. Systems for treasury management, public accounting, and procurement will also be reinforced. For greater efficiency and transparency, a major step will be taken with the 2008 budget towards progressive reestablishment of a treasury single account.

13. **A medium-term project to modernize taxation has been launched with technical support from the IMF and from the World Bank**. A coherent tax reform strategy will be established by March 2008. Initially, the strategy will be based on strengthening of administrative capacity, especially by giving priority to the computerization of tax administration. Introduction of a value-added tax (VAT) is now a priority, with Burundi's recent membership in the EAC and harmonization of import duties with those of other EAC countries. The impact of the phased introduction of the EAC trade and customs regime will be assessed in early 2008. The 2008 budget does not assume any tariff or regime changes for 2008.

Measure	Timetable	Status
Reform of public financial management and fiscal policy		
For gradual reestablishment of the single Treasury account: ▪ consolidate the ordinary budget account (BO) and the extraordinary capital budget account (BEI); ▪ eliminate the HIPC sub accounts that have been opened in the name of public entities; and ▪ transfer management of the HIPC account to the Government Cashier's Office in the BRB as a sub account of the OTBU.	December 2007	**Prior action** Points 2 and 3 were completed on October 11, 2007
Reiterate in the 2008 Budget Law: ▪ the obligation to obtain the prior approval of the Minister of Finance for any third-party act that would have a fiscal impact (decision, convention, contract, etc.) and to register this with the Ministry, as a condition of validity (pursuant to Decree Law 1/171 December 10, 1971 amending the Public Accounting law). ▪ the administrative, civil and criminal sanctions under the various legal codes applicable to managers of public funds,[1] for violation of the rules and procedures governing public expenditure, which will be rigorously and diligently enforced. ▪ the principles relating to expenditure procedures. ▪ authorizations to open off-budget accounts, except project accounts and accounts for regularly budgeted funds, will be suspended, pending new legislative and regulatory provisions. [1] The managers of public funds are the *ordonnateurs* (who authorize payments), the *administrateurs de crédit* (who control budget appropriations) and the *comptables* (who make the payments).	December 2007	
Ordinances of the Minister of Finance: ▪ establishing an exhaustive list of the kinds of expenditures that may be made without a prior payment order (*ordonnancement*), and procedures for recording, regularizing and justifying them ▪ specifying the provisions of article 52 of the Public Accounting law ▪ concerning the status and prerogatives of the internal control office of the Ministry of Finance, and the duties of the office responsible for developing the IFMIS.	December 2007	**Prior action**

Measure	Timetable	Status
• Introduce accounting and budgetary procedures for recording, monitoring and clearing all expenditures that have been verified (*liquidées*) but for which a payment order has not been issued (*non-ordonnancées*) or which have not been paid (*non-payées*).	January 2008	
• Finalize the government's public financial management reform strategy and action plan.	June 2008	
• Define the status and prepare the terms of reference for the Support Unit and equip it to guide the reform.	March 2008	
• Review the current draft organic law to specify the concepts, principles and responsibilities for those responsible for handling government revenues and expenditures, with technical assistance from the IMF and the World Bank.	December 2007	
• Approval of the organic law by the council of ministers and submission to Parliament for approval	March 2008	
• Prepare the budgeting and accounting procedures manuals based on the new organic law, distribute and publicize them, with ERSP technical support.	December 2008	
• Revise the public accounting law, in particular the articles concerning "off budget" accounts, namely articles 15 and 17 of the Law of March 19, 1964 on general public accounting regulations and Article 58 of Ministerial Ordinance 030-89 of June 23, 1969 on implementation measures.	2008	
• Improve the monthly treasury forecast so it can be used as a management tool.	2008	
• Reinforce the joint treasury management structures of the Ministry of Finance and the BRB created in 2007.	2007-08	
• Produce a quarterly TOFE for exhaustive and reliable tracking of government financial operations, based on the IFMIS with a one-month lag.	December 2008	
Make budget execution more transparent by producing the following statements: • monthly monitoring tables based on IFMIS (allocations - commitments– verifications- payment orders–payments); • a reliable, complete and up-to-date monthly balance of the treasury accounts; • the daily treasury situation.	December 2008	
• Improve the monitoring of poverty reduction expenditures using the functional classification, based on the PRSP, in the IFMIS reports.	June 2008	

Measure	Timetable	Status
Give priority to strengthening payroll management in 2007, with the support of the World Bank's ERSP project, through: • a physical census of all government employees (civil servants, police, army) with the support of the World Bank (ERSP project) and other donors; • issuance of personal identity cards with photos and signatures; • put in place a central data file and single identification number for all government employees (teachers, civil servants, army and police);	2007-08 2008 4th quarter 2008	**The launching of the census is a prior action**.
• Strengthen payroll monitoring in the IFMIS.	2007-08	
• Prepare for assumption of payroll management by the Ministry of Finance.	2008	
• Eliminate all remuneration or compensation in kind for government employees.	2007-08	
• Strengthen the financial control of public enterprises, in particular by implementing action plans to strengthen the Administrative and Portfolio Revenue Directorate in the Ministry of Finance and by establishing clear guidelines for the government's representatives on public enterprise boards.	2007-08	
• Revise the private and public corporations code (1996) by establishing dual technical and financial oversight of public enterprises, with ERSP support.	2008-09	
• Launch an audit of cross-debts between the budget and the petroleum sector.	December 2007	**Prior action**
• Complete the audit of cross-debts and establish a settlement plan.	June 2008	
• Launch independent semi-annual financial and technical audits of the HIPC account and operations from 2005 to the end of 2007 (EU support).	December 2007	**Prior action**
• Improve the production, reliability, and regularity of the monthly reports on external public debt, including projections of debt service for the next three months.	2008	
▪ Reduce further the number of government accounts by (1) finalizing the grouping of accounts by public entity; and by (2) eliminating accounts opened in the name of public entities and administrative offices that do not have financial autonomy.	June 2008	
▪ Return to the BRB all donor-financed project accounts, in consultation with the donors.	2008	
Reform of customs		
• Implement the new customs code	December 2007	

Measure	Timetable	Status
Pursue the action plan for strengthening customs, based on the IMF technical assistance report of September 2006, in particular by: • Strengthened monitoring and control of the SGS component in order to improve its effectiveness and yield. • Use the risk evaluation system (PROFILER) in order to clear through the green channel at least 50 percent of import operations. • Set up and utilize a system for selecting import consignments to be examined, using criteria determined by the import inspection system. • An enhanced ex post monitoring system.	As of November 2006 2007-08 2007-08 2007-08 2007-08	
• Assess the revenue impact of Burundi's membership in the EAC, with technical support from the World Bank (ERSP project).	January 2008	
Taxation		
• Adopt a strategy for modernizing taxation and harmonizing it with EAC zone countries, with IMF technical assistance	March 2008	
• Modernize and harmonize taxation with EAC countries. Revise the general taxation code.	2008-12	
• Implement the action plan for strengthening tax administration on the basis of the IMF technical assistance report of September 2006, with the technical and material support of donors.	2007-10	
• Prepare for replacing the transactions tax with a VAT, with IMF technical support: -approve the draft law -prepare the regulations and procedures	2008-09	
• Computerize the tax office	2008-09	
• Improve the efficiency of tax collection by replacing the tax current account (CCF) by a computer application that permits the secure monitoring of collection.	2007	
• Enforce the income tax law for Burundian employees in the international sector.	2007-08	
• Develop a legal and fiscal framework for the exploitation of natural resources in keeping with international best practices, with technical support from the World Bank and the IMF in conjunction with the new draft mining code.	2008	
• Eliminate all exemptions from indirect taxes and maintain time limits on tax exemptions in the investment code.	2007-08	
• Unify local and national revenue administrations and adopt an automatic revenue sharing formula.	2008-09	

C. Monetary and Exchange Policy

14. **The BRB will continue its prudent monetary management, with the principal objective of containing inflation**. The growth of broad money is expected to be 14.9 percent for both M2 and M3 in 2007, significantly above nominal GDP growth (13.4 percent), reflecting the continued monetization of the economy. This trend should continue in 2008, with growth in the monetary aggregates of 15.8 percent (M2) and 16.0 percent (M3), for nominal GDP growth of 12.4 percent. Prudent and proactive management of foreign exchange reserves will continue within a managed floating exchange rate regime. Gross international reserves of the BRB should reach US$163.7 million at end-2007 (3.9 months of 2008 imports) and US$186.6 million at end-2008 (4.2 months of 2009 imports).

15. **The BRB will continue to strengthen its internal capacities, with particular technical assistance from the IMF and the First Initiative**. The BRB will focus primarily on three issues: (i) improving governance (a new charter, further development of the internal audit function, a communications policy, adoption of International Financial Reporting Standards, IFRS); (ii) strengthening of the financial sector (strengthening banking supervision, seeking solutions for restructuring certain banks, developing the monetary, financial, and exchange markets); and (iii) pursuing an active monetary policy that will rely increasingly on market mechanisms. In order to strengthen its capacity to implement monetary policy, in December 2007 the BRB will start the process of converting advances to the government into Treasury bonds, according to the June 2006 convention between the Ministry of Finance and the BRB.

Measure	Timetable	Status
Monetary policy		
• Prepare weekly updates of foreign exchange cash flow forecasts, in collaboration with the support unit in the Ministry of Finance.	2007-08	
• Prepare a strategy for developing economic forecasts	2008	
• Establish a training program in monetary and financial policy.	June 2008	
• Update the liquidity forecasting framework.	As of first quarter 2008	
• Vary the amount of interventions on the MED in light of reserve management and monetary policy objectives.	2007-08	
• Extend the compulsory reserves maintenance period to one month	November 2007	
• Introduce an overnight deposit facility at a suitably dissuasive rate.	As soon as the new statutes are promulgated	
• Launch an awareness and training campaign for officers of the BRB, the banks, and businesses, to pave the way for developing a secondary market for Treasury securities.	2008	
Internal reforms and governance of the BRB		

• Reshape the internal structure of the BRB, with support from the FIRST Initiative.	2008	
• Computerize the BRB, in line with the action plan prepared by FIRST and BRB.	2008	
• Strengthen foreign exchange reserves management by: • adopting a new functional organization chart for the foreign banking operations office, • finalize the directives on foreign exchange reserve management, and • activate the foreign exchange reserves management committee.	March 2008	
• Adopt a communications policy for the BRB, targeted at financial markets.	March 2008	
• Continue implementing the reforms recommended by the external auditor and put in place procedures to monitor those reforms.	2007-08	
• Continue implementing the recommendations of the safeguards assessment.	2007-08	
• Promulgate the new charter of the BRB	March 2008	**Approval by council of ministers is a prior action**
• Strengthen the internal audit function and prepare a 2008 risk-based audit plan.	2007-08	
• Finalize internal audit procedures in an audit manual.	March 2008	
• Observe IFRS rules (train the units involved in applying these rules to the BRB accounts).	2007-08	
• Establish a national Financial Intelligence Unit in the Ministry of Finance to support the application of legal provisions for combating money laundering (AML), with technical support from the IMF.	2008	**Passage of AML law is a prior action**
• Adopt a code of ethics for all BRB employees.	June 2008	
Development of the financial and foreign exchange markets		
• Move toward an interbank exchange market, in line with IMF technical assistance recommendations. • Open the central bank auction (MED) to sales of forex by banks • Widen spread for surrender of forex by banks	2008-10 June 2008 June 2008	
• Create a joint working group of the BRB and the Bankers' Association and adopt an action plan for developing the monetary and financial markets.	March 2008	
Financial sector		
• Strengthen banking supervision and prudential regulation, with IMF technical assistance	2007-08	
• Progressively raise the minimum bank capital requirement from		The first two stages

FBu 1 billion : • 2.5 billion • 3.5 billion • 5.5 billion	 January 1, 2008 January 1, 2009 January 1, 2010	have already been announced. The third will be in December 2007.
• Adopt a matrix of violations and fines.	January 2008	
• Revise the BRB circular on bank licensing.	2008	
• Revise the banking act and prepare a new bank chart of accounts consistent with IFRS accounting standards.	2008-09	
• Create a financial training structure in the Bankers' Association, with support from the BRB.	2008-09	
• Continue the rehabilitation or closure of banks in difficulty.	2007-08	
• Reorganize the banking supervision office.	January 2008	
• Evaluate the conformity of the BRB's supervisory mechanism with the 25 Basel principles	March 2008	
• Bring prudential regulations and norms into line with international standards and best practices.	September 2008	
• Arrange for an assessment of the financial sector by the World Bank and IMF (FSAP).	First half 2008	
• Prepare a legal framework governing payments systems	2008-09	

D. Structural Reforms

16. **The authorities have adopted a structural reform strategy based on three pillars**: (i) improving the business climate and governance; (ii) opening the economy to international trade; and (iii) privatizing public assets in the productive sectors. Taken together, these reforms will allow Burundi to take full advantage of its membership in the EAC and, more generally, its integration in the world economy.

17. **Efforts to improve the business climate are focused in particular on direct investment and trade development**. In the context of investment promotion efforts, exemptions from indirect taxation will be avoided and tax advantages strictly controlled. The Government recognizes the importance of exploiting its natural resources on a rational and sustainable basis within a legal framework that guarantees transparency and protection of the environment. The authorities will seek technical assistance from the IMF and the World Bank to prepare a legal framework (including the taxation aspects) consistent with best international practices. The authorities are determined to liberalize business within the country, in order to develop sectors with growth potential.

18. **The privatization process will be pursued transparently, with full respect for the rules of good governance**. To facilitate the process, the government will consolidate its various holdings, when necessary. Particular attention will be paid to reforming the coffee

sector, because of its potential impact on growth and poverty. The intent is to provide for competition at all levels of the industry, and to privatize it, so that producers will be free to exercise their profession and to attract private investment. There have been delays in implementing the November 2006 action plan, especially in the preparation of a privatization strategy for the washing stations and shelling mills and a proposed new legal, regulatory and institutional framework.

Measure	Timetable	Status
Privatization		
• Through SCEP, dismantle cross-shareholdings in the public sector and consolidate public-sector shares in the government's hands.	2008	
• Promulgate the privatization law, with effective and transparent procedures.	March 2008	
• Through SCEP, privatize State assets in the banking sector, in close consultation with the BRB, to avoid further concentration in this sector.	2007-08	
Coffee sector reform strategy		
• Reaffirm the principle of freedom of establishment and exercise (Law 100/012 ; Jan 2005) in the coffee sector, by abolishing the coffee brokering monopoly, revising the OCIBU regulations on direct sales.	December 2007	
• Remove all restrictions on direct coffee exports. A customs declaration will be sufficient for export.	September 2008	
• Confirm the exclusive role of the coffee sector reform committee in preparing reform strategies.	December 2007	
• Continue and reinforce the management of coffee marketing by the coffee reform monitoring committee in order to minimize delays, costs, financing requirements, and financial risks both for producers and for the government.	2007-08	
• Issue an international call for tenders for the 2007-08 coffee crop financing.	December 2007	
• Weekly monitoring of cash flow management, including that of the OCIBU Stabilization Fund for coffee crop financing.	2007-08	
• Collect payment arrears for prior crop years from SOGESTALs and mills.	2007-08	
• Prohibit the SOGESTALs from declaring or distributing dividends until their arrears have been cleared and debts repaid.	2007-08	
• Financial audit of the coffee sector's 2005/06 crop year, with the support of the World Bank.	2007	

• Prepare a strategy for privatizing the 133 washing stations and the shelling factories.	March 2007	Delayed. The study must be redone. Expected for June 2008.
• Prohibit the SOGESTALs from building new washing stations.	2007-08	
• Prepare a legal, regulatory and institutional framework for the coffee industry (with support from the ERSP project).	March 2007	Delayed. The study must be redone. Expected for September 2008.

E. Transparency, Good Governance, and National Statistics

19. In an effort to enhance **transparency** and allow the public to better understand and follow the economic reforms, the government and the BRB will publish ministerial orders, decrees, laws, decisions, as well as economic reform strategies and, in particular, the Memorandum on Economic and Financial Policies addressed to the IMF Managing Director, on the government, BRB, and REFES websites, which are kept up to date. The **Audit Court** will continue to strengthen its activities. The authorities are committed to continue their efforts to improve the quality of **national statistics** and, with support from AFRISTAT, intend to resume the regular production of the national accounts and improve the reliability and coverage of the consumer price index.

Measure	Timetable	Status
Transparency and good governance		
• Audit of government accounts by the Audit Court.	2007-08	Audit of the 2006 accounts completed
• Publish decisions, ordinances, decrees, laws, and reform strategies at official websites, including the Memorandum on Economic and Financial Policies, once it is approved by the IMF Executive Board.	2007-08	
• Create (with support from the ERSP project) a website that brings together all laws, regulations, ordinances, and implementing provisions, at the legislation unit of the Ministry of Justice.	2007	February 2008
The business climate		
• Publish the Investment Climate Assessment produced with World Bank support.	March 2008	
• Prepare an action plan for improving the business climate.	June 2008	
Statistics		
• Approve the National Statistical Development Strategy (SNDS) and implement the roadmap.	March 2008	

• Promulgate the statistics law.	First-quarter 2007	Completed, Sept 2007
• Adopt the implementing regulations for the new statistics law, which establish a new institutional framework for ISTEEBU and a new code for ISTEEBU employees.	March 2007	**Prior Action**
• Resume the regular production of national accounts and publish a series based on the methodology of the *System of National Accounts 1993 (SNA93)* for 1999-2005	2007	
• Update the metadata for participation in the IMF's GDDS initiative.	March 2008	
• Expand the coverage of the CPI: • Expand the coverage of the new index to include the provinces for which data are already collected regularly; • Conduct a household consumption budget survey and a farm survey; • Update the weights of the items included in the CPI consumption basket, following the household consumption budget survey and the farm survey.	 March 2007 2008 2008	 Completed

F. Program Financing and Relations with Creditors

20. **The external financing of the 2007 program**, excluding projects, is estimated at US$147 million, and includes disbursements from the IMF under the existing PRGF arrangement (US$11 million); the World Bank (US$25 million under the second tranche of the ERSG); the European Union (US$2.5 million from the last variable tranche of the ninth FED and US$20.5 million in new support); bilateral donors (US$45 million); conventional debt relief on current maturities (US$4 million); and debt relief under the HIPC Initiative (US$39 million).

21. **For 2008, external financing of the program**, excluding projects, amounts to US$141 million, and includes disbursements from the IMF under the existing PRGF arrangement (US$11 million); the World Bank (US$25 million); the European Union (US$19 million in new support); the African Development Bank (US$11 million); bilateral donors (US$31 million), conventional debt relief as scheduled (US$4 million) and HIPC debt relief (US$40 million). A financing gap of US$19 million could be covered by a new PRGF arrangement (in line with access norms).

22. **The authorities will continue their discussions with non-Paris Club creditors** with a view to benefiting from debt relief on terms similar to those granted by bilateral creditors in the Paris Club. China canceled Burundi's debt (US$13.7 million) in 2007.

G. Monitoring the PRSP

23. The authorities are continuing with the measures needed to reach the HIPC completion point. Capacities for monitoring the PRSP are being steadily reinforced, with

support from the international community. The HIPC expenditures tracking committee has been reactivated. The government has called for tenders for independent semiannual financial and technical audits of the HIPC accountant operations, from 2005 to the end of 2007. Those reports will be published. In addition, budget tracking exercises for the education, health, and justice sectors, as well as a user assessment of the quality of services provided, are planned for June 2008.

H. Technical Assistance

24. Burundi has extensive **technical assistance** needs. The authorities will continue to work closely with its bilateral and multilateral partners, in particular through the ERSP project financed by the World Bank, the European Union, and bilateral donors, to strengthen the administrative capacity of Burundi's institutions. IMF technical assistance will continue in the areas of tax policy and tax administration, public expenditure management, monetary and exchange policy, banking supervision, and economic statistics. This assistance will be reinforced through the AFRITAC center.

I. Program Monitoring

25. **The authorities have strengthened the program’s monitoring through the establishment of an inter-ministerial monitoring committee at the second vice-presidency level, which will meet once a month and will be backed by a technical committee.** The quarterly quantitative benchmarks for 2006 and outcomes at end-December 2006 are shown in Table 1. The prior actions for the sixth review, as well as the structural performance criterion and benchmarks for 2007, are shown in Table 2. The indicative quarterly quantitative performance criteria for 2007 and 2008 are shown in Tables 3 and 4. The definitions of the program's performance targets, external assistance adjustors, and underlying assumptions, as well as Burundi's reporting requirements, are described in the attached TMU. Burundi will avoid incurring overdue financial obligations to the Fund, and will not introduce new exchange restrictions or multiple currency practices. Nor will it conclude bilateral payments agreements inconsistent with Article VIII of the Fund's Article of Agreement, or impose restrictions for balance of payments purposes. In addition, the authorities stand ready to adopt new financial or structural measures, in consultation with Fund staff, as necessary to ensure program success.

26. **The Burundian authorities hope to begin discussion early in 2008 on a new PRGF arrangement**. The indicative quarterly quantitative performance criteria for 2007 and 2008 will serve as the basis of performance evaluation for this purpose.

Table 1. Burundi: Performance Criteria and Indicative Targets for 2006
(Fbu billions, unless otherwise indicated)

	2005	2006									
	Dec.	Mar.	Jun. [1]			Sep. [1]			Dec. [2]		
	Act.	Act.	Prog.	Prog. Adj.	Act.	Prog.	Prog. Adj.	Act.	Prog.	Prog. Adj.	Act.
Performance targets											
Net foreign assets of the BRB (floor; US$ millions) [3]	48.9	26.3	40.9	-14.8	8.5	48.0	-18.1	-14.1	55.6	19.4	42.8
Net domestic assets of the BRB (ceiling) [3]	51.7	68.0	69.7	125.4	88.4	62.8	128.9	113.1	58.6	94.8	63.5
Net domestic financing of the government (ceiling) [3 4]	8.5	2.9	14.2	69.9	7.5	36.7	89.8	19.2	22.9	59.1	21.3
External payments arrears of the government (ceiling; US$ millions)	0.5	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.4
Short-term external debt of the government (ceiling; US$ millions) [5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; cumulative; US$ millions) [6]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets											
Primary deficit of the government (ceiling; cumulative from beginning of calendar year) [7]	14.6	-6.0	32.8	...	-5.9	67.1	...	17.6	84.8	...	52.9
Government's wage bill (ceiling; cumulative from beginning of calendar year)	72.6	17.1	40.2	...	40.7	71.1	...	67.5	94.8	...	93.9
Adjustors											
External nonproject financial assistance (US$ millions) [7 8]											
Cumulative from the beginning of the year	...	3.9	63.3	...	7.6	74.9	...	8.8	107.8	...	71.6
Of which:											
EU	...	0.0	12.5	...	0.0	12.5	...	0.0	17.0	...	13.1
World Bank	...	0.0	35.0	...	0.0	35.0	...	0.0	60.0	...	35.1
AfDB	...	0.0	0.0	...	0.0	11.0	...	0.0	11.0	...	11.0
France	...	0.0	0.0	...	0.0	0.0	...	0.0	3.0	...	3.3
Belgium	...	2.4	2.4	...	2.4	2.4	...	2.4	2.4	...	2.4
Netherlands	...	0.0	10.0	...	0.0	10.0	...	0.0	10.0	...	0.0
Debt relief (current maturities, excluding HIPC)	...	1.5	3.4	...	5.2	4.1	...	6.4	4.5	...	6.8
Net accumulation of domestic arrears during period	0.0	0.0	0.0	...	0.0	0.0	...	13.0	0.0	...	0.0
Exchange rates											
Fbu/US$ (end-of-period)	1100	1018	1000	...	1028	1000	...	1057	1000	...	1002
Fbu/US$ (period average)	1050	1006	1003	...	1025	1000	...	1038	1000	...	1044
US$/Euro (end-of-period)	1.18	1.21	1.21	...	1.27	1.21	...	1.27	1.21	...	1.32
US$/SDR (end-of-period)	1.43	1.44	1.44	...	1.48	1.44	...	1.48	1.44	...	1.49

[1] Indicative targets.
[2] Performance criteria.
[3] The ceiling or the floor will be adjusted to accommodate 100 percent of any deviation from the projected disbursements of external nonproject financial assistance shown in the table. In case of a financing excess (shortfall), the floors on the net foreign assets of the central bank will be adjusted upward (downward), and the ceilings on the net domestic assets of the central bank and on the stock of net credit from the banking system to the government will be adjusted downward (upward). External financing will be converted to Burundi francs at the program end-period Fbu/US$ exchange rate.
[4] The ceiling on net domestic financing of the government will be adjusted downward for any accumulation of domestic arrears as defined in the Technical Memorandum of Understanding (TMU).
[5] Excluding short-term, import-related trade credits.
[6] With a grant element of less than 50 percent.
[7] As defined in the TMU and revised to reflect a reclassification of spending on the new police force from projects to recurrent expenditures.
[8] Nonproject assistance includes debt relief on current maturities and net cash payments to clear arrears.

Table 2. Burundi — Prior Actions for the Sixth Review under the PRGF, and Structural Performance Criteria and Benchmarks for 2007

Measure	Timetable (end of month)	Status
Prior actions		
Ministerial Orders of the Minister of Finance: • establishing an exhaustive list of the kinds of expenditures that may be made without a prior payment order (*ordonnancement*); • clarifying the provisions of article 52 of the Public Accounting law; • concerning the status and prerogatives of the internal control office of the Ministry of Finance, and the duties of the office responsible for developing the IFMIS.		
• Promulgate the 2008 budget law in conformity with the program discussed with the IMF.		
• Launch an external audit of HIPC expenditures		Done, December 6, 2007
• Approve the implementing regulations for the statistics law		Done, November 27, 2007
• Parliamentary passage of the anti-money laundering law		
• Launch an external audit of cross-debts between the petroleum sector and the budget.		Done, December 10, 2007
• Launch the census operation of all government employees		Done, December 10, 2007
• Approval by the council of ministers of the revised BRB charter and submit it to Parliament		
Structural performance criterion		
• Introduce a single computerized file for payroll management in the Ministry of Finance	June 2007	Delayed to mid-2008. Is based on the results of the census
Structural benchmarks		
• Begin the first risk-based audit of the BRB	March 2007	Done, February 12, 2007
• Conduct a census of all employees of the civil service, the police and the army.	June 2007	Launch delayed to December 2007

Table 3. Burundi: Indicative Targets for 2007
(Fbu billions, unless otherwise indicated)

	2006	2007 [1]											
		Mar.			Jun.			Sept.			Dec.		
	Act.	Prog. IMF Country Report No. 07/1113	Prog. Adj.	Act.	Prog. IMF Country Report No. 07/1113	Prog. Adj.	Act.	Prog. IMF Country Report No. 07/1113	Prog. Adj.	Prel.	Prog. IMF Country Report No. 07/1113	Prog. Adj.	Proj.
Performance targets													
Net foreign assets of the BRB (floor; US$ millions) [2]	42.8	24.8	20.1	30.9	44.1	1.1	18.3	24.7	-21.5	7.1	31.1	41.9	52.2
Net domestic assets of the BRB (ceiling) [2]	63.5	81.8	86.7	67.4	67.6	111.9	89.5	89.5	137.1	103.2	85.2	74.1	65.2
Net domestic financing of the government (ceiling) [2,3]	21.3	-2.0	-1.3	-7.5	-21.1	26.4	33.7	4.5	55.3	41.7	0.1	25.0	21.6
External payments arrears of the government (ceiling; US$ millions)	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.0	0.0
Short-term external debt of the government (ceiling; US$ millions) [4]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; cumulative; US$ millions) [5]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets													
Primary deficit of the government (ceiling; cumulative from beginning of calendar year) [6]	52.9	5.7	...	6.7	26.7	...	32.8	56.3	...	44.6	68.3	...	59.5
Government's wage bill (ceiling; cumulative from beginning of calendar year)	93.9	28.3	...	25.5	59.1	...	56.7	90.4	...	85.2	121.7	...	112.2
Adjustors													
External nonproject financial assistance (US$ millions) [6,7]													
Cumulative from the beginning of the year	71.6	15.7	...	11.0	57.4	...	14.4	63.2	...	17.0	86.0	...	96.8
Of which:													
EU	13.1	2.3	...	0.0	2.3	...	2.4	2.3	...	2.4	21.8	...	23.0
World Bank	35.1	0.0	...	0.0	25.0	...	0.0	25.0	...	0.0	25.0	...	25.0
AfDB	11.0	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0	0.0	...	0.0
France	3.3	2.6	...	0.0	2.6	...	0.0	2.6	...	0.0	2.6	...	2.7
Belgium	2.4	0.0	...	0.0	0.0	...	0.0	0.0	...	1.6	2.6	...	7.1
Netherlands	0.0	10.0	...	10.0	20.0	...	10.0	25.0	...	10.0	25.0	...	25.0
Norway	0.0	0.0	...	0.0	6.0	...	0.0	6.0	...	0.0	6.0	...	10.0
Debt relief (current maturities, excluding HIPC)	6.8	0.8	...	1.0	1.5	...	2.0	2.3	...	3.0	3.0	...	4.0
Net accumulation of domestic arrears during period	0.0	0.0	...	4.2	0.0	...	-3.2	0.0	...	-3.2	0.0	...	-36.0
Exchange rates													
Fbu/US$ (end-of-period)	1002	1030	...	1043	1030	...	1089	1030	...	1112	1030	...	1050
Fbu/US$ (period average)	1044	1025	...	1034	1030	...	1057	1030	...	1101	1030	...	1104
US$/Euro (end-of-period)	1.32	1.30	...	1.33	1.30	...	1.35	1.30	...	1.37	1.30	...	1.37
US$/SDR (end-of-period)	1.49	1.51	...	1.51	1.50	...	1.52	1.50	...	1.53	1.50	...	1.54

[1] Indicative targets.
[2] The ceiling or the floor will be adjusted to accommodate 100 percent of any deviation from the projected disbursements of external nonproject financial assistance shown in the table, up to a maximum cumulative adjustment of US$ 50 million. In case of a financing excess (shortfall), the floors on the net foreign assets of the central bank will be adjusted upward (downward), and the ceilings on the net domestic assets of the central bank and on the stock of net credit from the banking system to the government will be adjusted downward (upward). External financing will be converted to Burundi francs at the program end-period Fbu/US$ exchange rate.
[3] The ceiling on net domestic financing of the government will be adjusted downward (upward) for any accumulation (payment) of net domestic arrears as defined in the Technical Memorandum of Understanding (TMU).
[4] Excluding short-term, import-related trade credits.
[5] With a grant element of less than 50 percent.
[6] As defined in the TMU and revised to reflect a reclassification of spending on the new police force from projects to recurrent expenditures.
[7] Nonproject assistance includes debt relief on current maturities and net cash payments to clear arrears.

Table 4. Burundi: Indicative Targets for 2008

(Fbu billions, unless otherwise indicated)

	2007	2008 [1]			
	Proj.	Mar.	Jun.	Sep.	Dec.
		Proj.	Proj.	Proj.	Proj.
Performance targets					
Net foreign assets of the BRB (floor; US$ millions) [2]	52.2	50.5	48.8	47.1	45.4
Net domestic assets of the BRB (ceiling) [2]	65.2	80.3	90.1	72.0	82.3
Net domestic financing of the government (ceiling) [2,3]	21.6	14.0	21.7	-4.9	0.0
External payments arrears of the government (ceiling; US$ millions)	0.0	0.0	0.0	0.0	0.0
Short-term external debt of the government (ceiling; US$ millions) [4]	0.0	0.0	0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; cumulative; US$ millions) [5]	0.0	0.0	0.0	0.0	0.0
Indicative targets					
Primary deficit of the government (ceiling; cumulative from beginning of calendar year) [6]	59.5	7.4	35.1	54.0	63.6
Government's wage bill (ceiling; cumulative from beginning of calendar year)	112.2	31.0	63.5	95.2	125.5
Adjustors					
External nonproject financial assistance (US$ millions) [6]					
Cumulative from the beginning of the year	96.8	1.0	25.7	78.1	90.7
Of which:					
EU	23.0	0.0	19.2	19.2	19.2
World Bank	25.0	0.0	0.0	25.0	25.0
AfDB	0.0	0.0	0.0	0.0	11.5
France	2.7	0.0	0.0	2.7	2.7
Belgium	7.1	0.0	4.5	4.5	4.5
Netherlands	25.0	0.0	0.0	13.7	13.7
Norway	10.0	0.0	0.0	10.0	10.0
Debt relief (current maturities, excluding HIPC)	4.0	1.0	2.0	3.0	4.0
Net accumulation of domestic arrears during period	0.0	0.0	0.0	0.0	0.0
Exchange rates					
Fbu/US$ (end-of-period)	1,050	1,060	1,060	1,060	1,060
Fbu/US$ (period average)	1,104	1,058	1,060	1,060	1,060
US$/Euro (end-of-period)	1.37	1.37	1.37	1.37	1.38
US$/SDR (end-of-period)	1.54	1.54	1.54	1.54	1.54

[1] Indicative targets.

[2] The ceiling or the floor will be adjusted to accommodate 100 percent of any deviation from the projected disbursements of external nonproject financial assistance shown in the table, up to a maximum cumulative adjustment of US$ 50 million. In case of a financing excess (shortfall), the floors on the net foreign assets of the central bank will be adjusted upward (downward), and the ceilings on the net domestic assets of the central bank and on the stock of net credit from the banking system to the government will be adjusted downward (upward). External financing will be converted to Burundi francs at the program end-period Fbu/US$ exchange rate.

[3] The ceiling on net domestic financing of the government will be adjusted downward (upward) for any accumulation (payment) of net domestic arrears as defined in the Technical Memorandum of Understanding (TMU).

[4] Excluding short-term, import-related trade credits.

[5] With a grant element of less than 50 percent.

[6] As defined in the TMU.

Appendix I—Attachment II

Burundi: Technical Memorandum of Understanding

1. This technical memorandum of understanding sets out the definitions of program variables to monitor the implementation of the program and the reporting requirements for the Government of Burundi and the Bank of the Republic of Burundi (BRB) for the remainder of 2007 and for 2008. It defines (i) the quantitative performance criteria, indicative targets, and applicable adjusters; and (ii) the key assumptions underlying the economic program for 2007 and 2008.

A. Quantitative Program Targets

Quantitative performance criteria and indicative targets

2. The quantitative performance criteria under the program as shown in Tables 1, 3 and 4 of the MEFP relate to end-September 2007 stocks, as follows:

- net foreign assets of the BRB (floor);
- net domestic assets of the BRB (ceiling);
- net domestic financing of the government (ceiling);
- external payments arrears of the government (ceiling);
- the outstanding stock of short-term external debt (maturity of less than one year) of the government and the BRB (ceiling); and
- new nonconcessional medium- and long-term external debt contracted or guaranteed by the government or the BRB (ceiling).

The quarterly targets on the above variables for 2007 and 2008 are indicative.

3. The quantitative indicative targets under the program, shown in Tables 3 and 4 of the MEFP, are as follows:

- Primary budget balance (ceiling).
- the Government's wage bill.

Definitions and measurement

4. The net foreign assets of the BRB are defined as the difference between (i) gross official reserves (valued at market prices) and other claims; and (ii) foreign exchange liabilities to nonresident entities (including the use of Fund resources, but excluding the counterpart of SDR allocations). The gross official reserves of the BRB are defined as those foreign assets that are liquid and freely available to the central bank At end-September 2007, gross official reserves amounted to US$112.9 million. These amounts are valued in terms of US$ based on

the end-September 2007 exchange rate. The net foreign assets of the BRB totaled FBu 7.6 billion, equivalent to US$6.8 million, at end-September 2007, broken down as follows:

	Fbu billions	US$ millions
Net foreign assets of the BRB	7.6	6.8
Foreign assets	128.5	115.6
Official reserves	125.5	112.9
Foreign currency holdings	4.0	3.6
Deposits with correspondents (excluding IMF)	119.9	107.9
SDR holdings	0.2	0.1
Reserve position with the IMF	0.6	0.6
Gold holdings	0.8	0.7
Other claims	3.1	2.8
Foreign liabilities	121.0	108.8
Liabilities vis-à-vis correspondents (excluding IMF)	11.8	10.6
Counterpart of the use of IMF resources	107.4	96.6
Other liabilities	1.8	1.6

5. The **net domestic assets of the BRB** are defined as the difference between (i) reserve money, comprising currency in circulation, reserves of commercial banks, and other deposits held at the BRB, and (ii) net foreign assets of the BRB. Net domestic assets of the BRB totaled FBu 103.2 billion at end-September 2007, broken down as follows:

	Fbu billions
Net domestic assets of the BRB	103.2
Reserve money	110.8
Currency in circulation	78.7
Reserves of commercial banks	29.8
Other non-bank deposits	2.2
Minus: net foreign assets of the BRB	7.6

Adjuster for changes in the compulsory reserves coefficients

6. The ceiling on net domestic assets of the BRB will be adjusted symmetrically for any change in the compulsory reserves coefficient applied to deposits in the commercial banks, by the amount of the new coefficient minus that stipulated in the program, multiplied by bank deposits subject to compulsory reserves. The rate stipulated in the program is currently 3 percent.

7. **Net domestic financing of the government** is defined as the change in (i) outstanding loans, advances, and other credit to the government from the BRB and all of Burundi's commercial banks; (ii) the stock of all government securities held by the non-bank public denominated in Burundi francs, including that held by nonresidents; (iii) less government deposits held in the BRB or in Burundi's commercial banks. The coverage of government is

defined as central government and any other special funds or operations that are part of the budgetary process or have a direct impact on the government's financial position. Net domestic financing of the government at end-September 2007 totaled FBu 182.5 billion, broken down as follows:

	Fbu billions
Net domestic financing of the government	182.5
Net banking credit to the government	171.6
Central government	183.6
Loans, advances and other credits	229.9
BRB	187.4
Commercial banks (including postal accounts)	42.5
Deposits	46.3
BRB	35.7
Commercial banks (including postal accounts)	10.6
Other administrations (net)	-12.0
Non-bank financial institutions	0.3
Treasury bonds and certificates	0.3
Others	10.6
Treasury certificates	10.6

8. The stock of **external payments arrears** for program monitoring purposes is defined as the end-of-period amount of external debt service due and not paid, including contractual and late interest, for which a clearance agreement is not in place or for which arrears are not reschedulable. Arrears for which a clearance framework has been agreed with the creditor or which are subject to rescheduling or restructuring are not considered arrears for program monitoring purposes. Program arrears would include any debt service due under such agreements that have not been paid. The external payments arrears at end-September 2007 are broken down as follows, showing the actual stock under the heading "technical arrears":

External payments arrears	Program definition	Technical arrears
	(US$ millions)	
Total	0.0	45.4
Multilateral creditors	0.0	0.5
International Development Association AfDB Group	0.0	0.0
AfDB Group	0.0	0.0
African Development Bank	0.0	0.0
African Development Fund	0.0	0.0
Nigeria Trust Fund	0.0	0.0
International Monetary Fund	0.0	0.0
European Union	0.0	0.0
International Fund for Agricultural Development (IFAD)	0.0	0.0
Arab Bank for Economic Development in Africa	0.0	0.0
(BADEA)	0.0	0.5
OPEC Fund	0.0	0.0
Development Bank of the Great Lakes States (BDEGL)	0.0	44.9
Bilateral and commercial creditors	0.0	0.1
Paris Club	0.0	0.0
French Cooperation Agency (AFD)	0.0	0.0
Japan (FCEOM)	0.0	0.1
Russia	0.0	44.9
Other official bilateral	0.0	1.9
Abu Dhabi Fund	0.0	16.9
Kuwait Fund	0.0	21.1
Saudi Arabia Fund	0.0	5.0
Libyan Bank	0.0	0.0
Commercial creditors	0.0	0.0
AD Consultants	0.0	0.0
Kreditanstalt für Wiederaufbau AMSAR	0.0	0.0

9. The program includes a ceiling on new nonconcessional external debts contracted or guaranteed by the government and the BRB. This performance criterion applies to the contracting or guaranteeing by the central government, local governments, or the BRB of new nonconcessional external debt (as specified below) with an original maturity of more than one year, including commitments contracted or guaranteed for which value has not been received. The term "debt" shall be understood as defined in the Executive Board Decision No. 12274-(00/85) adopted August 24, 2000. Debt rescheduling and restructuring are excluded from the criterion. Included are financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms. In determining the level of concessionality of these obligations, the definition of concessional borrowing shall apply. Concessional debt is defined as having a grant element of 50 percent or more. For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates (CIRRs) published by the OECD should be used as the discount rate for assessing the level of concessionality, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and the 6-month average CIRRs, the following margins should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15-19 years; 1.15 percent for 20-29 years; and 1.25 percent for 30 years or more. The performance criterion is defined to exclude the use of Fund resources and any Burundi franc-denominated treasury securities held by nonresidents.

10. The **stock of short-term external debt,** with a maturity of up to, or equal to, one year, owed by the central government is to remain at zero under the program. Normal import credits are excluded from this ceiling. Loans with an initial maturity, as recorded in the original loan agreement, of more than one year are considered medium-term or long-term loans. This performance criterion applies not only to debt, as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received (including leasing). Excluded from this performance criterion are rescheduling arrangements, borrowing from the Fund, and any Burundi franc-denominated treasury securities held by nonresidents. As of end-September 2007, the stock of short-term debt outstanding was nil.

Budget

11. **Receipts from privatization** are projected to be FBu 4.1 billion in 2008. One-half of receipts above the projected amount will be used to reduce domestic financing (see above).

12. The government's **primary fiscal balance** is defined as the difference between total government revenue, excluding grants, on the one hand, and non-interest current government expenditure and domestically financed capital expenditure (including through the use of counterpart funds), on the other hand. The projected primary fiscal balance for 2007 is FBu -59.5 billion, and for 2008 FBu -63.6 billion, broken down as follows:

	2007	2008
Primary budget balance	-59.5	-63.6
Total revenue	192.9	229.2
Minus:		
Non-interest current expenditure	223.0	258.5
Domestically financed capital	31.4	36.3
Net lending	-2.0	-2.0

13. The **government's wage bill** is defined as total labor remunerations on a commitments basis for civil servants, contractual employees, police and military personnel of the government, including all allowances and bonuses. The government's wage bill should be FBu 112.2 billion for 2007 and is projected at FBu 125.5 billion for 2008, broken down as follows:

	2007	2008
Government wage bill	112.2	125.5
Civilian personnel	65.8	77.7
Military personnel	27.9	28.2
National Police Force	18.5	19.6

14. Article 22 of the 2008 Budget Law establishes an expenditure contingency that can be committed only to the extent that additional resources are mobilized from the following areas: 1) recovery of amounts paid unjustifiably in the Interpetrol incident; 2) external budgetary support beyond the amounts assumed; 3) 50 percent of any excess in the proceeds of privatization over the amounts forecast; and 4) additional debt relief, in particular if the HIPC completion point is reached. However, overall revenue must be consistent with projections before additional expenditure commitments are made.

External financial assistance adjustor

15. The program provides for an asymmetrical adjustment to quantitative targets for the net foreign assets and net domestic assets of the BRB, and for net bank credit to the government, in the case of shortfalls between forecast and actual levels of external financial assistance.

16. External financial assistance (measured in US$) is defined to include the following: (i) non-project loans and grants to the budget (including payments made through the multi-donor trust fund managed by the World Bank for current debt service to multilaterals); (ii) debt relief on current maturities; minus (iii) any cash payments for external arrears clearance operations. Donor disbursements into blocked accounts for the purpose of clearing arrears will not be included as foreign assistance for program monitoring purposes. The assumptions for 2007 and 2008 are shown below:

Burundi: External Financing Adjustors of Performance Criteria and Indicative Targets Under the 2006 – 2008 Program

(In millions of U.S. dollars)

	2006	2007				2008			
	Dec. Prog.	Mar. Prog.	Jun. Prog.	Sep. Prog.	Dec. Prog.	Mar. Prog.	Jun. Prog.	Sep. Prog.	Dec. Prog.
External nonproject financial assistance (cumulative from the beginning of each calendar year)	107.8	11.0	14.4	17.0	96.8	1.0	25.7	78.1	90.7
Of which:									
EU	17.0	0.0	2.4	2.4	23.0	0.0	19.2	19.2	19.2
World Bank	60.0	0.0	0.0	0.0	25.0	0.0	0.0	25.0	25.0
AfDB	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.5
France	3.0	0.0	0.0	0.0	2.7	0.0	0.0	2.7	2.7
Belgium	2.4	0.0	0.0	1.6	7.1	0.0	4.5	4.5	4.5
Netherlands	10.0	10.0	10.0	10.0	25.0	0.0	0.0	13.7	13.7
Norway	0.0	0.0	0.0	0.0	10.0	0.0	0.0	10.0	10.0
Debt relief (current maturities, excluding HIPC)	4.5	1.0	2.0	3.0	4.0	1.0	2.0	3.0	4.0

Sources: Burundi authorities; and Fund staff estimates.

17. The ceiling or floor targets will be adjusted to accommodate 100 percent of any deviation from the projected cumulative external financial assistance. In case of a financing excess (shortfall), the floor on the stock of net foreign assets of the central bank will be adjusted upward (downward), and the ceilings on the stock of net domestic assets of the central bank and on the stock of net domestic financing to the government will be adjusted downward (upward). In the case of a financing shortfall the adjustment will be limited to a maximum of US$50 million. External financial assistance will be converted to Burundi francs using the program-specified FBu/US$ exchange rate.

Domestic payments arrears adjustor

18. The ceiling on net domestic financing of the government will also be adjusted to reflect 100 percent of any deviation from the projected net accumulation of domestic arrears, as measured by the accumulation of non-executed payment orders older than 30 days. In case of an increase (decline) in domestic arrears, the ceiling on the stock of net domestic financing to the government will be adjusted downward (upward).

B. Key program assumptions

19. The main program assumptions are drawn from the WEO projections of September 2007 as follows:

	2006	2007				2008			
	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Average export prices									
Coffee (US$ cents per pound)	108.0	121.1	115.3	113.0	110.6	114.0	113.0	110.0	107.0
Tea (US$ per kg)	239.6	221.8	194.7	195.5	188.0	202.0	193.0	193.0	192.0
Oil (US$ per barrel)	68.3	57.2	66.1	73.0	77.8	76.5	75.3	74.5	73.8
End-period exchange rate									
US$ / SDR	1.50	1.51	1.52	1.53	1.54	1.54	1.54	1.54	1.54
US$ / Euro	1.32	1.33	1.35	1.37	1.37	1.37	1.37	1.37	1.38
Fbu / US$	1044.0	1042.6	1089.4	1111.6	1050.0	1060.0	1060.0	1060.0	1060.0

C. Provision of Information to IMF Staff

20. To facilitate the monitoring of program implementation, the authorities will prepare and forward to the IMF African Department a monthly progress report on the program, within five weeks of the end of each month, containing:

21. The following weekly data:

- foreign exchange auction market (MED) transactions;
- the balance sheet of the BRB (weekly statement) (BRB Research Department).

22. The following monthly data, with a maximum lag of four weeks:

- a monitoring table (*tableau de bord*) containing the most recent weekly and monthly data on the main financial indicators (REFES);
- a table on the foreign exchange cash flow (BRB Foreign Banking Operations Department);
- the monetary survey, including the breakdown of the central bank and of commercial banks (BRB Research Department);
- monthly exchange-rate data (official and parallel markets, end-of-month and monthly average) (BRB Research Department);
- a detailed breakdown of government revenue (Ministry of Finance);
- a detailed breakdown of government expenditure on a commitment basis, including pro-poor spending (Ministry of Finance);
- a detailed breakdown of the servicing of domestic and external public debt, including amounts due and paid, in interest and principal, as well as the breakdown by creditor and any accumulation of arrears on domestic or external debt (Ministry of Finance);
- a detailed breakdown of the stock of domestic payments arrears for the current fiscal year (Ministry of Finance);
- the amount of new debts contracted or guaranteed by the government, including detailed information on the terms (such as currency denomination, interest rate, grace period, maturity) (Ministry of Finance);
- actual disbursements of non-project financial assistance, including new loans and debt relief granted by Burundi's external creditors (Ministry of Planning/Ministry of Finance); and
- an update on the implementation of structural measures planned under the program, as described in Table 2 of the MEFP (REFES).

23. The following quarterly data, with a maximum lag of four weeks:

- Progress reports on the BRB's internal reforms, including each unit's action plans for the coming month (Reform Monitoring Committee, BRB).

24. SP/REFES/Ministry of Finance, BRB will also provide the African Department of the IMF with any information that is deemed necessary to ensure effective monitoring of the program.

INTERNATIONAL MONETARY FUND

BURUNDI

Sixth Review Under the Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria

Informational Annex

Prepared by the African Department
(In consultation with other Departments)

December 28, 2007

Contents Page

I. Relations with the Fund

(As of October 31, 2007)

I. Membership Status: Joined: September 28, 1963; Article XIV

II. General Resources Account:	**SDR Million**	**%Quota**
Quota	77.00	100.00
Fund holdings of currency	76.64	99.53
Reserve Position	0.36	0.47

III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	13.70	100.00
Holdings	0.19	1.38

IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
PRGF Arrangements	62.15	80.71

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PRGF	Jan 23, 2004	Jan 22, 2008	69.30	62.15
PRGF	Nov 13, 1991	Nov 12, 1994	42.70	17.21
SAF	Aug 08, 1986	Aug 07, 1989	29.89	29.89

VI. Projected Payments to Fund
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2007	2008	2009	2010	2011
Principal			2.64	6.00	8.14
Charges/Interest	0.29	0.83	0.83	0.80	0.76
Total	0.29	0.83	3.47	6.80	8.90

VII. Safeguards Assessments

Under the Fund's safeguards assessment policy, the *Banque de la République du Burundi* (BRB) is subject to a full safeguards assessment with respect to the PRGF arrangement approved on January 23, 2004. The safeguards assessment was completed on January 18, 2006. The assessment identified several vulnerabilities, in particular in the legal and control areas, including the management of foreign reserves, and the internal audit function.

VIII. Exchange Arrangements

Burundi maintains a managed float exchange regime. The U.S. dollar is the intervention currency. On December 4, 2007, the exchange rate was Fbu 1,141.61 to the US$. In 2003, the central bank eliminated most remaining exchange restrictions on current international transactions and delegated authority to the commercial banks to approve standard transactions. In early 2004, the surrender requirement was lowered to 50 percent and eliminated in early 2005. The central bank admitted foreign exchange bureaus to the weekly auctions. Most external payments arrears to bilateral and multilateral creditors were cleared by end-2005. In December 2006, the government published a new foreign exchange regulation, which liberalized foreign exchange for current transactions and removed one multiple currency practice.

Burundi availed itself of the transitional arrangements of Article XIV when it joined the Fund in 1962, but no longer maintains exchange restrictions or multiple currency practices under Article XIV. Burundi maintains one multiple currency practice inconsistent with Article VIII, Section 2(a): the exchange rate used for government transactions takes place at a rate that may differ by more than 2 percent from market exchange rates. Burundi maintains certain foreign exchange restrictions for security reasons, and has notified those restrictions to the Fund pursuant to Decision 144-(52/51). The authorities have not requested, and staff does not propose, approval of the multiple currency practice.

IX. Article IV Consultation

In accordance with decision No 12794-(02/76), as amended by Decision No 12854-(02/96), Burundi is on the 24-month Article IV cycle due to the approval of a PRGF in [Jan 23, 2004]. The 2006 Article IV consultation was completed by the Executive Board on July 14, 2006 (Country Report 06/311), along with the consideration of the third and fourth reviews under the Poverty Reduction and Growth Facility (PRGF).

In concluding the 2006 Article IV consultation, Executive Directors welcomed the commendable progress that Burundi made in 2005 in implementing its PRGF-supported program in a difficult post-conflict environment. They welcome the progress made on the enhanced HIPC Initiative completion point triggers but emphasized the need for the authorities to pay particular attention to reinforcing government's capacity to deliver social services. They noted the need to reinforce good governance and transparency practices, including public financial management and through the progressive withdrawal of state intervention in the economy.

X. Technical Assistance

2007 (Nov.)	AFRITAC capacity building in banking supervision mission
2007 (Nov.)	FAD tax policy mission
2007 (Nov.)	STA monetary statistics mission
2007 (Sep.)	MCM multitopic mission
2007 (Sep.)	AFRITAC tax revenue administration
2007 (Sep.)	AFRITAC capacity building of central bank mission
2007 (Sep.)	FAD public financial management mission
2007 (Jul.)	AFRITAC PFM on payroll control
2007 (Jun.)	AFRITAC PFM mission on treasury operation and control
2007 (Jun.)	MCM technical assistance mission
2007 (Jun.)	AFRITAC capacity building on debt management mission
2007 (Mar.)	FAD resident expert on public accounting
2006 (Dec.)	FAD public expenditure management mission
2006 (Nov.)	MCM banking supervision mission
2006 (Sep.)	FAD customs and tax administration mission
2006 (Apr.)	MCM foreign exchange reserve management mission
2006 (Mar.)	STA mission to prepare the metadata and medium-term action plan
2006 (Mar.)	MFD/LEG joint Article VIII mission
2006 (Jan.)	LEG AML/CFT legislative drafting mission
2006 (Jan.)	Monetary operations/FOREX/banking supervision mission
2005 (Dec.)	STA balance of payments statistics (external debt accounting) mission
2005-06	MFD resident expert on monetary operations and money markets
2005 (Oct.)	FIN safeguard assessment second step mission
2005 (Oct.)	FAD public financial management mission
2005 (Oct.)	FAD customs administration mission
2005 (Oct.)	MFD expert on monetary operations mission

XI. Implementation of HIPC Initiative

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	Aug 2005
Assistance committed by all creditors (US$ Million) [1]	826.00
Of which: IMF assistance (US$ million)	27.84
(SDR equivalent in millions)	19.26
Completion point date	Floating
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	0.17
Interim assistance	0.17
Completion point balance	--
Additional disbursement of interest income [2]	--
Total disbursements	0.17

[1] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts can not be added.

[2] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

XII. Resident Representative

A part-time Resident Representative took up the post in May 2005 and an office with an administrative assistant started operating in January 2006 in Bujumbura. Mr. Israel de la Piedra has been IMF's Resident Representative to Burundi since May 2007.

II. Relations with the World Bank Group

(As of November 30, 2007)

A. Partnership in Burundi's Development Strategy

Burundi has just emerged from a thirteen-year civil war, following the signing of a comprehensive peace and reconciliation agreement by 39 politico-ethnic groups in Arusha (Tanzania) in August 2000, which marked a significant political turning point. Following the establishment of a transitional government in 2002, a new constitution, intended to provide appropriate ethnic checks and balances, was approved in February 2005. Presidential and parliamentary elections were held in August 2005 and a democratically elected government took office in September 2005. In September 2006, a cease-fire accord was reached with the last holdout rebel movement, the FNL-PALIPEHUTU faction.

The preparation of the full PRSP was launched in May 2004 under the leadership of the Head of State. The PRSP builds upon the I-PRSP discussed by the Boards of the IDA and the Fund in January 2004, and was completed and published in September 2006, and presented to IDA and IMF Boards in March 2007. The PRSP has benefited from broad and inclusive consultations with all stakeholders at the national, provincial and communal levels. The strategy focuses on four main priority areas: (i) improved governance and security; (ii) equitable and sustainable growth; (iii) developing human capital by improving the quality of social services; and (iv) reinforcing the fight against HIV/AIDS.

B. Bank–Fund Collaboration in Specific Areas

The Bank and Fund teams have been closely coordinating their assistance programs and policy advice to help the Government implement its development strategy. There is also good cooperation in the policy dialogue on structural issues, in particular crucial reforms in the coffee sector. The Bank is leading the policy dialogue on structural aspects of the reform program. The Fund is leading the dialogue on macroeconomic issues, in particular fiscal, monetary, and exchange regime policies. Both institutions are providing significant technical assistance, especially in the area of public finance management (PFM). The Fund and the Bank have both contributed to the Diagnostic Trade Integration Study under the Integrated Trade Framework—a review of the policy, regulatory, and institutional framework—with the objective of promoting employment-generating trade. Collaboration was intensified in 2005, as Burundi's full PRSP and the HIPC Decision Point Document were prepared. Recently, the Fund and the Bank have jointly carried out a Debt Sustainability Assessment (DSA), which examines the external and public debt dynamics of the country. Table 1 summarizes Bank-Fund collaboration in specific areas.

C. World Bank Group Program and Portfolio

A Country Assistance Strategy (CAS) preparation is underway and is expected to be discussed by the Board in May 2008. The current Bank support projects are key elements of the Interim Strategy Note (ISN), discussed by the Board in May 2005 and covering FY06 and FY07, and are aligned with the priorities of the I-PRSP on which the four pillars of the PRSP mentioned above built upon. The ISN aimed at (a) addressing the country's social needs, including access to basic services, enhanced employment opportunities, and stronger social capital in particular within rural communities; and (b) creating the basis for a sustained economic recovery and growth. IDA is supporting the country's development strategy through a series of fast-disbursing and investment operations (Table 2).

International Development Agency (IDA) program. As of December 02, 2007, the active portfolio comprised eleven operations (including a regional telecommunication project) with a total commitment value of US$ 392 million (of which about US$ 185 million remain undisbursed). IDA has financed projects in (i) post-conflict rehabilitation and reintegration; (ii) education; (iii) health, HIV/AIDS and social policy reforms; (iv) public works (water sanitation and flood protection) and job creation; (v) transportation (roads and highways) rehabilitation; (vi) agriculture rehabilitation; (vii) regional communications infrastructure; and (viii) economic management, and a policy-based quick-disbursing operation (Economic Reform Support Grant).

On August 1, 2006, the Board approved a budget support operation (Economic Reform Support Grant, ERSG) in the amount of US$60 million to the Republic of Burundi to help its government carry out a set of reforms in the areas of public finance management, cash crop sectors and private sector development. About 60 percent of the proceeds of this operation financed the country's 2006 budget while the remainder (US$25 million) is allocated toward the 2007 budget. A successor budget support operation (ERSG 2) in the amount of US$50 million is currently under preparation and expected to be presented to the Board in May 2008. The IMF is supporting the Government's program with a PRGF. In practice, there is close collaboration between the Bank and Fund in many areas, particularly those related to growth and poverty reduction.

Nonlending activities: The Bank and the IMF have conducted a Joint Staff Assessment Note of the PRSP which was completed in March 2007. A Sources of Rural Growth study was also recently concluded a Public Expenditure Management and Financial Accountability Review (PEMFAR) under preparation jointly with the authorities is expected to be delivered in FY08, as well as a Health Sector Finances report and an Investment Climate Assessment (ICA) report.

International Finance Corporation (IFC). Burundi has been a member of IFC since 1975. With the peaceful transition, prospects for IFC involvement in Burundi are improving. An IFC mission in January 2005, followed by a joint IFC-Bank PSD (Africa Region) mission in May 2005 discussed two areas of possible IFC intervention: (i) support to the country's privatization program, including possible transaction implementation advice on the privatization of the incumbent fixed-line telecommunications company, ONATEL; and (ii) potential investment in Burundi's largest commercial Bank (*Banque de Crédit de Bujumbura, BCB*). In November 2006, another IFC mission was conducted to discuss with the government on the possibility of IFC-Corporate Advisory Services (CAS) to act as transaction advisor for the privatization of ONATEL. IFC is exploring opportunities for Burundi's banks to participate in IFC Global Trade Finance program, which presents the best opportunity for IFC to intervene in the country's financial sector. In October 2007, IFC announced that BCB will receive an uncommitted trade finance line (from IFC's Global Trade Finance Program) of up to US$2 million to facilitate its international trade finance operations. This facility was launched in 2005 to support trade with emerging markets worldwide and promote flows of goods and services between developing countries.

Following the Government's intention to privatize NOVOTEL, there is potential for IFC participation in the rehabilitation and modernization of the hotel, and the provision of financial assistance to private hotel operators to meet a high demand for quality accommodation in Burundi. IFC is currently considering providing term financing for expansion projects of the following companies: OLD EAST SA, a commercial real estate company, and BRARUDI, a brewery jointly owned by the state and Heineken.

Multilateral Investment Guarantee Agency (MIGA). Burundi became a member of MIGA in March 1998. MIGA's outstanding portfolio consists of one contract of guarantee in the infrastructure sector, with a gross exposure of US$0.9 million, and a net exposure of US$0.8million. The total estimated amount of foreign direct investment facilitated to-date by MIGA is approximately US$1.8 million. Currently, there are no active projects in MIGA's pipeline for Burundi. However, one contract with Mauritius Telecom for US$0.9 million was signed in FY03.

World Bank Institute (WBI). Since July 1, 2006, Burundi became one of 14 African countries out of 44 *focus countries* for WBI programs. These countries are priority countries for WBI. For FY07, the WBI program for Burundi includes (i) a Leadership program; and (ii) a Governance and Anticorruption (GAC) diagnostics. The Government asserted its interest in improving governance and reducing corruption through increased transparency in the management of public goods. This engagement was reflected in a letter addressed to the President of the World Bank in 2006, requesting assistance to carry out an in-depth, in-country governance and anticorruption diagnostics.

World Bank staff: Questions may be referred to Marie Francoise Marie-Nelly ((202) 473-6264, and Jean-Pascal N. Nganou ((202) 458-8054).

Table 1: Summary of Bank-Fund Collaboration

Thematic area	Areas of collaboration	Bank	Fund
PRSP process.	Finalization of the full PRSP	Assisted in the preparation of participatory consultations and workshops; coordination of donors, poverty survey and analysis; Prepared the Joint Staff Advisory Note (JSAN) on the full PRSP; in the process of preparing the JSAN on the first annual Progress Report of the PRSP whose preparation by the Government has recently begun..	Commented on the design of macroeconomic framework in the PRSP; Prepared the Joint Staff Advisory Note (JSAN) on the full PRSP; in the process of preparing the JSAN on the first annual Progress Report of the PRSP whose preparation by the Government has recently begun.
Macroeconomic stability and development.	Development agenda in poverty reduction goals.	Complement Fund's macroeconomic policy with various broad structural and sector works through policy advice, lending and capacity building especially in the areas such as budget management, agriculture, energy, infrastructure, and telecommunications sectors.	Fund leads on the macroeconomic policy dialogue, including on fiscal, monetary, and exchange rate policies. Fund has been supporting Burundi through a PRGF approved on January 23, 2004, extended to January 22, 2008 Program measures and TA have targeted improved national statistics.
	Collaboration in growth oriented reforms of the Government.	Technical assistance (TA) in developing macro framework and related issues under the IDA EMSP. Prepare the Debt Sustainability Assessment (DSA) of debt dynamics.	The PRGF supported program, has focus on removing the structural impediments to sustained growth Prepare the Debt Sustainability Assessment (DSA) of debt dynamics.
Public financial management	Collaboration in institutional and structural reforms including procurement code, a basic computerized financial management information system (IFMIS); expenditure management, an investment management system, and budget planning.	TA for: (i) the completion of the Public Expenditure Review (PER) under the Emergency Economic Recovery Credit (EERC); (ii) the Country Financial Accountability Assessment (CFAA), and (iii) Country Procurement Issue Paper (CPIP) and the preparation of a comprehensive action plan to reform procurement. The Bank has also provided under the Economic Management Support Project (EMSP) TA in the computerization of public finance management (IFMIS).	TA has been in the area of expenditure management and control, the introduction of a basic IFMIS, the elimination of extra-budgetary funds, and to a treasury single account. A resident expert has been posted at the Ministry of Finance. The new AFRITAC Center will provide peripatetic technical assistance. The Fund has worked to reinforce donor coordination on budget support and TA.
	Strengthening capacities in the areas of financial accountability and budget monitoring.	Financing and provision of technical assistance in budget management and financial accountability, notably to the National Auditing Court (*Cour des Comptes).* The Bank has also supported the reinforcement of capacity for the *Cour des Comptes* judges, parliamentarians, and media through IDA EMSP. The Bank will also strengthen the capacity of the State General Inspectorate (IGE) for internal audit and control. A consultant is being hired to provide support to the PETS.	TA in the areas of: (i) functional classification for expenditure including a sub-classification for poverty related outlays; (ii) an new budget and accounting code; and (iii) expenditure tracking and control
	Reforming revenue policy and administration	The Bank has provided TA to redraft the tax code. The Bank also provided support to customs administration and to the study on the introduction of the VAT.	TA has been provided on customs administration; import tariffs; reinforcement of tax administration; and tax policy reform.

Thematic area	Areas of collaboration	Bank	Fund
Structural and policy reforms and financial sector.	Collaboration in key institutional and structural reforms legal and judicial reform in establishing commercial courts and other regulatory reforms.	The Bank has provided support in: (i) the restructuring of the banking sector, including privatization, under ERSG; (ii) the creation and the functioning of the Arbitration Center through the EMSP. Support will be given to the Ministry of Justice and Ministry of Commerce for the revision and dissemination of the Commercial code and the bankruptcy code. The Bank is helping the reforms in coffee, tea, and cotton sectors, in addition to micro-finance.	In the structural area the PRGF has focused on the removal of trade restrictions and the freeing of prices and marketing in key sector such as coffee and sugar. TA to the central bank on banking supervision, prudential regulation, reserves management, monetary policy analysis, and liquidity management.
Governance and corruption	Collaboration in the: (i) preparation of a national anti-corruption strategy ; (ii) governance diagnostic survey.	The Bank is expected to provide technical assistance for the preparation of a governance diagnostic survey. Also, mindful of the limited human and managerial capacity at the Ministry of Good Governance, the Bank will help in reinforcing the capacity at this line ministry and for anti-money laundering control. The Bank has also contributed and provided support to the audit of domestic arrears and the strategy for their clearance	Under the IMF safeguards policy the central bank has conducted regular external audits, initiated an internal audit, and strengthened governance. TA in drafting the anti-money laundering law (AML/CFT). The PRGF-supported program has also targeted the reinforcement of cash management at the coffee parastatal, OCIBU, and the reinforcement of oversight of the public sector.
Infrastructure and private sector development	Collaboration in business policies especially in the areas of taxation, budget, and legal and institutional development.	The Bank has been supporting this area through its infrastructure projects in road sector, and public works and employment. The Bank will also support the preparation of a privatization program for a number of public enterprises identified in the ERSG grant. Based on the investment climate survey carried out in June 2006, the Bank is preparing an Investment Climate Assessment (ICA) to identify the constraints to the development and growth of the private sector.	The focus has been on the elimination of distortions in the tax system, clearance of budgetary arrears with the private sector, and support of the privatization effort.
Agriculture and rural development.	Collaboration in restoring the productive ability of the rural sector.	World Bank is supporting this sector through its Agricultural Rehabilitation and Sustainable Land Management Project (ARSLMP), which aims to raise productivity and incomes among rural population, through: (i) investments in production and sustainable land management; (ii) capacity building for producer organizations, and local communities, including war-distressed returnees and internally displaced persons. The Bank will assist in the privatization of the coffee and tea sectors.	
Social sector and community development.	Development agenda in poverty reduction and social sectors.	The Health and Population Project and the multisectoral HIV-AIDS and Orphans Project are supporting the social sector development in the area of HIV-AIDS, population and health.	

Table 2: Status of Active Operations

Project	US$ mil.	Objective	Approval/ Effectiveness	Disbursed December 02, 2007 (%)	Ratings	
					DO	IP
Agricultural Rehabilitation and Sustainable Land Management Project	35	To restore the productive capacity of rural areas, through: (i) investments in production and sustainable land management; (ii) capacity building for producer organizations and local communities, including war-distressed returnees and internally displaced persons.	July 2004/ September 2004	69.0	S	S
Agricultural Rehabilitation and Sustainable Land Management - Global Environment Facility (GEF) Project	5	To support analysis and advisory activities to design a modern, national institutional framework for land management and to strengthen national planning for land resources, including a national land management plan.	July 2004/ September 2004	72	n/a	S
Emergency Demobilization Reinsertion and Reintegration Program	33	To help consolidate peace in Burundi and the Great Lakes region by: (i) demobilizing soldiers and ex-combatants and providing targeted support to facilitate their return to civilian life; and (ii) contributing to the reallocation of government expenditures from military to social and economic sectors.	March 2004/ September 2004	73.0	MU	MU
Transport Infrastructure Rehabilitation Project	51.4	To contribute to Burundi's post-war revival by restoring part of the priority road network, generating employment for the rural poor, and improving institutional capacity in the road sector.	March 2004/ September 2004	44.0	MS	MS
Economic Management Support Project (EMSP)	26	To increase the efficiency of Burundi's macroeconomic, financial, and administrative management by strengthening accountability and transparency through improved procedures and controls.	January 2004/April 2004	30.0	S	S
Economic Reform Support Grant (ERSG)	60	To help implement the Government's economic reform program during 2006 and Burundi's Interim PRSP by supporting key policy measures aimed at: (i) improving public expenditure management and their impact on the poor; and (ii) accelerating growth.	August 2006/ November 2006	59.0	MS	MS
Multisectoral HIV/AIDS Control and Orphans Project	36	To support the national program as set forth in its Action Plan for the Struggle against HIV/AIDS for the period 2002-2006, through actions involving in-line ministries, civil society, private enterprises, labor unions, in addition to women and youth, and nongovernmental organizations (NGOs).	June 2002/ October 2002	113.0	S	S
Public Works and Employment Creation Project (with additional grant of US$ 30.6 million approved in December 2005)	70.6	To contribute to the peace process and reconstruction of Burundi through generation of productive and labor-intensive employment.	January 2001/June 2001	100.0	S	S

Community and Social Development Project	40	To establish and operationalize a decentralized, participatory, and transparent financing mechanism that empowers local government and communities to provide better and equitable local service delivery. The project will achieve its objective through community empowerment, capacity building (planning, managerial, financial and technical), investments in socioeconomic projects, and social cohesion activities.	March 2007/August 2007	7.0	S	S
Regional Communications Infrastructure Project	20.1	To leverage private sector participation to improve open access to international connectivity in East and Southern Africa. The focus is on closing the terrestrial connectivity gap, extending geographic reach of broadband networks and contributing to lower prices for international capacity.	March 2007/ November 2007	0.0	n/a	n/a
Education Sector Reconstruction Project	20	To educate a rapidly increasing number of primary-level students by improving the capacity and infrastructure of the country's school system. It will respond to the significant increase in the rate of enrollment by expanding school infrastructure through supporting the Ministry of National Education and Culture's School Infrastructure Plan.	February 2007/ May 2007	8.0	S	S

III. Relations with the African Development Bank Group

(As of November 30, 2007)

Burundi has been a member of the AfDB Group since its foundation in 1964. The AfDB's grant and loan operations with the country were interrupted by the outbreak of civil strife in 1993. On July 19, 2004, the AfDB Boards approved general policy guidelines to assist post-conflict countries to clear their arrears and created a facility, the PCCF, initially funded with about SDR 100 million in AfDB funds, to provide financial assistance to qualifying post-conflict countries. The policy guidelines call for a three-way burden-sharing formula among the country, donors, and the PCCF. On October 27, 2004, the AfDB Boards endorsed a specific arrears clearance proposal for Burundi whereby the balance of arrears was settled with the help of donors and the PCCF before the Decision Point under the enhanced HIPC Initiative.

On November 24, 2005, the Boards of Directors of the African Development Bank (ADB) and the African Development Fund (ADF) agreed that Burundi had effectively met the conditions and reached the decision point under the enhanced framework of the Heavily Indebted Poor Countries (HIPC) Initiative. The Bank Group's share of debt relief will amount to US$149.35 million in present value terms (US$226.01 million in nominal terms), which is equivalent to about 21 percent of the multilateral creditors' assistance, and about 18 percent of total assistance from all creditors. This amount will save up to 90 percent of Burundi's debt-service obligations annually until February 2043.

Under its FAD 9 allocation, following the lifting of sanctions in October 2004, on July 7, 2004, the Bank Group approved a grant of SDR 2.13 million to finance training of civil servants and procurement of equipment for institutions in charge of economic management and the civil society. A structural adjustment credit totally SDR 6.72 million, in one tranche, accompanied by a further grant of SDR 1.5 million for institutional support, was approved by the Board on December 2004. A multi-sector project, totaling SDR 9.8 million, was also approved on December 2004. Under its FAD 10 allocation, the Bank Group approved in December 2005 a grant of SDR 12 million to finance rural water infrastructure rehabilitation and, in March 2006, a SDR 9 million to finance the watershed management project. In November 2006, the Bank Group approved one more grant: SDR 7.3 million, in one tranche, to finance economic reforms and governance support program.

African Development Bank Operations in Burundi

	Outstanding loans (In millions of SDRs)	Past-due obligations
African Development Bank	0.0	0
African Development Fund	138.7	0
Nigerian Trust Fund	1.4	0
Total	**140.1**	**0**

IV. Statistical Issues

While there is a critical mass of data sufficient to monitor a program supported by the Fund, data provided to the Fund are inadequate to permit effective surveillance because of acute shortcomings in the national accounts, government finance, and balance of payments statistics. STA missions have found that staffing shortages, insufficient funding, and lack of equipment hamper the production and dissemination of macroeconomic statistics. There has been a poor coordination among institutions responsible for the compilation of statistics.

Following the authorities' interest in participating in the General Data Dissemination System (GDDS), in March 2006 a STA mission assisted the authorities in preparing metadata and, in collaboration with the World Bank and donors, helped develop a remedial plan. The authorities referred to this action plan in their Poverty Reduction Strategy Paper, which was approved in September 2007 and a national statistical development strategy is being prepared with donor's assistance. On September 25, 2007, the government promulgated a new statistics law and in December 2007 approved the accompanying regulatory texts. Burundi is expected to become a GDDS participant in early 2008, once the authorities complete reviewing the metadata on data compilation practices.

Outstanding statistical issues

Real sector

Serious deficiencies in real sector data handicap analysis and macroeconomic management, with national accounts last compiled for 1998. Source data on agriculture, the most important activity, is extremely weak. Since 1998, Burundi has reported annual national accounts estimates to the Fund with about a three-month lag, but these are derived from a macroeconomic projection model maintained by the Ministry of Economy, Finance, and Development Cooperation (MEFD). The consumer price index (CPI) is compiled on a monthly basis. Its coverage has been extended to include provinces and not only the capital, Bujumbura. Weights are based on an outdated 1991 household expenditure survey, and are expected to be revised in 2008. There are no producer price indices, and data on employment are out of date.

Government finance

Central bank compiles government finance statistics using source data from the MEFD. Computerized ledgers are seldom maintained by ministries, preventing establishment of balances and other accounting controls. Limited accounting information is available on extra-budgetary units. The absence of detailed information on revenue and expenditure reduces the transparency of government accounts. There are also problems in recording arrears on external debt and current expenditure financed by foreign grants, leading to significant discrepancies between the balance of revenue and expenditure and financing estimates. With World Bank assistance, a partial public financial management information system that generates standard quarterly budget execution reports was implemented in 2005 and is now operational. However, its coverage and quality need to be improved. Government finance statistics transactions data up to the fourth quarter of 2004 have been reported in the *International Finance Statistics,* with government debt figures reported to the second quarter of 2005. No data have been reported for publication in the *Government Finance Statistics Yearbook* since 1999.

Monetary statistics

The central bank has made progress in submitting monetary statistics using the new Standardized Report Forms (SRFs), which are expected to be completed during the first half of 2008. A Fund technical assistance mission during November 22–December 4, 2007 helped the BRB to improve its monetary and financial statistics from 2000 onwards. The BRB needs to adopt the *Monetary and Financial Statistics Manual* methodology, which would facilitate the harmonization of its monetary statistics with other member countries of the East African Community.

Balance of payments

Annual balance of payments and international investment position statistics are compiled according to the fifth edition of the *Balance of Payments Manual (BPM5)*. Merchandise trade statistics are derived from customs data, but no adjustments are made for unrecorded international trade flows such as gifts in kind that do not go through the banking system. Data for services are collected mostly through bank settlement reports. Income estimates are almost exclusively derived from monthly bank settlement reports. For both services and income, the accuracy of the source data is not routinely assessed against other available data sources. Data on current and capital transfers, as well as on financial accounts are incomplete and further BRB action is needed to improve their quality and reliability.

Burundi: Table of Common Indicators Required for Surveillance
(As of December 7, 2007)

	Date of latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sep. 2007	Oct. 2007	M	M	M
Reserve/Base Money	Sep. 2007	Oct. 2007	M	M	M
Broad Money	Sep. 2007	Oct. 2007	M	M	M
Central Bank Balance Sheet	Sep. 2007	Oct. 2007	M	M	M
Consolidated Balance Sheet of the Banking System	Sep. 2007	Oct. 2007	M	M	M
Interest Rates[2]	Aug. 2007	Nov. 2007	M	M	M
Consumer Price Index	Oct. 2007	Nov. 2007	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]—General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]—Central Government	Sep. 2007	Nov. 2007	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt[5]	NA	NA	NA	NA	NA
External Current Account Balance	Dec. 2006	Mar. 2007	A	A	A
Exports and Imports of Goods and Services	Jul. 2007	Sep. 2007	M	M	M
GDP/GNP	1998	Sep. 2003	A	A	A
Gross External Debt	Sep. 2007	Oct. 2007	M	M	A

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds), and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

BURUNDI

Joint IMF/World Bank Debt Sustainability Analysis

Prepared by the Staffs of the International Monetary Fund and
the International Development Association

Approved by Jean A. P. Clément and Michael Hadjimichael (IMF)
and Brian Pinto and Sudhir Shetty (IDA)

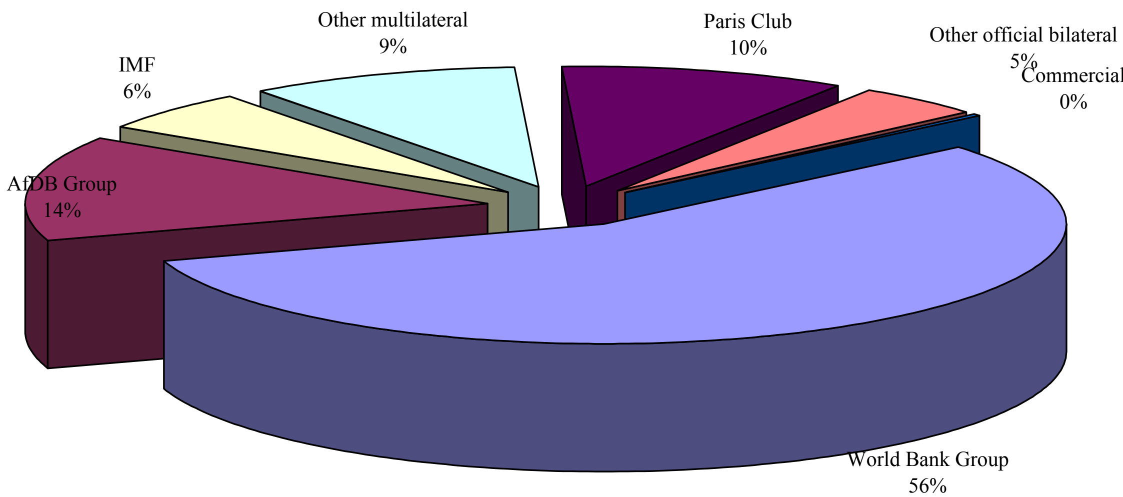
December 28, 2007

1. Burundi is in debt distress. Burundi's external debt burden indicators under the baseline are in substantial and sustained breach of their indicative thresholds. Even after enhanced HIPC and MDRI assistance, the NPV of debt-to-exports ratio is projected to remain above its indicative threshold over the entire 2007-27 period. Adverse shocks significantly worsen the debt sustainability indicators. The fiscal sustainability indicators for total (domestic and external) public debt suggest a more robust position, reflecting a strong domestic revenue effort. The analysis suggests that particular attention be given to exports as the driver of overall growth and to obtaining external grant financing as much as possible.

I. Background

2. **This debt sustainability analysis (DSA) assesses Burundi's external public debt dynamics using the forward-looking debt sustainability framework for low-income countries (LIC)**. At end-2006, Burundi's stock of public and publicly guaranteed (PPG) external debt was US$1,464 million (US$1,517 million including arrears), US$51 million higher than at end-2005 (Figure 1). The **baseline scenario** assumes continued interim HIPC debt relief through the medium term. An **alternative scenario** models the HIPC completion point and the delivery of additional MDRI debt relief in September 2008. Under the baseline scenario, Burundi would be in debt distress as the present value (NPV) of PPG external debt at end-2006 was 88 percent of GDP, 841 percent of exports, and 462 percent of government revenues (Table 1). As a result, most debt burden indicators substantially exceed their policy-based thresholds under the baseline scenario. Under the alternative scenario, the risk of debt distress is significantly reduced but remains elevated.

Figure 1. Burundi: Composition of Stock of External Debt at End-December 2006 1/
Nominal Value of debt: US$1463.7 million



Sources: Burundi authorities; and staff estimates.
1/ Before HIPC relief and excluding arrears

3. **This DSA updates the analysis presented in the HIPC decision point document for Burundi of July 2005[1] and that of mid 2006**. Three key differences underpin the results of this analysis from that in the 2005 HIPC Decision point document: (i) the baseline scenario assumes significantly higher aid inflows, and larger current account deficits and primary fiscal deficits, to be financed mainly with additional grants and concessional loans in the medium term; (ii) real growth would average about 1 percent higher through the medium term than in the decision point baseline, reflecting the combination of higher external financial assistance and investment, and a strong sustained reform effort; (iii) the HIPC completion point is assumed to be reached in September 2008, almost 2 years later than projected at the decision point.

II. Medium-term Macroeconomic and DSA Assumptions

4. **The baseline macroeconomic outlook assumes real GDP growth sustained by an increase in export volumes and financing in the form of grants or highly concessional borrowing** (Box 1). Growth would be sustained by the consolidation of peace, maintenance of macroeconomic stability, a deepening of structural reforms, increased public investment in infrastructure, and greater openness to trade, especially following Burundi's accession to the East African Community (EAC) in July 2007. Public investment would rise to an average of 10.7 percent of GDP in 2006-16, made possible by the fiscal space created by a redirection of

[1] See *Burundi: Decision Point Document for the Enhanced Initiative for Heavily Indebted Poor Countries*, July 11, 2005 (IDA Report No. 32835-BU; IMF Report 05/329).

spending from security, rising grants and concessional loans, HIPC debt relief, and continued strong fiscal revenue performance.

5. **Exports, stimulated by new investment and sustained reforms, are projected to drive growth over the long term, with significant development in the coffee and tea sectors as well as nontraditional sectors, such as mining and tourism**. Prices of the main exports would remain in line with recent market developments and coffee prices would fetch a small premium beginning in 2008, reflecting reforms that enhance productivity and quality in the coffee and tea sectors. Reforms in the banking sector and limited domestic public borrowing would increase the availability of credit to the private sector, sustaining private investment.

Box 1. Burundi: Principal Baseline Macroeconomic Assumptions

Real GDP growth averages 6.0 percent over 2007–27, supported by a peacetime broad-based recovery in agricultural production and other private sector activities.

CPI inflation (end-period) is projected to slow from 9.3 percent in 2006; to 8.7 percent in 2007; to 5.2 percent in 2008, and subsequently to stabilize at 4 percent from 2009 through 2027.

Fiscal policy aims at restructuring the government's spending priorities while maintaining macroeconomic stability. Revenues, excluding grants, are assumed to rise gradually from 19.0 percent of GDP in 2006 to 20.9 percent of GDP by 2027.

Gross official external financing (grants plus loan disbursements) is expected to increase from 14.7 percent of GDP in 2006 to 19.7 percent in 2007 and then gradually decline over the period 2008-27 to 11.0 percent of GDP in 2027.

Official financing program financing would be only grants in 2007-10 (excluding the IMF); after 2010, the proportion of loan financing increases gradually from 10 percent in 2011 to 50 percent by the end of the projection period. Loan financing is assumed to be on IDA or comparable terms during 2011–27. Project loans are assumed to be entirely at concessional rates on IDA or comparable terms. The financing gap would be only partially covered by MDRI assistance.

Export receipts are expected to increase sharply in 2008, after an unexpected sharp decline in coffee production in 2007, and then to further increase to about 13.5 percent per annum during 2009-15, reflecting the impact of structural reforms, notably in the coffee sector, and trade development with the EAC. Over the long-term (2016-27) exports would grow at the same of rate of GDP. The composition of exports would gradually shift from coffee and tea to other agricultural products, processed foods, and light manufactures. In volume terms, export growth would average 9.9 percent a year over the projection period. Exports of goods and services would rise from 6.4 percent of GDP in 2006 to 9.7 percent in 2027.

Imports of goods and services are projected to average 28 percent of GDP in 2007–08 and with emergency assistance and reconstruction-related imports winding down to decline to 20.8 percent of GDP in 2027. In volume terms, imports would rise on average by 4.1 percent a year from 2008 onward, following the 2006-07 period of consolidation.

6. **External concessional inflows would finance increased public investment and sustain current account and primary fiscal deficits**. Gross external financing would average 19 percent of GDP per annum over 2007-15 with grant financing making up over 90 percent of the total. Total external financing is projected to decrease slightly to 18.5 percent of GDP per annum over 2016-27 on average, as humanitarian inflows decline, with the grant share at about 80 percent of the total. Gross investment and national savings would gradually rise to about 20.2 and 12.2 percent of GDP, respectively, by 2027. The current account deficit is projected

to average 10.1 percent of GDP over the projection period. The overall fiscal balance (commitment basis, including grants) is projected to average about -2 percent throughout the period.

III. External Debt Sustainability Assessment [2]

A. Baseline Scenario: Continued Interim HIPC Relief

7. **The results under the baseline scenario indicate that in the absence of full HIPC relief, Burundi would be in debt distress**. All debt sustainability indicators, except for the debt-service-to-revenue, will breach the policy-dependent indicative thresholds. The NPV of debt-to-GDP and debt-to-exports ratios remain above the indicative thresholds throughout the period (Box 2 and Table 1). The standard stress tests, applied to the baseline scenario suggest that the evolution of Burundi's external debt position is subject to considerable vulnerabilities, as most debt indicators deteriorate significantly under the bound tests (Table 2).

8. **Under the historical scenario, all external debt burden indicators breach their thresholds and remain high throughout the projection period** (Table 2 and Figure 2). The historical scenario assumes that relevant macroeconomic variables remain at their ten-year historical average. The external current account deficit continues at about 5 percent of GDP, real GDP growth remains low at about 2 percent, and the profile of FDI is less favorable than in the baseline scenario, resulting in much higher debt ratios than in the baseline.

Box 2: Summary of Baseline Debt Sustainability Indicators [1]
(with continued interim HIPC relief)

	Indicative Threshold [2]	2007	2017	2027	Average 2007-27
NPV of debt to GDP	30	85	38	32	45
NPV of debt to exports	100	998	230	158	315
NPV of debt to revenue	200	468	192	157	230
Debt service to exports	15	35	15	10	20
Debt service to revenue	25	17	12	10	15

[1] Debt indicators refer to Burundi's public and publicly guaranteed external debt.
[2] Threshold over which countries with similar evaluations of policies and institutions would have at least a 25 percent chance of having a prolonged incident of debt distress in the coming year. Burundi ranks as a "poor performer" (rating of 3.0) in terms of the quality of its policies and institutions as measured by the three-year backward-looking average of the World Bank's Country Policy and Institutional Assessment Index (CPIA).

[2] The external debt sustainability analysis provides information only on the NPV of PPG external debt, as information on private external debt is not available. For the NPV calculation, a 5 percent discount rate is used. Debt-service payments are converted to US dollars using WEO exchange rate projections consistent with the requirements of the joint World Bank/IMF LIC Debt Sustainability Framework (Operational Framework for Debt Sustainability Assessments in Low-Income Countries – Further Considerations.

9. **An alternative scenario assuming a lower growth payoff from the debt-financed investment program was run, given that growth projections under the baseline scenario are more than one standard deviation above the historical average**. Under this scenario, all debt indicators remain above their indicative threshold throughout the 2007-27 period, while debt service indicators gradually recover starting in 2014, reflecting strong domestic revenue efforts.

B. Alternative Scenario: Full Delivery of HIPC and MDRI Assistance

10. **Even after full delivery of HIPC assistance Burundi still faces a considerable risk of debt distress** (Box 3)**.** Although the indicators of the NPV of debt-to-GDP would fall sharply as a result of reaching the HIPC completion point,[3] as the proportion of loan financing increases over time, the trajectory of that indicator approaches the threshold, while the NPV of debt-to-exports ratio remains above the indicative threshold for the entire projection period. Even though all other external debt burden indicators are below their respective thresholds during the projection period, the NPV of debt-to-exports ratio indicates that even after HIPC relief, and assuming future financing on highly concessional terms, debt distress would remain a concern in the long term. The profiles of the debt and debt-service ratios over the long term would be as follows (Figure 2):

- ***The NPV of debt to GDP is projected to decline to 23 percent after 2008, before rising to about 28 percent in 2027.*** The indicator remains consistently below the country-specific threshold; however it begins to approach the threshold as the proportion of loan financing increases to 50 percent.

- ***The NPV of debt-to-exports indicator remains continuously above the indicative threshold throughout the period.*** The ratio declines from 208 percent at end-2008 to 139 percent in 2027, and is projected to average about 141 percent of exports during 2007-27.

- ***The external debt-service indicators suggest a more modest and manageable debt burden both in the short and medium term.*** Public external debt service is projected to average about 8 percent of exports and 6 percent of government revenue during 2007-27; the projected trajectory shows an initial decline and then an increase during the years of the repayment of disbursements under the PRGF arrangement. Generally, the relatively low debt-service-to-exports indicator reflects: (i) a stable and relatively high grant element in the debt stock resulting in a relatively low debt service requirement, and (ii) the cumulative effect of high export growth during the period when debt service requirements increase as a result of the end of grace periods. The external debt-service-to-fiscal-revenues ratio (including grants) follows a broadly similar trajectory and is well below the indicative threshold.

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[3] It is assumed that Burundi reaches the HIPC completion point at end-September 2008.

Box 3: Summary of Alternative Scenario Debt Sustainability Indicators [1]
(with full HIPC relief by Sept 2008)

	Indicative Threshold [2]	2007	2017	2027	Average 2007-27
NPV of debt to GDP	30	85	20	28	22
NPV of debt to exports	100	998	118	139	141
NPV of debt to revenue	200	468	99	139	111
Debt service to exports	15	35	4	6	8
Debt service to revenue	25	17	3	6	6

[1] All debt indicators assume the full delivery of HIPC relief in September 2008 and refer to the NPV of public and publicly guaranteed external debt.
[2] Threshold over which countries with similar evaluations of policies and institutions would have at least a 25 percent chance of having a prolonged incident of debt distress in the coming year. Burundi ranks as a "poor performer" (rating of 3.0) in terms of the quality of its policies and institutions as measured by the three-year backward-looking average of the World Bank's Country Policy and Institutional Assessment Index (CPIA).

11. **Even after the completion point is reached, Burundi's debt sustainability is likely to remain vulnerable to adverse exogenous shocks**. Applying the standardized bound tests to the post-completion point scenario, under the most extreme stress tests all debt stock indicators would breach their thresholds over sustained period of time. This highlights the risk of borrowing at less concessional terms after the reduction of the external debt burden as a result of debt relief. This would suggest that Burundi should avoid nonconcessional borrowing even after obtaining HIPC relief. It also points to the need for all creditors to align their lending with Burundi's fragile debt sustainability situation.

C. Impact of MDRI Relief

12. **Burundi would be eligible for debt relief under MDRI from the IMF, IDA, and the African Development Bank (AfDF) after reaching the completion point**. Debt relief under MDRI would amount to a stock of debt reduction of US$57 million. The additional effect of MDRI, especially on debt service, is relatively modest, and would represent an average debt service saving of US$2.5 million dollars per year in 2007-23 or about one percent of exports (Text Table 1). This reflects the very large reduction under the HIPC Initiative, equivalent to 91.5 percent of the NPV of debt outstanding at end-2004. A one-year delay in reaching the completion point (from September 2008) would imply a loss of US$2.7 million in MDRI relief.

Text Table 1. Burundi: Impact of the full provision of MDRI relief on the baseline scenario, 2007–27 1/
(percent of GDP)

	2007	2008	2009	2010	2011	2012	2017	2022	2027	2007-27 Average
					NPV of external debt-to-GDP					
Before MDRI	84.8	35.7	33.1	30.8	29.3	27.4	24.2	28.2	29.4	30.5
After MDRI	84.8	22.6	17.8	17.6	18.1	17.8	19.6	25.8	28.2	22.0
					NPV of external debt-to-exports ratio					
Before MDRI	997.5	328.9	258.9	227.2	209.1	189.7	146.3	154.1	145.4	213.6
After MDRI	997.5	207.9	138.8	129.8	128.7	123.3	118.5	140.6	139.4	140.7
					Debt service-to-exports ratio					
Before MDRI	35.2	17.2	19.3	17.2	17.1	19.5	6.5	6.4	7.0	12.1
After MDRI	35.2	9.1	6.1	5.2	5.9	10.0	3.6	4.9	6.2	7.6

Source: Staff estimates and projections.
1/ MDRI estimates assume HIPC completion point in September 2008.

IV. Fiscal Sustainability Analysis

13. **The baseline macroeconomic scenario assumes a strong revenue performance and financing of the reconstruction effort and poverty reduction in the medium to long term primarily with grants** (Table 3). This would allow the public sector borrowing requirement to fall over time, while keeping expenditures consistent both with the government's poverty reduction strategy and with macroeconomic stability. In particular, it is assumed that revenues as a percentage of GDP rise from 19 percent in 2006 to 20.4 percent in 2027 and that borrowing decreases from 7.5 percent of GDP in 2006 to 3.4 percent of GDP on average between 2007 and 2027.

14. **Given the relatively strong revenue effort, public debt (external and domestic), under the baseline scenario, is projected to gradually decline**.[4] The NPV of debt-to-revenue ratio is projected to drop from 252 percent in 2007 to 123 percent in 2027, and the debt service-to-revenue ratio is projected to decline from 12 percent in 2007 to 9 percent in 2027 (Table 4). As in the external debt sustainability analysis, the alternative scenario and the bound tests signal a significant increase in Burundi's risk of debt distress over the medium term (Figure 3). The NPV of debt-to-GDP and debt-to-revenue ratios would substantially increase, highlighting the risk of failing to achieve sustained long-term growth and fiscal consolidation.

15. **Other stress tests highlight the negative impact of temporary shocks on debt burden indicators**. In particular, a 30 percent real depreciation represents the most extreme stress test. A one-off increase of debt-creating flows by 10 percent of GDP, and a recession with GDP growth equal to the historical average minus one standard deviation in 2007–08 also signal increased risk of debt distress over the medium term.

V. Conclusion

16. **Burundi is currently in debt distress.** Even after reaching the HIPC completion point and benefiting from debt relief under the enhanced HIPC and MDRI initiatives, Burundi

[4] In the LIC DSA methodology, the ratio of debt service to revenue is calculated with revenue including budgetary grants. Under the HIPC DSA framework grants are excluded.

remains highly vulnerable to shocks that could lead to lower exports and economic growth. For Burundi to lower its high debt stock ratios with respect to exports and to maintain the other debt indicators below their respective thresholds, particular emphasis needs to be placed on five aspects of future economic performance. First, the authorities will need to implement a strong and sustained reform effort, especially to develop a diversified export base, to support robust growth in exports and GDP. Second, the authorities need to implement prudent fiscal and monetary policies to ensure fiscal discipline and macroeconomic stability. Third, together with prudent debt management, future financing needs to be in the form of grants and highly concessional loans, in the short- and medium-term. Fourth, attention should be given to strengthening debt management policies and institutions. Fifth, accelerated efforts are needed to meet the HIPC completion point triggers as soon as possible.

Table 1. Burundi: External Debt Sustainability Framework, Baseline Scenario, 2007–2027 1/
(percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2004	2005	2006			2007	2008	2009	2010	2011	2012	2007–12 Average	2017	2027	2013–27 Average
External debt (nominal) 1/	**220.1**	**183.0**	**166.2**			**155.5**	**133.1**	**120.7**	**109.8**	**101.4**	**93.2**		**68.9**	**55.5**	
of which: public and publicly guaranteed (PPG)	220.1	183.0	166.2			155.5	133.1	120.7	109.8	101.4	93.2		68.9	55.5	
Change in external debt	-4.5	-37.1	-16.8			-10.7	-22.5	-12.4	-10.9	-8.4	-8.2		-2.5	-2.1	
Identified net debt–creating flows	-24.1	-33.0	-15.2			-3.0	-4.8	-6.3	-4.8	-2.9	-2.6		-0.4	0.1	
Non–interest current account deficit	**6.6**	**8.2**	**14.0**	**5.8**	**3.8**	**11.0**	**13.1**	**11.4**	**12.5**	**12.6**	**12.3**		**12.2**	**9.9**	11.5
Deficit in balance of goods and services	24.3	28.1	37.4			35.0	33.4	30.2	30.2	28.0	26.4		19.0	12.4	
Exports	9.6	11.5	10.5			8.5	10.8	12.8	13.6	14.0	14.4		16.6	20.2	
Imports	33.9	39.7	47.9			43.5	44.3	43.0	43.8	42.0	40.8		35.5	32.6	
Net current transfers (negative = inflow)	-18.9	-20.1	-24.4	-12.1	7.8	-25.0	-21.1	-18.1	-17.1	-14.9	-13.6		-9.4	-4.5	-8.3
of which: official	-17.4	-17.9	-21.2			-22.1	-18.4	-16.0	-15.2	-12.8	-11.5		-7.6	-2.9	
Other current account flows (negative = net inflow)	1.2	0.1	1.0			1.0	0.8	-0.7	-0.6	-0.5	-0.5		2.7	2.0	
Net FDI (negative = inflow)	**-8.7**	**-5.2**	**-7.3**	**-4.0**	**2.8**	**-9.1**	**-10.4**	**-11.7**	**-11.4**	**-9.8**	**-9.8**		**-9.0**	**-6.9**	-8.3
Endogenous debt dynamics 2/	**-22.0**	**-36.0**	**-22.0**			**-5.0**	**-7.5**	**-6.0**	**-5.9**	**-5.7**	**-5.2**		**-3.6**	**-2.9**	
Contribution from nominal interest rate	1.5	1.4	0.4			0.6	0.5	0.9	0.8	0.7	0.6		0.4	0.3	
Contribution from real GDP growth	-9.7	-1.7	-8.2			-5.5	-8.0	-6.9	-6.6	-6.4	-5.8		-4.0	-3.2	
Contribution from price and exchange rate changes	-13.8	-35.8	-14.1			…	…	…	…	…	…		…	…	
Residual (3–4) 3/	**19.6**	**-4.1**	**-1.6**			**-0.3**	**-6.3**	**-1.3**	**-3.0**	**-3.6**	**-3.8**		**-0.9**	**-1.2**	
of which: exceptional financing	-12.1	-4.9	-4.3			-5.8	-8.2	-3.8	0.0	0.0	0.0		0.0	0.0	
NPV of external debt 4/	...	...	88.0			84.8	72.3	66.2	60.7	56.3	51.7		38.0	31.9	
pecent of exports	...	...	840.8			997.5	666.9	517.0	446.9	401.4	358.2		229.7	158.0	
NPV of PPG external debt	**...**	**...**	**88.0**			**84.8**	**72.3**	**66.2**	**60.7**	**56.3**	**51.7**		**38.0**	**31.9**	
pecent of exports	**...**	**...**	**840.8**			**997.5**	**666.9**	**517.0**	**446.9**	**401.4**	**358.2**		**229.7**	**158.0**	
pecent of government revenues	**...**	**...**	**461.9**			**468.0**	**377.9**	**342.6**	**309.1**	**286.4**	**262.7**		**191.6**	**157.3**	
Debt service–to–exports ratio (pecent)	**111.4**	**46.7**	**21.0**			**35.2**	**22.0**	**35.6**	**32.3**	**31.3**	**32.6**		**14.6**	**10.1**	
PPG debt service–to–exports ratio (pecent)	**111.4**	**46.7**	**21.0**			**35.2**	**22.0**	**35.6**	**32.3**	**31.3**	**32.6**		**14.6**	**10.1**	
PPG debt service–to–revenue ratio (pecent)	**53.1**	**26.9**	**11.5**			**16.5**	**12.4**	**23.6**	**22.4**	**22.3**	**23.9**		**12.2**	**10.1**	
Total gross financing need (billions of US$s)	56.8	67.0	81.3			48.8	57.7	52.4	73.5	104.7	114.4		129.7	246.2	
Non–interest current account deficit that stabilizes debt ratio	11.1	45.3	30.8			21.7	35.6	23.8	23.4	21.0	20.5		14.7	11.9	
Key macroeconomic assumptions															
Real GDP growth (pecent)	4.8	0.9	5.1	1.9	2.6	3.6	5.9	5.7	6.0	6.3	6.2	5.6	6.0	6.0	6.1
GDP deflator in US$ terms (change pecent)	6.5	19.4	8.4	-0.8	11.3	4.6	7.9	3.7	2.6	1.8	1.7	3.7	1.7	1.6	1.7
Effective interest rate (percent) 5/	0.7	0.8	0.3	0.9	0.3	0.4	0.4	0.7	0.7	0.7	0.7	0.6	0.7	0.6	0.6
Growth of exports of G&S (US$ terms, pecent)	27.1	44.8	3.5	11.2	36.1	-11.9	45.8	29.3	15.4	11.7	11.2	16.9	11.3	6.9	10.3
Growth of imports of G&S (US$ terms, pecent)	36.8	40.9	37.6	15.1	21.4	-1.5	16.3	6.4	10.7	3.9	5.0	6.8	5.8	5.3	6.3
Grant element of new public sector borrowing (pecent)	...	...	...	...	...	39.3	51.1	51.1	51.1	51.1	51.1	49.1	51.1	51.1	51.1
Aid flows (in billions of US$s) 7/	206.9	207.9	289.7			329.6	352.5	364.1	357.1	373.7	380.7		478.0	649.2	
of which: Grants	164.4	130.5	219.7			266.3	290.6	328.1	324.2	320.9	326.5		370.0	463.0	
of which: Concessional loans	42.5	69.3	34.3			24.0	39.4	36.0	32.9	52.9	54.2		108.0	186.2	
Grant–equivalent financing (pecent of GDP) 8/	...	...	...			28.7	27.5	28.0	25.3	23.9	22.5		18.5	11.4	16.8
Grant–equivalent financing (pecent of external financing) 8/	...	...	...			91.2	94.2	95.2	95.5	93.1	93.0		88.9	86.0	87.5
Memorandum items:															
Nominal GDP millions of US$)	664.5	800.6	912.1			988.6	1129.4	1237.6	1346.2	1456.6	1574.0		2303.1	4901.1	

Source: Staff simulations.

1/ Includes both public and private sector external debt.
2/ Derived as [r – g – r(1+g)]/(1+g+r+gr) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and r = growth rate of GDP deflator in US$ terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that NPV of private sector debt is equivalent to its face value.
5/ Current–year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant–equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the NPV of new debt).

Table 2. Burundi: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2007–27
(percent)

	Projections							
	2007	2008	2009	2010	2011	2012	**2017**	2027
NPV of debt–to–GDP ratio								
Baseline	85	72	66	61	56	52	**38**	32
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008–27 1/	85	81	81	81	79	78	**74**	76
A2. New public sector loans on less favorable terms in 2008–27 2/	85	73	68	63	59	55	**45**	46
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	85	77	75	69	64	59	**43**	36
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	85	75	73	67	63	58	**43**	33
B3. US$ GDP deflator at historical average minus one standard deviation in 2008–09	85	89	96	88	82	75	**55**	46
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	85	85	90	84	79	73	**56**	37
B5. Combination of B1–B4 using one–half standard deviation shocks	85	99	119	110	103	96	**73**	51
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	85	100	92	84	78	72	**53**	44
NPV of debt–to–exports ratio								
Baseline	998	667	517	447	401	358	**230**	158
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007–26 1/	998	748	636	594	566	538	**445**	374
A2. New public sector loans on less favorable terms in 2007–26 2/	998	674	528	461	420	381	**273**	227
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	998	667	517	447	401	358	**230**	158
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	998	1342	1911	1659	1496	1342	**872**	555
B3. US$ GDP deflator at historical average minus one standard deviation in 2008–09	998	667	517	447	401	358	**230**	158
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	998	785	707	618	562	509	**337**	185
B5. Combination of B1–B4 using one–half standard deviation shocks	998	1174	1432	1250	1133	1023	**674**	387
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	998	667	517	447	401	358	**230**	158
NPV of debt–to–revenue ratio								
Baseline	468	378	343	309	286	263	**192**	157
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2007–26 1/	468	424	421	411	404	394	**371**	373
A2. New public sector loans on less favorable terms in 2007–26 2/	468	382	350	319	300	280	**228**	226
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	468	403	389	351	325	298	**217**	179
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	468	391	378	343	319	294	**217**	165
B3. US$ GDP deflator at historical average minus one standard deviation in 2008–09	468	464	496	448	415	381	**278**	228
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	468	445	468	428	401	373	**281**	184
B5. Combination of B1–B4 using one–half standard deviation shocks	468	516	617	562	525	488	**366**	250
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	468	523	475	428	397	364	**265**	218

Table 2. Country: Sensitivity Analyses for Key Indicators of Public and Publicly Guaranteed External Debt, 2007–27 (continued)

(pecent)

Debt service–to–exports ratio								
Baseline	35	22	36	32	31	33	**15**	10
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008–27 1/	35	25	44	43	44	49	**30**	34
A2. New public sector loans on less favorable terms in 2008–27 2/	35	22	36	33	32	32	**17**	14
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	35	22	36	32	31	33	**15**	10
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	35	43	120	110	106	111	**52**	37
B3. US$ GDP deflator at historical average minus one standard deviation in 2008–09	35	22	36	32	31	33	**15**	10
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	35	22	37	34	33	34	**19**	14
B5. Combination of B1–B4 using one–half standard deviation shocks	35	34	79	74	71	73	**39**	28
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	35	22	36	32	31	33	**15**	10
Debt service–to–revenue ratio								
Baseline	17	12	24	22	22	24	**12**	10
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2008–27 1/	17	14	29	29	32	36	**25**	34
A2. New public sector loans on less favorable terms in 2008–27 2/	17	12	24	23	23	24	**14**	14
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2008–09	17	13	27	25	25	27	**14**	11
B2. Export value growth at historical average minus one standard deviation in 2008–09 3/	17	12	24	23	23	24	**13**	11
B3. US$ GDP deflator at historical average minus one standard deviation in 2008–09	17	15	34	32	32	35	**18**	15
B4. Net non–debt creating flows at historical average minus one standard deviation in 2008–09 4/	17	12	24	24	24	25	**16**	13
B5. Combination of B1–B4 using one–half standard deviation shocks	17	15	34	33	33	35	**21**	18
B6. One–time 30 percent nominal depreciation relative to the baseline in 2008 5/	17	17	33	31	31	33	**17**	14
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	51	51	51	51	51	51	**51**	51

Source: Staff projections and simulations.

1/ Variables include real GDP growth, growth of GDP deflator (in US$ terms), non–interest current account pecent of GDP, and non–debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 3.Burundi: Public Sector Debt Sustainability Framework, Baseline Scenario, 2004–2027
(pecent of GDP, unless otherwise indicated)

	Actual			Estimate					Projections				
	2006	Historical Average 5/	Standard Deviation 5/	2007	2008	2009	2010	2011	2012	2007–12 Average	2017	2027	2013–27 Average
Public sector debt 1/	185.8			174.1	149.1	135.5	123.7	114.0	104.7		76.2	58.6	
of which foreign–currency denominated	161.9			151.6	133.1	121.1	110.9	102.4	94.1		69.6	56.1	
Change in public sector debt	-6.4			-11.7	-25.0	-13.7	-11.8	-9.7	-9.3		-3.2	-2.3	
Identified debt–creating flows	-16.8			-23.3	-17.3	-9.3	-9.0	-8.2	-6.2		-3.5	-3.6	
Primary deficit	-5.6	0.7	2.8	-5.6	-5.3	-7.1	-6.8	-6.0	-6.0	-6.1	-3.2	0.9	-0.3
Revenue and grants	37.0			41.7	41.3	39.2	41.8	37.4	36.3		33.7	28.8	
of which : grants	18.0			23.6	22.1	19.9	22.1	17.7	16.7		13.2	7.9	
Primary (noninterest) expenditure	-24.7			-23.7	-24.5	-26.4	-26.4	-25.7	-25.8		-23.7	-20.0	
Automatic debt dynamics	-12.6			-12.4	-15.5	-11.1	-9.0	-8.2	-7.4		-4.8	-3.5	
Contribution from interest rate/growth differential	-12.1			-8.3	-11.1	-9.4	-9.0	-8.4	-7.6		-4.9	-3.8	
of which : contribution from average real interest rate	-2.8			-1.8	-1.4	-1.4	-1.3	-1.1	-0.9		-0.4	-0.3	
of which : contribution from real GDP growth	-9.4			-6.5	-9.7	-8.0	-7.7	-7.4	-6.7		-4.5	-3.5	
Contribution from real exchange rate depreciation	-0.5			-4.1	-4.4	-1.7	0.0	0.2	0.2		...	...	
Other identified debt–creating flows	-3.0			-6.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	-1.1			-0.8	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-1.9			-5.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	10.4			11.6	-7.7	-4.4	-2.8	-1.5	-3.2		0.3	1.3	
NPV of public sector debt	109.6			105.2	88.4	80.8	74.1	68.5	62.7		44.9	34.8	
of which: foreign–currency denominated	85.7			82.7	72.3	66.4	61.3	56.8	52.2		38.4	32.2	
of which: external	85.7			82.7	72.3	66.4	61.3	56.8	52.2		38.4	32.2	
NPV of contingent liabilities (not included in public sector debt)	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	3.1			0.3	2.5	7.0	5.0	5.2	6.6		4.5	2.6	
NPV of public sector debt–to–revenue and grants ratio (pecent)	295.8			252.3	214.3	206.0	177.4	183.1	172.7		133.5	120.7	
NPV of public sector debt–to–revenue ratio (pecent)	575.4			580.4	461.8	418.0	377.5	348.4	318.9		219.7	166.5	
of which: external 3/	449.9			456.2	377.9	343.8	312.2	289.2	265.3		187.8	154.3	
Debt service–to–revenue and grants ratio (pecent) 4/	11.7			12.4	10.5	13.4	12.1	13.6	14.9		9.6	9.3	
Debt service–to–revenue ratio (pecent) 4/	22.7			28.6	22.6	27.1	25.7	25.8	27.5		15.9	13.0	
Primary deficit that stabilizes the debt–to–GDP ratio	0.8			6.1	19.7	6.6	5.0	3.6	3.3		0.0	3.2	
Key macroeconomic and fiscal assumptions													
Real GDP growth (pecent)	5.1	1.9	2.6	3.6	5.9	5.7	6.0	6.3	6.2	5.6	6.0	6.0	6.1
Average nominal interest rate on forex debt (pecent)	0.3	1.1	0.4	0.4	0.4	0.7	0.7	0.7	0.7	0.6	0.7	0.6	0.6
Average real interest rate on domestic currency debt (pecent)	6.7	-3.0	8.6	1.2	3.4	0.5	0.6	1.7	2.4	1.6	7.0	18.3	10.0
Real exchange rate depreciation (pecent, + indicates depreciation)	-0.3	3.4	12.4	-2.7	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, pecent)	3.7	11.7	8.0	9.5	6.2	4.0	4.0	3.8	3.8	5.2	3.8	3.7	3.7
Growth of real primary spending (deflated by GDP deflator, pecent)	14.1	7.0	18.7	6.2	13.7	9.6	8.1	-4.6	6.4	6.6	3.9	4.6	4.0
Grant element of new external borrowing (pecent)	...	...	...	39.3	51.1	51.1	51.1	51.1	51.1	49.1	51.1	51.1	...

Sources: Country authorities; and Fund staff estimates and projections.
1/ Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.
2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short–term debt at the end of the last period.
3/ Revenues excluding grants.
4/ Debt service is defined as the sum of interest and amortization of medium and long–term debt.
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 4. Burundi: Sensitivity Analysis for Key Indicators of Public Debt 2007–2027

	Projections							
	2007	2008	2009	2010	2011	2012	2017	2027
NPV of Debt–to–GDP Ratio								
Baseline	105	88	81	74	68	63	45	35
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	105	93	88	84	82	78	69	81
A2. Primary balance is unchanged from 2007	105	87	76	68	60	52	24	2
A3. Permanently lower GDP growth 1/	105	89	82	76	70	65	50	48
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008–2009	105	95	93	87	82	76	61	56
B2. Primary balance is at historical average minus one standard deviations in 2008–2009	105	91	83	77	71	65	47	36
B3. Combination of B1–B2 using one half standard deviation shocks	105	95	91	83	75	68	45	31
B4. One–time 30 percent real depreciation in 2008	105	121	112	103	96	88	62	40
B5. 10 percent of GDP increase in other debt–creating flows in 2008	105	93	85	78	72	67	48	37
NPV of Debt–to–Revenue Ratio 2/								
Baseline	252	214	206	177	183	173	136	123
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	252	221	216	190	203	195	174	216
A2. Primary balance is unchanged from 2007	252	211	195	162	161	143	72	6
A3. Permanently lower GDP growth 1/	252	215	207	180	186	177	148	165
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008–2009	252	222	223	194	205	197	174	191
B2. Primary balance is at historical average minus one standard deviations in 2008–2009	252	219	213	183	189	179	142	127
B3. Combination of B1–B2 using one half standard deviation shocks	252	223	220	187	192	179	131	108
B4. One–time 30 percent real depreciation in 2008	252	294	285	247	256	242	186	143
B5. 10 percent of GDP increase in other debt–creating flows in 2008	252	225	217	187	194	183	146	129
Debt Service–to–Revenue Ratio 2/								
Baseline	12	10	13	12	14	15	10	9
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	12	11	14	13	15	17	12	16
A2. Primary balance is unchanged from 2007	12	10	13	12	13	15	9	5
A3. Permanently lower GDP growth 1/	12	11	13	12	14	15	10	11
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2008–2009	12	11	14	13	15	16	11	12
B2. Primary balance is at historical average minus one standard deviations in 2008–2009	12	10	13	12	14	15	10	10
B3. Combination of B1–B2 using one half standard deviation shocks	12	11	14	13	14	16	10	9
B4. One–time 30 percent real depreciation in 2008	12	11	14	13	14	16	10	10
B5. 10 percent of GDP increase in other debt–creating flows in 2008	12	10	14	12	14	15	10	10

Sources: Country authorities; and Fund staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of 20 (i.e., the length of the projection period).
2/ Revenues are defined inclusive of grants.

Figure 2. Burundi: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2007-2027

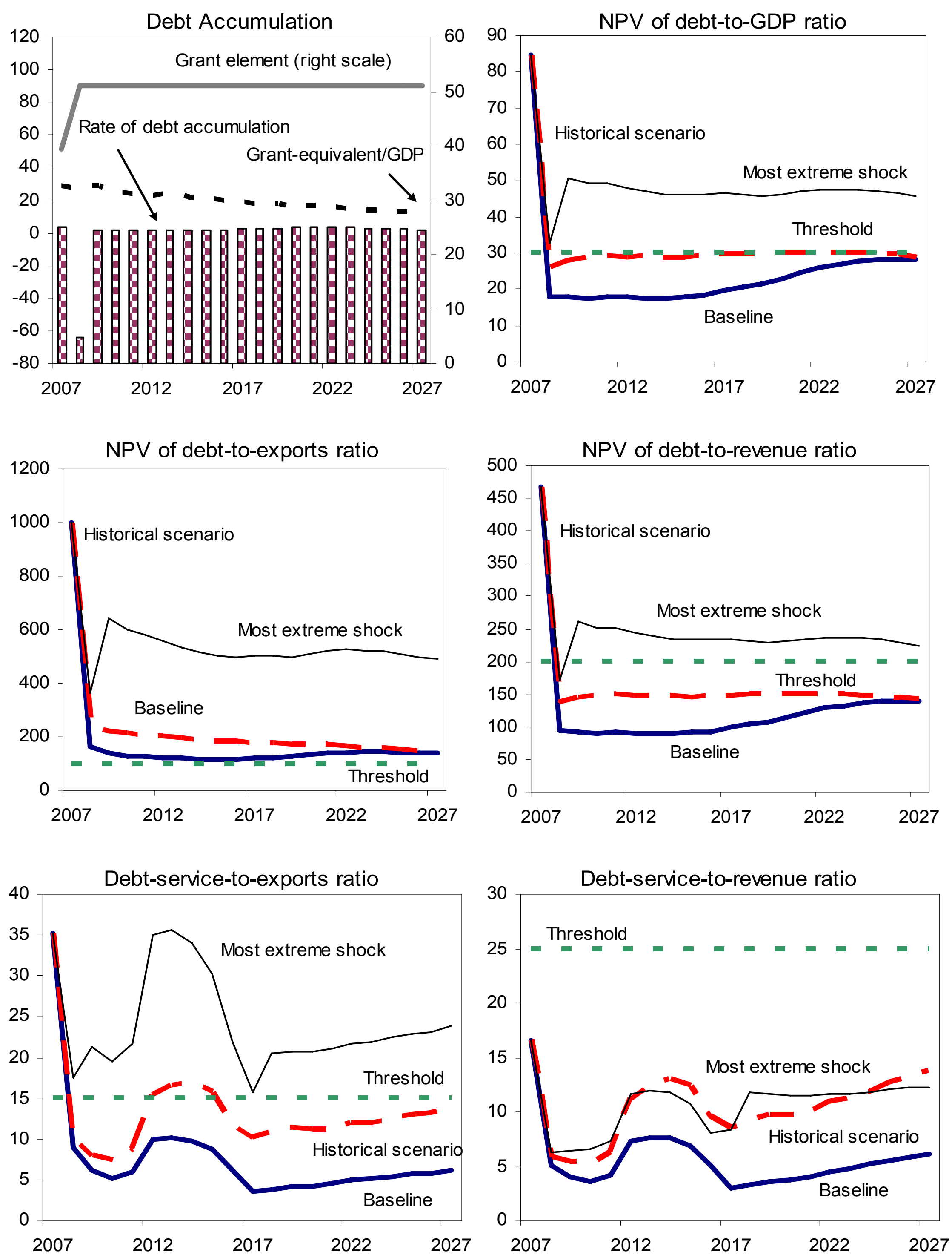
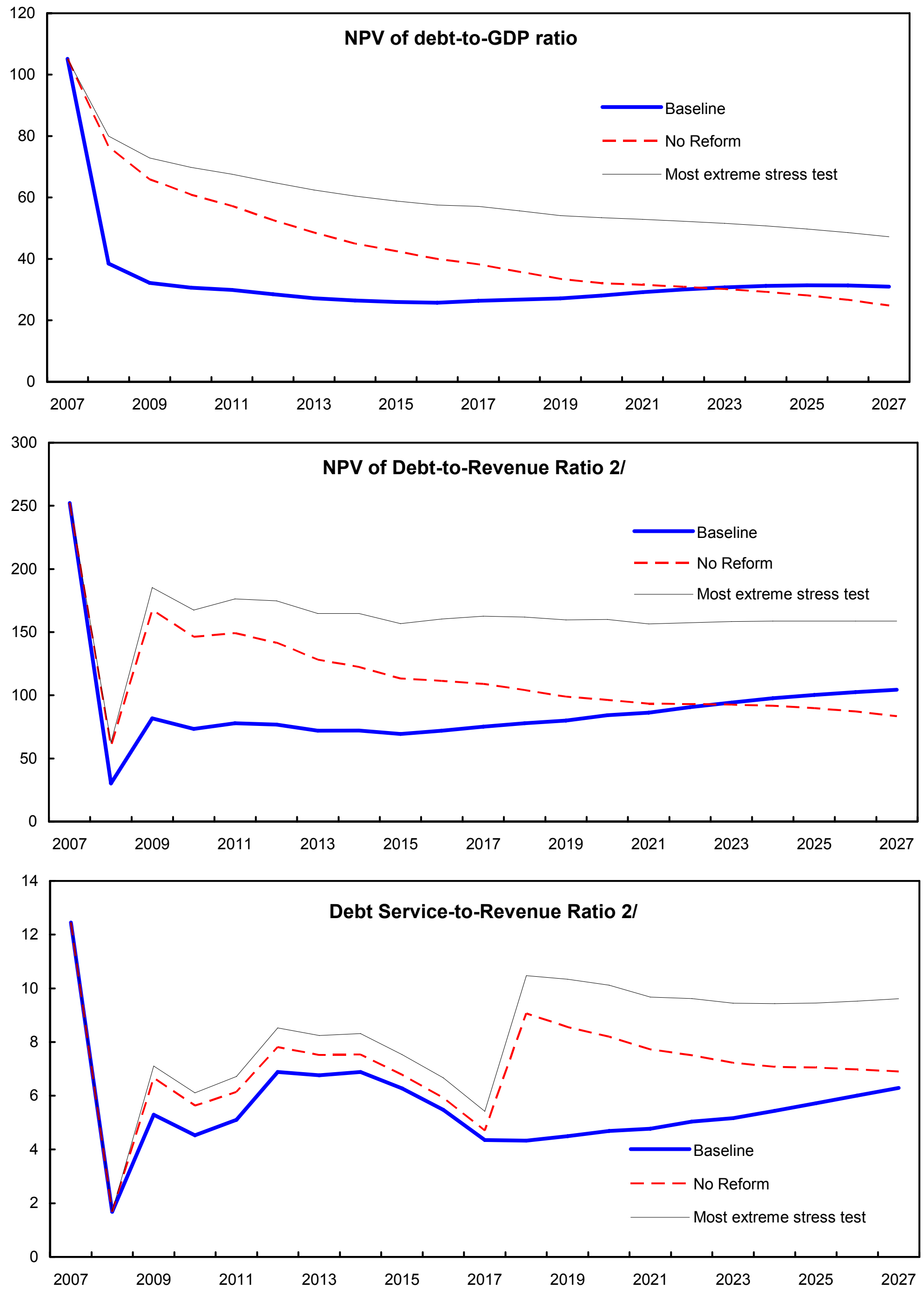


Figure 3. Burundi: Indicators of Public Debt Under Alternative Scenarios, 2007-2027 1/



Source: Staff projections and simulations.
1/ Most extreme stress test is test that yields highest ratio in 2017.
2/ Revenue including grants.

Statement by the IMF Staff Representative
January 16, 2008

1. The following information has become available since the issuance of the staff report. **The thrust of the staff appraisal remains unchanged**.

2. Recent information received from the authorities indicate that all the prior actions for the sixth PRGF review have been met (see table below).

However, in approving the proposal for the revised central bank (BRB) charter on January 4, 2008, the council of ministers modified a number of articles, including to replace the governor as president of the board of directors of the BRB with one of the external board members. Staff will discuss the impact of these changes on the intended objective of central bank independence and, if needed, would propose corrective actions in line with best international practice in the context of discussions on an eventual successor PRGF arrangement.

Burundi — Status of Prior Actions for the Sixth Review under the PRGF Arrangement

Measure	Status
Prior actions	
Ministerial Orders of the Minister of Finance:	
• establishing an exhaustive list of the kinds of expenditures that may be made without a prior payment order (*ordonnancement*);	Met, January 9, 2008
• clarifying the provisions of article 52 of the Public Accounting law;	Met, January 9, 2008
• concerning the status and prerogatives of the internal control office of the Ministry of Finance, and the duties of the office responsible for developing the IFMIS.	Met, January 8, 2008 and December 31, 2007
• Promulgate the 2008 budget law in conformity with the program discussed with the IMF.	Met, December 30, 2007
• Launch an external audit of HIPC expenditures	Met, December 6, 2007
• Approve the implementing regulations for the statistics law	Met, December 20, 2007 (revised from November 27, 2007)
• Parliamentary passage of the anti-money laundering law	Met, December 17, 2007
• Launch an external audit of cross-debts between the petroleum sector and the budget.	Met, December 10, 2007
• Launch the census operation of all government employees	Met, December 10, 2007
• Approval by the council of ministers of the revised BRB charter and submit it to Parliament	Met, January 4, 2008

INTERNATIONAL MONETARY FUND

EXTERNAL RELATIONS DEPARTMENT

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FOR IMMEDIATE RELEASE
January 16, 2008

International Monetary Fund
Washington, D.C. 20431 USA

IMF Completes Sixth and Final Review Under the PRGF Arrangement with Burundi and Approves US$11.4 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the sixth and final review of Burundi's economic performance under the SDR 69.30 million (about US$110.3 million) Poverty Reduction and Growth Facility (PRGF) arrangement. The completion of the review will enable the release of an amount equivalent to SDR 7.15 million (about US$11.4 million), which will fully disburse the total amount available under the arrangement.

In completing the review, the Board also granted Burundi a waiver for the nonobservance of a quantitative performance criterion pertaining to a temporary accumulation of external payments arrears and a structural performance criterion on the establishment of a unified data file for computerized payroll management.

The PRGF arrangement was originally approved on January 23, 2004 in an amount equivalent to SDR 69.30 (about US$110.3 million) (see Press Release No. 04/13). In July 2006, the arrangement was extended to September 30, 2007, and then again to January 22, 2008.

The PRGF is the IMF's concessional facility for low-income countries. It is intended that PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5½-year grace period on principal payments.

Following the Executive Board's discussion on Burundi's economic performance, Mr. Murilo Portugal, Deputy Managing Director and Acting Chair, stated:

“The authorities’ commitment to sound macroeconomic policies, and the outlook for stronger economic growth and reduced inflation in 2008 are encouraging. Since mid-2007, the

Burundian authorities have taken steps to address governance issues, shore up fiscal balances, and improve economic and monetary policy performance. Maintaining steadfast policy implementation will be needed to raise investment, sustain higher economic growth and reduce poverty substantially.

"Improved revenue performance coupled with careful management of expectations for a peace dividend in the public sector will contribute to strengthening Burundi's fiscal position. Enhanced public financial management, incorporating effective financial controls, will help to ensure fiscal integrity.

"Improvements in the governance and efficiency of the central bank, including measures to enhance its independence and accountability, are encouraging. The progressive strengthening of operations and the pursuit of a proactive approach, along with reinforced cooperation between the Ministry of Finance and the central bank, will help to improve liquidity forecasting and add to the effectiveness of monetary policy. Work is ongoing to bolster the banking system, by improving supervision and raising bank capitalization norms.

"It is important that structural reform efforts, including preparations to privatize the productive sectors of the economy, especially the coffee sector, be accelerated. Improving the investment climate will be vital to attracting private investment and spurring economic growth.

"Burundi is in debt distress. Progress toward the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative has been slower than envisaged. Efforts towards this end need to be accelerated, debt-service payment procedures improved and recourse to external borrowing on non-concessional terms should be avoided," Mr. Portugal said.

Statement by Peter Gakunu, Executive Director for Burundi and Dieudonne Nintunze, Senior Advisor to the Executive Director

Introduction

1. The Burundian authorities have remained steadfast in implementing prudent macroeconomic policies and ambitious structural reforms, which have resulted in commendable performance. This has been achieved despite a very difficult post-conflict environment and exogenous shocks dominated by drought and considerable delays in disbursement of programmed budgetary supports. The authorities are grateful to the Fund for the constructive engagement and support, and are appreciative to staff for their frank policy dialogue and advice under the program.

2. The authorities sustained their efforts towards economic recovery, and accordingly overall macroeconomic performance is satisfactory. All but one quantitative performance criteria were observed. A small amount of external payment arrears, accumulated at end 2006, was rapidly settled in January 2007. Implementation of the structural reform agenda was also satisfactory, although the pace was slower than targeted due mainly to capacity constraints. In this connection, the structural performance criterion on the establishment of a unified computerized payroll management file was not observed at end-June 2007, given that the census of civil servants was delayed as the associated TA was made available later than envisaged. However, the authorities made every effort to speed up implementation of the structural reform agenda in general, and correctives measures were implemented towards improving the public finance management reforms in particular, including the launch of taskforce units in May 2007 to reinforce reform of accounting system, treasury management, and enhance the operationalization of the Integrated Financial Management Information System (IFMIS). All the eleven prior actions, set for the completion of the Sixth Review of the PRGF supported program, were implemented in a timely manner.

3. The authorities broadly agree with the thrust of the staff appraisal, and will take appropriate steps to implement the policy recommendations. Given the good performance and continued commitment to successful program implementation, they request Directors' support for the completion of the review and granting of the associated waivers.

Recent Economic Developments

4. The Burundian economy recorded good economic performance over the recent years, as a result of prudent macroeconomic policies and enhanced implementation of structural reforms, notwithstanding a very complex environment. Although economic growth was volatile, due mainly to the impact of bad weather conditions and the associated shortfalls in hydropower energy production, it remained robust and reached 5.1 percent in 2006. The real GDP growth is, however, estimated to have decelerated to 3.6 percent in 2007, due to the depression in coffee production arising from drought and cyclical factors. Inflation levels were maintained within the authorities' program objectives in 2006 and 2007. The recent inflationary pressures reflect increases in oil prices and the tax measures implemented to increase revenue performance and mitigate the budgetary financing gap resulting from an

unbudgeted payment to a domestic petroleum import and distribution company "the interpetrol", as well as delays in disbursements of donors' budgetary support. It should be observed, however, that the authorities took prompt and strong actions to tackle a governance-related incident on this unbudgeted payment made to, "the Interpetrol" for an amount equivalent to about 1.6 percent of GDP in April-May 2007, which would otherwise have weakened the overall macroeconomic stability. Despite the volatility characterizing the external position, the gross official foreign reserves were higher than programmed, reaching 3.7 months of imports cover at end-2006, and are estimated to have reached 3.9 months at end-2007. Burundi currency remained stable and the real effective exchange rate (REER) is estimated to have depreciated by 11.4 percent in 2007.

5. The fiscal position improved as a result of the authorities' strong commitment to fiscal discipline and macroeconomic stability. Improved budget execution resulted in better than programmed indicators. Revenue performance remained robust in line with the program target, while the non-priority primary expenditure level was reduced by about 3.5 percent and 2.6 percent of GDP in 2006 and 2007, respectively. Accordingly, the primary fiscal deficit, in 2006-2007, was lower than programmed. The authorities have commendably started to restructure public expenditure towards more pro-poor spending at about 9 percent of GDP in 2006-2007, against only 6.8 percent in 2005. Nonetheless, the budget execution suffered from development expenditure adjustments to take into account the lower than programmed donors disbursements; and this impacted negatively on implementation of the authorities' investment programs, including in priority sectors.

6. Monetary policy remained prudent in support of low inflation objectives. Reserve money increased moderately, but remained below the program indicative target at end-December 2006 and end-September 2007. The medium-term lending rates, applied by commercial banks, continued their slight downward trend, reflecting the elimination of the tax on banking transactions and the reduction of the central bank refinancing rate, in support to economic recovery. The Bank of the Republic of Burundi (BRB) has continued to strengthen banking sector supervision, including progressive increase in minimum capital requirements and restructuring plans with non-complying and weak banks. Furthermore, the BRB has made strong progress in modernizing its internal operations system and monetary policy instruments, and will continue improving its operational capacity, with Fund TA and the FIRST initiative support.

Outlook and Policies for 2008 and in the Medium-Term

7. The economic prospects are favorable in 2008 and in the medium-term, as the general environment in the country is improving. Real GDP growth is projected to reach 6 percent in 2008 and to be broad-based across sectors, including a recovery in coffee production, and to remain at a robust pace in the medium term. Inflation is projected to be contained in single digits and is expected to remain low, on average, in 2008 and in the medium-term, due to the authorities' commitment to prudent fiscal and monetary policies. The fiscal and external positions should continue improving following the overall economic recovery prospects.

8. The robust performance and favorable outlook notwithstanding, the main challenges for the authorities are to sustain macroeconomic stability and strengthen implementation of structural reforms necessary to achieve a higher per capita income, with a view to substantially

reducing poverty, responding appropriately to the urgent reconstruction and social needs, and making substantial progress in reaching the Millennium Development Goals (MDGs). In this connection, the authorities are determined to deepen implementation of their PRSP which offers an appropriate framework for the diversification of the sources of growth and exports, improvements in public finance management and capacity building, and integration in the regional and global economy.

Fiscal Policy

9. The authorities have reaffirmed their commitment to fiscal sustainability. The 2008 budget projects an increase in domestic revenue to 19.2 percent of GDP and around 20 percent in the medium-term, and the primary fiscal deficit is expected to narrow progressively, while the overall fiscal balance, including grants, would be in equilibrium. The authorities would continue their effort of improving public expenditure quality and effectiveness in favor of increased pro-poor and productivity-enhancing spending. Despite the implementation of nominal wage bill increases announced earlier in May 2007, but postponed to 2008, the overall wage bill as a percentage of GDP would stabilize at the level of 2007. It would trend downward to attain more sustainable levels in the medium-term, in line with the accelerated growth objectives. The authorities are strengthening the implementation of the public finance management and accountability reforms with the support of development partners, including the World Bank and IMF. In this regard, the Integrated Financial Management and Information System (IFMIS) will be extended to line ministries, with a view to improving transparency, monitoring, reporting and efficiency in public sector operations. A physical census of all public employees will be carried out to strengthen wage bill management and inform public service reforms. The authorities have also undertaken a comprehensive review of the tax and customs code, supported by the Fund and donors assistance, with a view to further strengthening tax administration, broadening the tax base, and making the tax system more equitable and efficient. The work on the introduction of the VAT is also in progress.

Monetary and exchange rate policies

10. The BRB will continue implementing prudent monetary policy in accordance with low inflation objective. It is enhancing its monetary policy capacity management with the support of the Fund TA and modernizing its instruments, including strengthening financial intermediation, and development of financial market, starting with the introduction of government securities. The BRB will continue improving its coordination with the Treasury in this regard. The non-performing loans in the financial sector have been reduced substantially with the implementation of the authorities' strategy to clear domestic arrears. Financial sector supervision will be further strengthened. The managed floating exchange rate regime has served Burundi well so far. The BRB has liberalized current international transactions and is committed to a flexible exchange rate regime.

Structural reforms

11. The authorities are committed to stepping up implementation of their structural reform agenda. This includes improving governance and business environment, promotion of efficiency in productive sectors, and enhancing openness of trade to take full advantage of integration of the economy to regional and global markets. These reforms would help sustain

high economic growth and substantially reduce poverty. The authorities are committed to continue strengthening institutional capacity and national statistics systems. In this regard, they count on further TA support from development partners, including the World Bank and the Fund.

Debt Sustainability and Debt Relief Initiatives

12. The full delivery of the HIPC and MDRI assistance would have a very moderate impact and Burundi would remain highly vulnerable to debt distress, as the NPV of debt-to-exports ratio remains above the 100 percent threshold over the long-term period, 2007-2027. Consequently, the authorities would welcome exceptional efforts by development partners to provide additional financial support, including by raising further interim relief, given Burundi's financing needs for the enormous post-conflict reconstruction, poverty reduction programs, and the attainment of the MDGs. The authorities are committed to reaching the completion point under the HIPC initiative in 2008. In this regard, they are stepping up implementation of the triggers selected for this purpose, and are strengthening debt management capacity.

Conclusion

13. The authorities' continued commitment to prudent macroeconomic policies has contributed to encouraging economic outcomes in recent years. They are conscious that much remains to be done to consolidate the progress achieved and substantially improve the living conditions of the Burundian population. In this regard, the authorities are resolved to redouble their effort to deepen structural reforms, with a view to making stronger progress towards reaching the MDGs. They are determined to sustain macroeconomic stability and diversify exports with a view to strengthening resilience of the economy against exogenous shocks.

14. The authorities are determined to remain engaged with the Fund and look forward to discussing a successor PRGF-supported program as soon as possible.