

Burundi: Selected Issues and Statistical Appendix

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BURUNDI

Selected Issues and Statistical Appendix

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Approved by African Department

June 30, 2006

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I. INTRODUCTION

The selected issues paper has three chapters:

- Chapter II analyzes Burundi's economic performance in the light of the past decade of delayed structural reform and future challenges. The analysis shows a sharp degradation of the economy. Burundi is not only poorer but also more vulnerable, due to a low level of investment, weak business climate, and low productivity in the agricultural sector. The new authorities have a window of opportunity to gather a broad political and social consensus on reforms, in order to develop and implement an ambitious structural agenda geared toward a private-sector-led growth. Such an agenda would require not only prudent macroeconomic policies and further liberalization of the economy, but also an emphasis on good governance, transparency, and efforts to durably improve investor confidence.
- Chapter III examines the short and long-run determinants of economic growth in Burundi during the period of 1965–2005. Specific attention is given to explaining the extent to which structural rigidities and macro stability affects growth and the speed of adjustment toward a long-term growth path. The determinants of output fluctuations and growth are examined both on the supply side and the demand side. On the supply side, the paper employs the growth accounting exercise, controlling for possible endogeneity problems of production factors. On the demand side, the same methodology allows evaluation of the speed at which output adjusts toward long-run equilibrium in the baseline. The chapter concludes that macroeconomic stability and the implementation of key structural reforms will be essential for long-run growth.
- Chapter IV stresses the importance of fiscal policy for macroeconomic stability and the critical role of Public Expenditure Management (PEM) in fiscal policy. The chapter takes stock of current fiscal management of public expenditures and identifies weaknesses and needs for further reforms. It concludes that it is urgent that Burundi consolidate its current PEM reforms and move forward purposefully to bring fiscal management to regional and international standards.

II. BURUNDI: A DECADE OF STALLED STRUCTURAL REFORMS ¹

1. Over the last decade, Burundi has gone through a difficult transition to democracy. During this period, civil war and economic isolation contributed to a drop in per capita of about 65 percent of its pre-civil war level. The analysis shows a sharp degradation of the economy: Burundi is not only poorer but also more vulnerable, due to accumulated delays in needed structural reforms, a lack of investment, weak business climate, and low productivity in the agricultural sector. The purpose of the study is to analyze Burundi's current situation, in the light of the last decade or so and to draw some lessons on prospects for Burundi. The new authorities have a window of opportunity to gather a broad political and social consensus on reforms in order to develop and implement an ambitious structural agenda geared toward a private-sector-led growth. Such an agenda would require not only prudent macroeconomic policies and further liberalization of the economy, but also an emphasis on good governance, transparency, and efforts to durably improve investor confidence.

2. After briefly describing the recent political developments (Section A), we analyze how the beginning of reforms, notably in the coffee sector, might have an impact on growth and poverty (Section B). In the medium and long run, growth prospects will heavily depend on greater investment, improved business climate, and further participation to trade agreements (Section C). These reforms will require greater exchange rate flexibility (Section D), as well as stronger institutions, notably in the financial sector (Section E).

A. Insecurity Leads to Increased Poverty

3. **In 1993, political tensions between ethnic groups rapidly degenerated into civil war.** As security degenerated, a massive displacement of the population took place and economic activity dropped. With little prospect for a recovery, the IMF-supported program² went off-track and donors reduced their financial assistance, further destabilizing the country. The 1996–99 period was particularly difficult with an economic blockade by neighboring countries³ which led to an intensification of exchange rate restrictions, causing further hardship.

¹ Prepared by Olivier Basdevant.

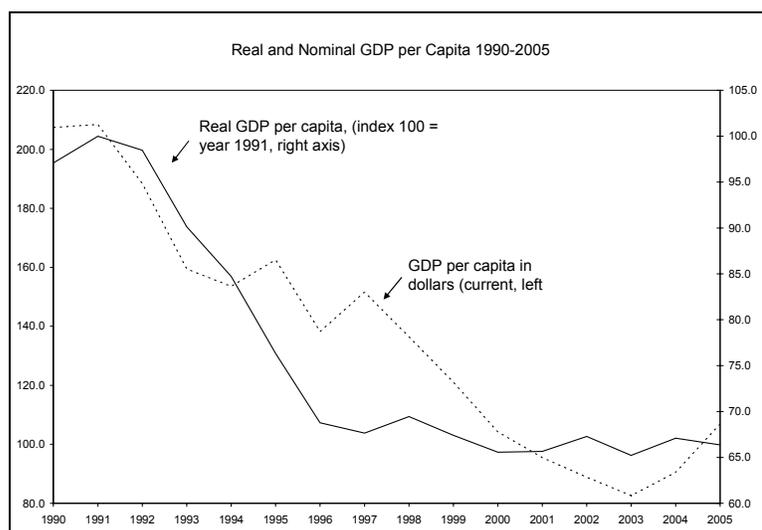
² Enhanced Structural Adjustment Facility.

³ Democratic Republic of the Congo, Ethiopia, Eritrea, Kenya, Rwanda, Tanzania, Uganda, and Zambia.

Table 1. Principal Events Since the First Democratic Elections of 1993

June 1993	First democratic elections (presidential and legislative)
July 1993	New Hutu government, formation of a multiparty government including members from the Tutsi-dominated ex-ruling party.
October 1993	President and several top officials assassinated in military coup.
January 1994	New president designated by National Assembly again with an attempt of forming a multiparty Government.
April 1994	The president was killed in a plane crash together with Rwandan president. Discussions took place to form a new multiparty government, while a genocide started in Rwanda.
March 1996	The UN and the Organization of African Unity (OAU) send a mediator, and an agreement was reached for the deployment of a regional military force in Burundi.
July 1996	Military coup, followed by trade and financial blockade from neighboring countries
April 1997	Beginning of the peace talks, blockade partly lifted.
August 2000	Arusha peace agreement.
November 2001	Transition government installed, with a three-year mandate.
December 2002	Ceasefire with several groups of rebel movements.
November 2003	Largest rebel movement (CNDD-FDD) agrees to peace and joins Government in mid-2004.
December 2004	Integration of armed ex-rebel movements units into a new army and police forces. Beginning of the demobilization program
August 2005	Second democratic elections
May 2006	Negotiations begin with last rebel movement (FNL).

4. **During 1990–2005 real income per capita fell by 35 percent.** However, internal tensions were not the only factors explaining the decline. The economy was also affected by public intervention, which led to significant inefficiencies, notably in the coffee sector. The hardships of civil conflict were also seen in the flight of about 700,000 people to neighboring countries and more than one million refugees and displaced people within Burundi and a doubling of the percentage of people living below the poverty line



(from 35 percent to 68 percent). As a consequence, Burundi ranks among the very least developed countries (169 of 177 countries according to the 2005 Human Development Index).⁴

5. **Food shortages are a heavy burden on the country.** Food shortages are expected to affect approximately 1.5 million people in 2006 (about 20 percent of total population).⁵ The food shortages mostly affect people in the northern areas, where localized drought conditions have persisted. More generally, the food deficit results from (i) unfavorable weather conditions; (ii) parasites that decimate plants; (iii) lack of modern techniques and agricultural tools; (iv) poor state of infrastructure (roads); and (v) security concerns, which alter the movement of people, as well as farming. Finally, population displacement has particularly affected the most fertile provinces. Livestock has also been hit badly by theft and diseases, making the poor even more vulnerable.

6. **With the Arusha Agreement in 2000, security began to improve and growth slowly resumed.** GDP grew by a cumulative 11.4 percent in 2000–05, while GDP per capita stabilized (+1.2 percent) and inflation slowed markedly (7.7 percent compared to an average of 30.3 percent over 1991–2000). While welcome, these economic gains need to be extended and intensified to alleviate poverty. Looking forward, Burundi's success will depend on continued peace, macroeconomic stability, and efforts to rebuild confidence. Since the Arusha peace agreement in August 2000, Burundi has made significant progress in these areas, donors have resumed their assistance, and the decision point under the enhanced HIPC Initiative has been reached.

B. Agricultural Reforms are Critical

7. **Addressing the constraints in the agricultural sector, which represents roughly half of GDP, is critical for poverty alleviation.**

As in many African countries, the primary sector is the largest in the economy. The primary is mostly driven by food crops. In addition, agriculture (mainly coffee) accounts for 90 percent of exports. In the export sector, the main issue is to liberalize the extensive state holdings to attract private investment and boost value added. Given the weight of the agricultural sector in the economy, developing the tertiary sector and diversifying the economy could bring additional sources of growth, while strengthening the stability of the growth pattern.

	Share of each sector in GDP (average)		
	1991-95	1996-00	2001-05
Primary	49.2	53.3	49.4
Secondary	14.9	12.2	13.9
Tertiary	35.8	34.6	36.7
Decomposition of the primary sector			
Food crops	77.8	77.9	75.1
Export crops	9.6	10.6	12.7
Other	12.6	11.6	12.2

⁴ The United Nations Development Program (UNDP) Human Development Index 2005 measures a country's achievements in three aspects of human development: longevity, knowledge, and a decent standard of living.

⁵ FAO/UNICEF/WFP and Burundi government survey (2006).

8. **The coffee sector produces both washed and fully washed coffee (almost entirely Arabica) by some 800,000 small producers.** Washed coffee consists of small farmers depulping the harvested coffee cherries (largely manually), which are then sold to the state-owned hulling enterprise SOCECO (Société de Déparchage et de Conditionnement). The resulting green coffee bean is sold to exporters through the state marketing monopoly OCIBU (Office des Cultures Industrielles du Burundi), through an auction market. For the fully washed coffee, the farmers deliver coffee cherries directly to the state-run coffee-washing stations managed in groups by five state- and mixed-ownership management companies SOGESTALS (Sociétés de Gestion des Stations de Lavage). After processing (through a fermentation procedure), the unshelled beans are sold to SODECO and then to exporters through OCIBU sales mechanism. The process for fully washed coffee results in much higher quality green-bean coffee than possible under the washed procedure.

9. **The coffee sector has been the object of extensive state intervention aimed at technological improvement (the washing stations) in the 1980s and a de facto insurance mechanism.** Burundi coffee production is subjected to two major risks: fluctuation in international prices of coffee, which markedly fell in the early 1990s, and erratic production, owing to weather conditions and lack of investment in the coffee trees, fertilizer, and infrastructure. State ownership has been a major negative factor on private initiative and incentive to invest. Until the early 1990s, a system of subsidies from the government and foreign aid was used to compensate producers for substantial discrepancies between costs and prices, notably as the later were on a downward trend (see Table 2). Subsequently, a stabilization fund was set up, managed by OCIBU, funded by tax receipts on coffee exports, that was to be used in case of an adverse shock. The coffee export tax was abolished in the early 2000s.

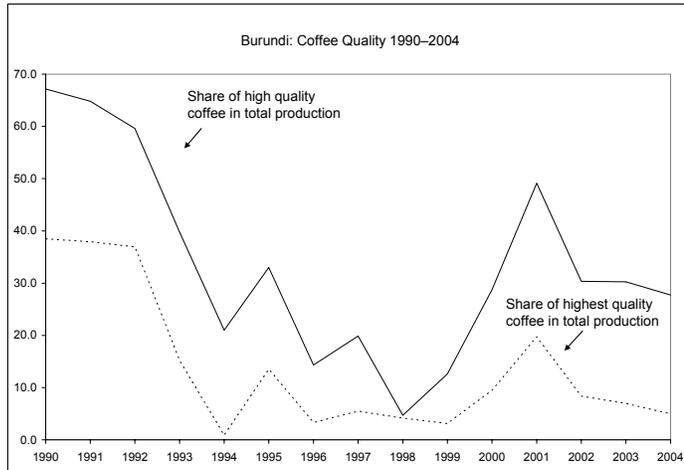
Table 2: The Impact of Public Intervention on Coffee Prices

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Producer price ¹	59.4	57.1	53.4	79.0	67.4	56.2	53.5
Institutional charges ¹	16.9	16.9	15.0	22.1	13.5	28.5	8.3
Average selling price (in Burundi francs)	971.5	1,100.0	1,200.0	811.0	959.5	1,175.4	1,815.8
Profit or loss (-) per kg	-210.6	-1.2	-25.8	-275.6	-132.5	-540.9	169.3

Sources: Burundi authorities; and Fund staff estimates.

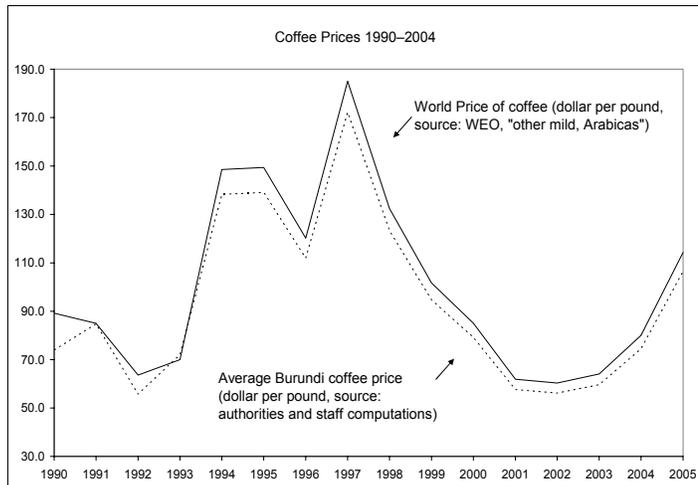
¹Percent of green bean (unroasted) price equivalent. The total percentage can be above 100 percent because producers used to have a guaranteed price.

10. **This de facto socialization of production severely reduced the economic incentives to produce good quality coffee.** The share of high quality product decreased continuously during the 1990s from 70 percent to about 10 percent. Although it has since partly recovered, the quality of coffee produced in Burundi is still far from what it was in the past. This is particularly worrisome in the context of increased globalization and competition,



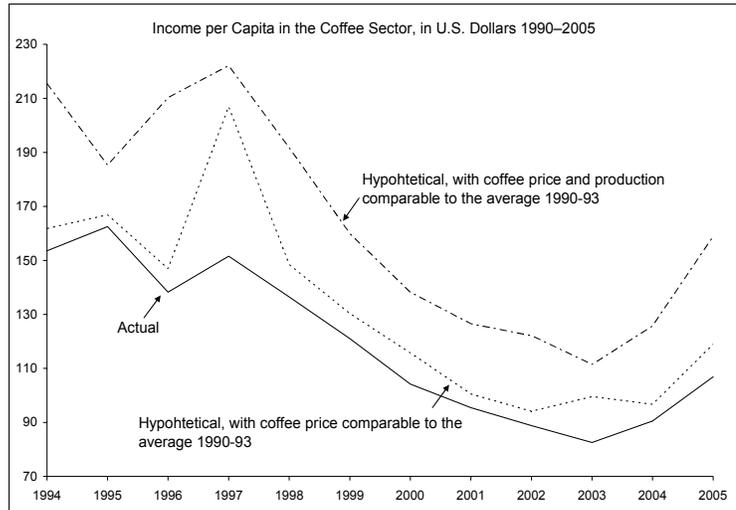
which led to a significant decrease in coffee prices world-wide, and the structural shift in international demand to high quality brands. This period also saw a decapitalization of Burundi's coffee sector as investment stalled and low international prices and declining quality resulted in large losses. These developments underscore the need for a fundamental reform of the sector to create the incentives for the private investment in search of exploiting Burundi's potential as a niche producer of high-quality, mountain-grown Arabica coffee.

11. **The liberalization of the coffee sector has been on the top of the structural reform agenda over the last fifteen years.** Delays in the implementation of the coffee sector reform have been a recurrent issue in Burundi. As a result, Burundi has not been able to take advantage of rising international demand for the higher quality coffees, and its output which earned a premium to the international standard ("other arabica/milds") in the 1980s was discounted in the 1990s. Some



initial progress in reforming the sector was achieved in 2005 in liberalizing trade and investment, eliminating production taxes, giving farmers a voice in the state marketing agency and reducing its role, but structural change has been slow, given the still dominant role of the state sector.

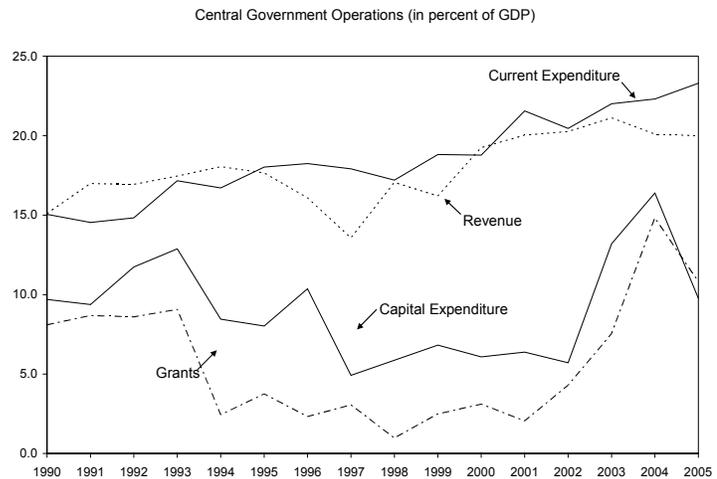
12. **The magnitude of the toll on rural incomes from the factors discussed above is striking** (see opposite figure). In 1990–93, Burundian coffee was sold at about 93 percent its benchmark international price, while by 2002–05 this ratio had declined to only 73 percent. Meanwhile, coffee production had also declined sharply to only 62 percent of its average in 1990–93. As a hypothetical exercise, the figure shows the potential difference in income



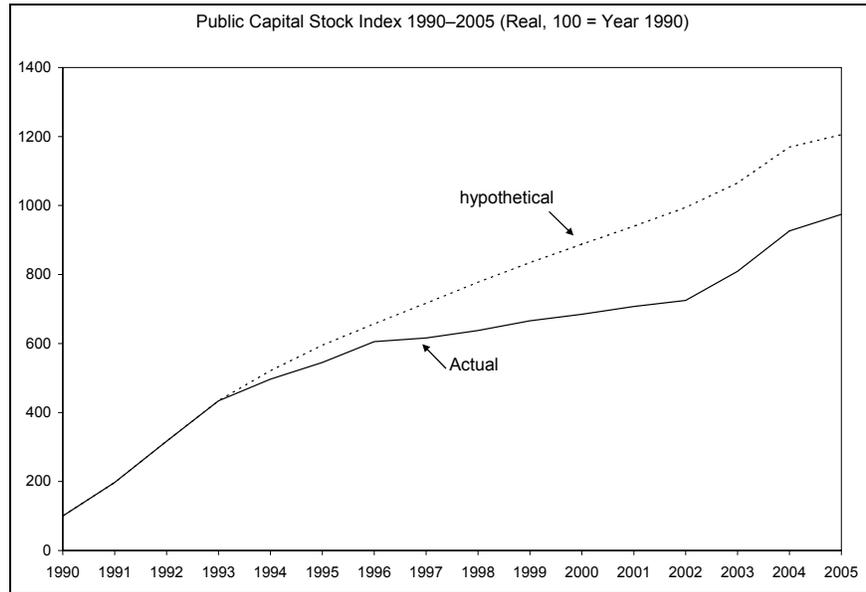
per capita for coffee producers from assuming the 1990–93 production and price ratios through 2005. The results are telling: the hypothetical revenue loss for the approximately 800,000 small coffee producers in terms of income per capita is on average of 38 percent (under the combined price and output effects) and 11 percent (with the price effect only).

C. Buttressing the Private Sector

13. **Burundi is in great need of investment in infrastructure, but fiscal constraints leave little room for additional public spending.** During 1993-2002 there was a significant drop in capital expenditures, which was partly explained by the sharp decrease in foreign aid. Since then, capital expenditure has recovered somewhat in relation to GDP. Burundi's development partners are now helping to fill the investment gap and support structural reforms.

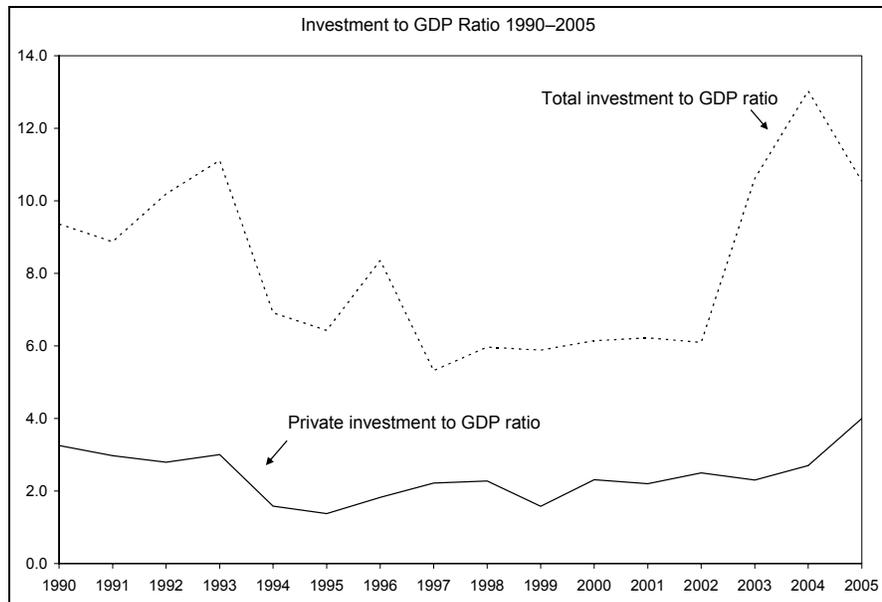


14. **Despite this initial recovery, Burundi has yet to rebuild its pre-civil war level of public capital stock.** To illustrate this point, a "hypothetical" public capital stock was constructed assuming that the ratio of capital expenditure to GDP prevailing in 1990–93 would have been maintained during 1994–2002.⁶ It shows an investment gap of actual to hypothetical



at end-2005 of 18 percent. To fill this investment gap, a sustained public investment rate of about 16 percent of GDP per year (compared with 6½ percent of GDP in 2005) for the next ten years would be required to simply catch-up with the pre-war capital stock level.

15. **Improving the business climate is one of the keys to attracting higher private investment.** In this respect, it is worrisome that, according to the World Bank's "Doing Business in Burundi" survey (2005), Burundi is still ranked among the least business-friendly countries in the world (Table 3).



⁶ Based on the permanent inventory method, with a depreciation rate of 5 percent per year.

Table 3. Doing Business in Burundi (155 countries ranked)

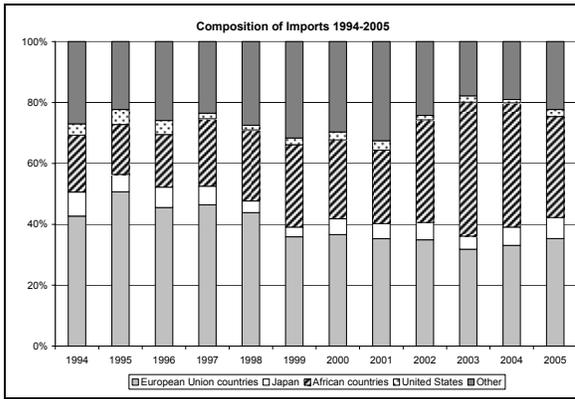
Ease of...	Burundi rank
Doing Business	143
Starting a Business	88
Dealing with Licenses	138
Hiring and Firing	107
Registering Property	123
Getting Credit	110
Protecting Investors	...
Paying Taxes	111
Trading Across Borders	153
Enforcing Contracts	140
Closing a Business	105

Source: World Bank, Doing Business in Burundi, 2005

16. **Since the Arusha agreement some progress in the business climate, has been made.** Transparency and accountability of public institutions have improved, notably with the creation of the Ministry of Good Governance and of the public Audit Court (Cour des Comptes). The latter published its first report on the government accounts in December 2005. Second, monetary policy reform has involved movement toward greater flexibility, transparency, and market orientation. This has been accompanied by an extensive liberalization of the exchange regime. These reforms, coupled with a privatization program to be launched in 2006, will improve the climate for foreign investment. Foreign investment will not only provide additional investment financing, but as importantly will favor greater diffusion of modern technologies in the country. It could also help to exploit business opportunities, not only in the traditional sectors (coffee, tea, cotton, sugar), but in new areas that may show promise, including in mining (notably for nickel and tungsten) where Burundi's resources have never even been fully assessed.

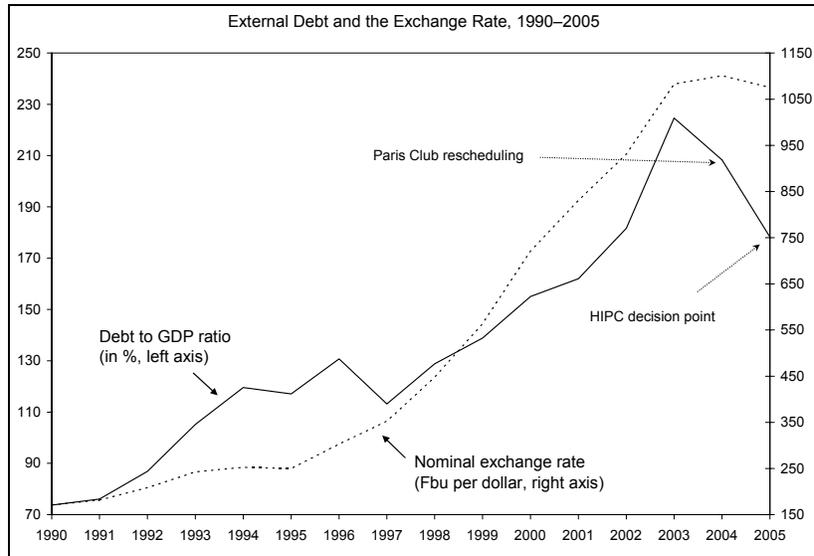
17. **Trade policies could also stimulate economic activity.** As early as 1994, the government pushed forward a strategy for export diversification, through implementation of a free trade zone under which significant fiscal incentives were granted to potential investors and all restrictions on transfers of profits, dividend, and invested capital removed.

18. **Similarly, access to external markets could lead to further gains.** Burundi is already a member of the COMESA (Common Market for Eastern and Southern Africa) and has applied to join the ECA (East Africa Community). Burundi share of trade with Africa has followed an upward trend (see figures below), most likely reflecting the end of the years of embargo.

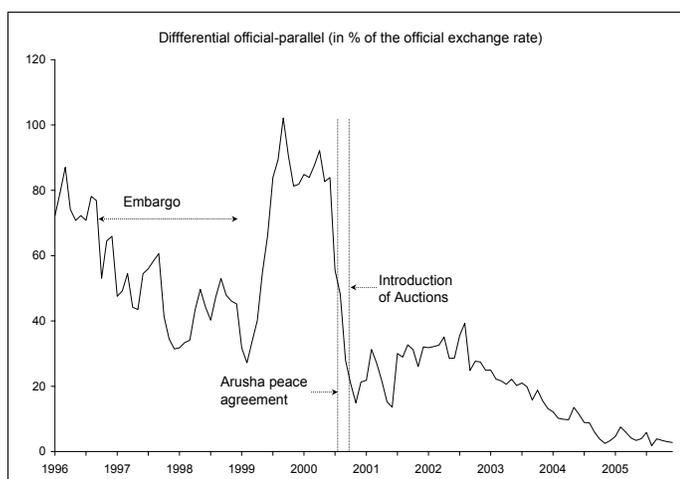
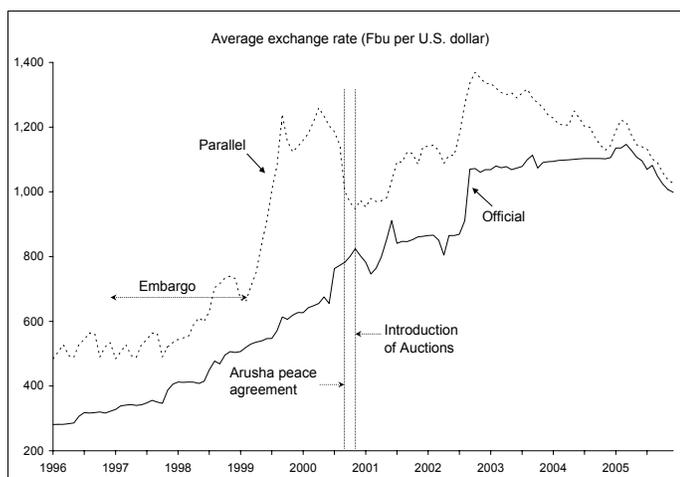


D. Debt Relief and a More Stable Real Exchange Rate will Contribute to Private Sector

19. **Burundi is quickly moving away from the unsustainable debt situation and unstable exchange rate of the 1990s.** During the decade, the pegged currency was devalued on several occasions, partly as a result of external and internal imbalances. These adjustments were not met with a required fiscal adjustment and the external debt rose from 73 percent of GDP in 1990 to 155 percent in 2000. Moreover, external reserves fell and arrears mounted.



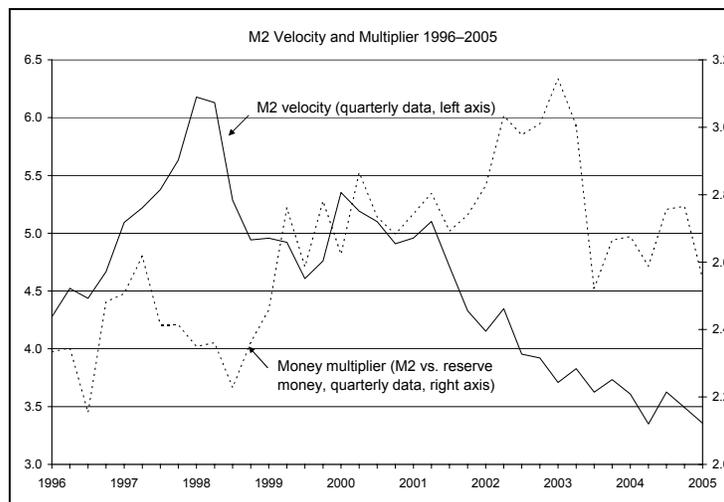
20. **The foreign exchange regime was characterized by pervasive restrictions.** During the 1990's the Burundi franc was pegged to the SDR (until 1992) and then to a trade-weighted basket (until 1999). The official exchange rate was fixed by the central bank (Banque de la République du Burundi, BRB) at a weekly foreign exchange auction, and was binding for all official and commercial transactions. The foreign exchange market was narrow and compartmentalized. During the 1990s, the BRB provided foreign exchange at an official rate, administratively set, and restricted to imports of essential goods. Meanwhile, a 70-percent surrender requirement for exports receipts was applied for the traditional exports. As a result, a parallel market developed, which imposed a significant premium (see figures on the right).



21. **The exchange regime was gradually liberalized beginning in 1999.** The BRB gradually liberalized its foreign exchange auctions and, by 2004, the mandatory nature of reference price was abolished and foreign exchange bureaus were licensed. In 2005, the official rate became the daily weighted average rate of the banks' daily transactions, limits on invisibles and reporting thresholds for goods were raised, and the surrender requirement for export receipts was reduced then eliminated. The exchange rate system is now a managed float, but the BRB intervenes in the foreign exchange market, only as part of its foreign exchange reserves management and does not target a specific rate. As a result, the parallel exchange market has largely been reabsorbed.

E. Strong Institutions will Reinforce Macro Policies

22. **Beyond its direct impact on the business climate, building and strengthening Burundian institutions will be key to debt sustainability.** External debt became unsustainable partly because of the weakness of institutions. The first step in the turnaround consisted of re-building political institutions and democratic elections. The second step has been to strengthen fiscal and



monetary policies, which has already yielded significant results in containing inflation and fiscal deficits. The third challenge is now to deepen structural reforms to improve private sector participation in the economy. The sociopolitical situation is still fragile, mostly because of widespread poverty. Moreover, given the increasing aid inflows that Burundi is expected to benefit from, it will also be key to have institutions capable of managing this aid effectively.

23. **A healthy banking system that can provide credit to the private sector will also be key to Burundi's future.** Presently, Burundi's financial system is comprised of eight commercial banks and two financial institutions (a development bank and a housing promotion fund), all of them under the supervision of the BRB. The majority of bank assets are in credit to the public sector, with the BRB having financed the budget over the last decade. As a result, the BRB has to tighten its policy in order to prevent excessive money creation. This policy has been successful in keeping inflation down. However, this was partly achieved at the expense of banking credit to the private sector. The share of banking financing to the private sector has decreased and represented only 55 percent of total domestic credit at the end of 2005 (see figures below and Table 4). When comparing Burundi with other African countries, it also appears that the share of net credit to government (in percent of GDP) is significantly higher in Burundi than in other African countries (Table 4). The next step would be to reduce banking financing to the government, so as to create more room for bank financing to the private sector.

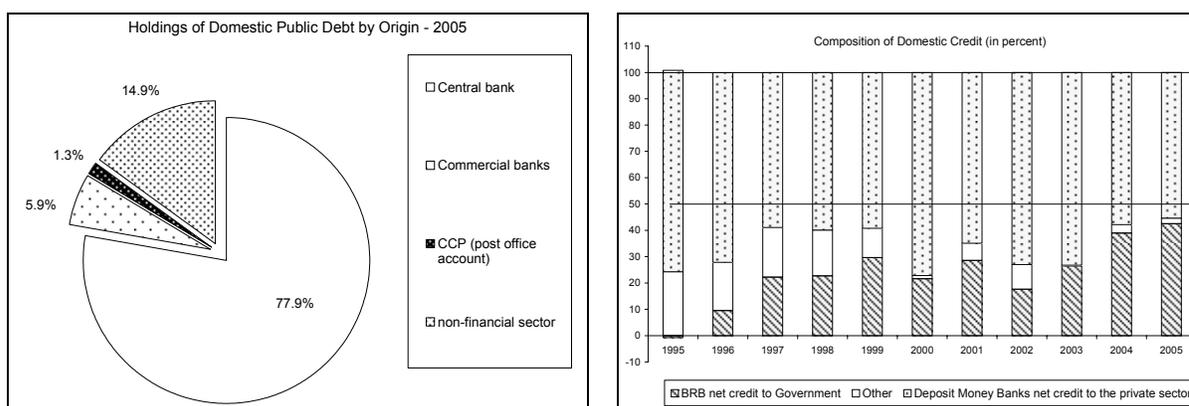


Table 4. Domestic Credit—Comparison Between African Countries

	GNI per capita 1/	HDI 2/		Credit to the Economy 3/		Credit to Government 3/	
		value	rank	1996-2000	2001-05	1996-2000	2001-05
Burundi	90	0.378	169	11.5	22.4	7.5	10.4
Botswana	4360	0.565	131	13.1	17.1	-82.7	-40.5
Kenya	480	0.474	154	29.2	24.2	11.3	9.8
Malawi	160	0.404	165	4.9	6.0	1.0	9.3
Mozambique	270	0.379	168	14.6	2.3	-9.5	-4.0
Rwanda	210	0.450	159	8.6	10.6	3.5	0.0
South Africa	3630	0.658	120	66.2	79.2	3.2	2.9
Tanzania	320	0.418	164	4.0	7.5	8.8	2.6
Uganda	250	0.508	144	5.4	6.2	1.0	3.1

1/ In current U.S. dollars, Atlas method. Source: World Bank, World Development indicators, 2005

2/ Source: UNDP, Human Development Index, 2005.

3/ In percent of GDP. Source: IFS and staff calculations

24. **The banking system is still weak, with an average ratio of nonperforming loans to total gross loans of 20.1 percent in 2005** (Table 5). The weakness of the banking sector has been exacerbated by the lack of enforcement of prudential regulations, the accumulation of domestic arrears by the budget, and more generally by a weak business climate. The development of the banking sector will therefore require the enforcement of prudential regulations. An arrears clearance strategy is to be implemented in 2006 and the privatization of state assets and gradual inflow of private and foreign investment should contribute to stronger credit demand.

Table 5. Financial Soundness Indicators, 2001-2005

(In ratios as indicated)

	Basle standard	2001			2005		
		System average	Weakest bank	Stongest bank	System average	Weakest bank	Stongest bank
Capital adequacy							
Regulatory capital to risk-weighted assets	0.08 +	15.2	10.6	25.4	18.2	8.3	24.2
Regulatory Tier I capital to risk-weighted asset	0.04 +	14.9	10.4	25.4	16.0	5.9	23.5
Asset quality							
Nonperforming loans to total gross loans		12.5	21.9	3.7	20.1	30.7	11.9
Nonperforming loans net of provisions to capital		88.2	149.1	22.2	36.3	125.6	4.9
Coffee sector loans to total loans		7.0	3.3	9.3	3.7	1.2	6.4
Large exposures (to a single borrower) to capital		142.0	347.3	33.3	315.2	1,213.0	0.0
Earnings and profitability							
Return on equity		17.1	-28.4	32.3	17.5	-7.3	54.7
Return on assets		2.1	-2.1	4.2	1.4	-1.2	3.6
Interest margin to gross income		165.0	177.7	159.7	180.6	219.9	139.3
Noninterest expenses to gross income		78.9	85.8	67.0	105.8	163.9	55.2
Liquidity							
Liquid assets to total assets		13.9	11.0	18.1	32.7	16.7	74.2
Liquid assets to short-term liabilities		32.7	21.9	55.1	74.3	27.2	191.5
Sensitivity to market risk							
Duration of assets (average maturity)		n/a	n/a	n/a	n/a	n/a	n/a
Duration of liabilities (average maturity)		n/a	n/a	n/a	n/a	n/a	n/a
Net open position in foreign exchange to capital		10.3	-31.5	2.7	9.2	-4,287.2	13.8
Foreign currency operations							
Foreign currency loans to total loans		...	...	...	0.4	0.0	3.1
Foreign currency liabilities to total liabilities		14.3	3.4	19.3	13.8	0.0	35.6

Source: Banque de la République du Burundi.

1/ Tier I capital is defined under the Basel Accord as consisting of permanent shareholders' equity and disclosed reserves that are created or maintained by appropriations of retained earnings or other surplus (e.g. share premiums, retained profit, general reserves and reserves required by law). Disclosed reserves also include general funds that meet the following criteria: (1) allocations to the funds must be made out of post-tax retained earnings or out of pre-tax earnings adjusted for all potential tax liabilities; (2) the funds and movements into or out of them must be disclosed separately in the bank's published accounts; (3) the funds must be available to a bank to meet losses; and (4) losses cannot be charged directly to the funds but must be taken through the profit and loss account. The Accord also acknowledges other forms of supplementary capital (referred to as tier two capital), such as other forms of reserves and hybrid capital instruments that should be included within a system of capital measurement.

F. Conclusion

25. **Burundi is at a cross-road in its history.** The successful conclusion of the peace process, together with the renewed confidence from the international community, has opened a window of opportunity to implement an ambitious structural reform agenda, reduce poverty, and accelerate growth. In some respects this situation is similar to the one that prevailed for a little while after the first democratic elections of 1993. However, the current situation is more complex, from a social point of view, than it was a decade ago. Burundi is ranked among the very least developed countries while real GDP per capita is about

65 percent of its 1991 level. This may weaken the authorities' position, as with a larger portion of the population under the poverty threshold; the social impact of reforms will have to be carefully balanced in a context where fiscal constraints leave no room for slippage. It will be essential to preserve a strong political and social consensus on reforms.

26. **The peace agreement, free elections, and renewed support from donors have triggered a growth recovery that could pave the way for a recovery in living standards.** The authorities now have the possibility to engage in a new period of economic reform, based on a private-sector-led growth, which will complement the political reforms that have been accepted by a very large proportion of the population. However, many hurdles remain and the reform agenda will be a challenging one, but it is also a necessity given the extent of poverty and the low growth performance recorded over the last fifteen years.

27. **In the short and medium term, improving Burundi's aggregate growth performances requires addressing constraints in the agricultural sector, which accounts for roughly half of GDP.** This underlines the need for privatization and further investment, in order to first recover the quality of production that prevailed in the early 1990s and later on to further increase the production volume and quality.

28. **The long-run growth perspective heavily depends on the capacity of the country to attract private investment.** Burundi needs to improve its business climate, which has been ranked among the least business friendly by the World Bank's "Doing Business" survey. The authorities will also have to play a major role, since a prudent fiscal and monetary policy will be a pre-requisite to strengthening the credibility and the durability of the structural reforms implemented or considered. Burundi has still to achieve the pre-civil war level of public capital stock, which is roughly 16 percent lower in 2004 than it was in 1993. Further investment in infrastructure, possibly through partnerships with the private sector, will contribute to providing a durable solution to the challenges of poverty reduction and higher growth.

29. **Burundi has already begun to benefit from trade liberalization, and structural reforms aimed at removing the supply-side constraint should be implemented.** With the reforms planned in the 2006 budget, the authorities will increase their investment in education. With a renewed program of privatization and greater integration in the world economy, Burundi should enjoy much higher growth rates. In order to preserve macro-economic stability, further reforms of the BRB and the banking system are needed. The restructuring of the banking sector will create additional resources of private sector financing.

30. **Burundi needs of investment in infrastructure, education, and health will mostly be financed by grants from donors.** However, in order to secure this assistance, the authorities will need to maintain their efforts in terms of (i) political and social consensus on an ambitious program; (ii) public financial management system; and more generally, (iii) improving government institutions.

III. ECONOMIC STABILITY AND GROWTH PROSPECTS: EVIDENCE FROM BURUNDI, 1965-2005⁷

A. Introduction

31. **Following decades of political instability and recurrent civil conflicts, which severely weakened institutional and productive capacity, Burundi is now confronted with the challenge of attaining short-term macroeconomic stability, while implementing policies geared toward long-term growth and development.** In an attempt to provide guidance in this process, this paper examines the short and long-run determinants of economic growth in Burundi between 1965–2005. Specific attention is given to explaining the extent to which structural rigidities and macro stability affects growth and the speed of adjustment toward long-term growth. On the supply side, we employ the growth accounting exercise, controlling for possible endogeneity problems by using the Vector Error Correction Model (VECM). On the demand side, the same methodology allows us to evaluate the speed at which output adjusts toward long-run equilibrium in the baseline. This will indicate the extent to which reforms may help the country to catch up after decades of civil conflict. Section B provides a background on economic development since 1965, and describes the scope of the study. Section C briefly presents the theoretical models and the empirical results at both the national and the sectoral levels. Section D focuses on demand-side analysis, identifies possible determinants of output fluctuations, and assesses the speed at which output adjusts. Section E summarizes the results and draws some conclusions.

B. Background and Stylized Facts

Economic development since 1965

32. **Burundi is one of the poorest countries in the world with a real GDP⁸ per capita about US\$100 in 2003.** Economic prospects were significantly affected by the civil war which occurred between 1993 and 2000, during which the national capital stock depreciated by 44 percent,⁹ real GDP per capita fell by almost 27 percent (from US\$137 to US\$100),¹⁰ and by 2002 the number of poor below the national poverty threshold increased from 35 percent to 68 percent. As shown in Table 1 and Figures 1 and 2, agriculture has

	1970-75	1976-92	1993-2000	2001-05	1970-2005
	(average in percent, unless otherwise indicated)				
Growth					
Real GDP per capita 1/	-0.4	1.2	-4.4	0.3	-0.4
Real GDP growth	0.5	3.9	-2.4	2.2	1.8
Agriculture	3.9	2.6	-2.6	-0.8	1.2
Manufacture	-1.9	6.0	-1.8	4.3	2.7
Services	-5.8	5.5	-2.4	5.7	2.2
Contribution to real growth					
Total growth	0.5	3.9	-2.4	2.2	1.8
Agriculture	2.1	1.6	-1.4	-0.4	0.6
Manufacture	-0.3	0.9	-0.4	0.9	0.4
Services	-1.3	1.4	-0.7	1.8	0.7
Growth volatility 2/					
Total GDP	1.6	19.1	7.9	2.4	20.4
Agriculture	5.6	14.7	6.5	4.8	15.4
Manufacture	2.3	25.7	14.1	3.3	28.6
Services	5.8	23.4	10.1	4.4	25.4
Source: Burundi authorities; and IMF staff estimates.					
1/ At constant local currency unit, 2000=100.					
2/ Measured as standard deviation (based on sample) of constant GDP index, 100=2000.					

⁷ Prepared by Issouf Samaké.

⁸ In 2000 U.S. dollars.

⁹ The capital stock estimate is based on the Perpetual Inventory Methodology. More detail is provided in Section III.

¹⁰ Source: World Bank *World Development Indicators*, 2005. The data refer to 1993-2000.

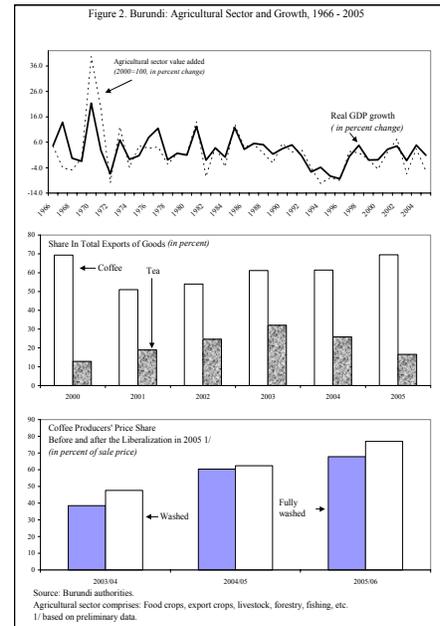
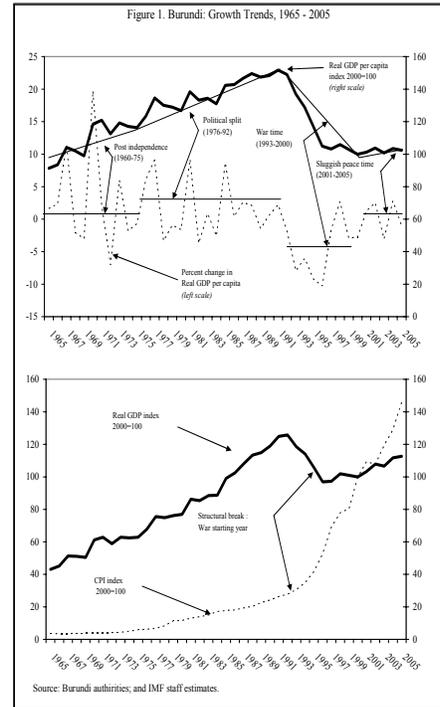
been the dominant sector of the economy and accounts for a large share of the labor force; however, its share in output declined from 65 percent during 1970–92 to about 53 percent in 2001–05.

33. **Burundi’s economic performance between 1965-2005 can be analyzed within four distinctive subperiods.** The post-independence period 1965-75 was characterized by modest GDP growth of about 0.5 percent per annum and negative GDP per capita, a consequence of severe ethnic conflict and lost of export competitiveness following the end of an economic union with the Democratic Republic of the Congo and Rwanda. The fastest rate of economic growth, 3.9 percent per annum, achieved during the second sub-period 1976-92 was driven by a coffee boom.

34. **However, this period was also characterized by macroeconomic instability associated with procyclical fiscal policies.** In 1986, Burundi implemented an IMF-supported adjustment program; however, the program was undermined by the civil conflicts of 1988 and 1991.

35. **During the third sub-period 1993-2000, average real GDP growth fell to -2.4 percent per annum.** Economic performance was severely affected by the introduction of multiple and extensive exchange and trade restrictions, including an economic embargo. This period was also characterized by exchange rate instability along with high and volatile inflation. During the fourth period 2001-05, real GDP recovered to 2.2 per annum, reflecting the authorities’ commitment to peace, macroeconomic stabilization and implementations of reforms,¹¹ and a resumption of donor support.

36. **Despite its role as the lead sector, agricultural production is inhibited by a number of structural problems, including, predominance of small family farms, scarcity of capital, arable land,¹² and limited**



¹¹ An IMF post-conflict program was put in place in May 2002, followed by a PRGF program from January 2004.

¹² Arable land in Burundi is dramatically scarce. According to the authorities, about 70 percent of legal cases are related to disputes about land.

access to export and credit markets. Vulnerability to rainfall and world price conditions, inadequate supplies of energy, remoteness from world markets, and weak investment climate, reflected in the high cost of doing business. Furthermore, the underdeveloped financial sector and credit allocation problems limit growth prospects. State involvement in economic activity through public enterprises seriously clouds Burundi's development prospects. The financial performance of public enterprises has been disappointing and the returns on public investment negligible.

Scope of the study

37. Growth accounting is a useful framework for analyzing supply-side, long-run growth and empirical applications have received considerable attention from both policymakers and scholars.¹³ This framework is utilized to estimate national and sectoral Total Factor Productivity (TFP), controlling for structural shifts due to war and evaluate the extent to which the most recent decade of war has affected TFP. The paper also attempts to link short-run volatility to long-run prospects and examines the importance of macroeconomic stability for long-run growth.

	1970-2005	1970-92	1993-2000	2001-05
Agriculture				
Average share	61.6	64.7	58.1	53.0
Standard deviation	5.6	4.0	1.3	3.0
Manufacture				
Average share	9.5	7.8	11.1	14.9
Standard deviation	3.0	0.8	2.9	1.1
Service				
Average share	28.9	27.5	30.8	32.0
Standard deviation	3.4	3.3	2.4	1.9

Source: Burundi authorities; and IMF staff estimates.
1/ GDP at factor cost, 100=2000.

C. Growth Models and Empirical Results

Two models¹⁴

38. The point of departure for our modeling exercise will consist of production functions using two alternative models. The first (model 1) uses the standard Cobb-Douglas production function and the second (model 2) extends the first by adding land as a third country-specific factor of production. Rather than imposing factor elasticities, we attempt to estimate the share of capital per worker using models 1 and 2 and evaluate the speed of adjustment toward long-run growth.

39. The respective models are captured by equations (1) and (2) below, where Y_t represents output, A_t TFP, K_{1t} physical capital, K_{2t} land, and L_t labor force, let models 1 and 2 be:

$$Y_t = A_t K_{1t}^\beta L_t^{1-\beta} \tag{1}$$

$$Y_t = A_t K_{1t}^{\beta_1} K_{2t}^{\beta_2} L_t^{1-\beta_1-\beta_2} \tag{2}$$

¹³ See, e.g., Akitoby and Cinyabuguma (2004), Senhadji (1999), Tahari et al. (2004), and Wane (2004).

¹⁴ Appendixes II and III give more detail on econometric methodology and data issues.

The law of motion of physical capital is

$$K_{1t} = I_t + (1 - \delta)K_{t-1} \quad (3)$$

where K_{1t} is physical capital at t , I_t is gross investment at t , and δ is the depreciation rate. To generate a physical capital stock variable, we employ the perpetual inventory method. For data on aggregate real gross fixed capital formation, following the literature on sub-Saharan Africa,¹⁵ we assume an initial physical capital-output ratio equal to 1.5 and a rate of depreciation of 10 percent, except for 1993-2000, when a rate of 15 percent is applied.¹⁶ In addition, we use estimates of land and nonland fixed capital for the agricultural sector.

40. Particular attention is focused on the use of arable land as a production factor.¹⁷

The use of arable land has significantly varied over time;¹⁸ although land area remained broadly stable between 1965 and 2005. This is explained by political and socio-cultural factors, labor force availability and mobility due partly to civil conflict, and population density. For a landlocked country, where growth is driven by the agricultural sector with such a high population density,¹⁹ the marginal use of land may lead to changes in real GDP. The economic implications of land use will be discussed in greater detail in subsequent sections.

Total factor productivity (TFP)

41. The vector error correction model (VECM) is employed to derive the empirical estimates. This approach will help us to (i) control for endogeneity problems that could arise between output and production factors; (ii) test for the presence of long-run stationary relationships between variables; (iii) estimate long-run parameters β s (cointegration vectors);²⁰ and (iv) estimate long-run coefficients of adjustments α s (loading coefficients).

¹⁵ Among others, Sacerdoti and al. (1998), Beddies (1999), Vera-Martin (1999), and Akitoby and Cinyabuguma (2004).

¹⁶ Akitoby and Cinyabuguma (2004) chose 15 percent to reflect lack of maintenance and accelerated depreciation especially during recurrent conflicts. Further, Vera-Martin (1999) shows that the choice of 10 percent or 15 percent depreciation values does not produce significantly different results.

¹⁷ Data on the use of arable land is drawn from the World Bank, “*World Development Indicators, 2006.*”

¹⁸ The use of arable land has increased from 756,000 hectares in 1965 to reach about 1,020,000 hectares in 2005, and the variability of its use measured by the standard deviation is 6.1.

¹⁹ Population density doubled between 1965 and 2005, to reach 270 persons per km².

²⁰ The test of cointegration follows the Johansen (1988, 1995, 2000) likelihood ratio test (LR) for intercept version (the trace test) and Saikkonen & Lutkepohl (1999, 2000a, and 2000d) two-step procedures based on GLS and reduced-rank regression, which apply an LR-type test for the linear deterministic trend.

We retain output production as the only long-run relation for both models.²¹ The TFP or the Solow Residual is the difference between the actual rate of growth and the estimated rate.²²

42. **The results shown in Table 3A and 3B are consistent with a decreasing return on physical capital per worker.** Based on our estimates, output elasticities with respect to capital stock per worker are significant: 0.33 for the standard Cobb-Douglas function and 0.35 for the extended model with land. Controlling for land increases the output elasticity with respect to capital and the labor share.

Table 3A . Burundi: Model 1(Cobb-Douglas) Error Correction Model for GDP

	CAP	GDP	TREND	
Cointegration vector (beta parameters)	-0.335	1.000	0.039	
Standard Error	0.002	0.000	0.003	
Loading vector (alpha parameters)	-0.053	-0.072		
Standard Error	0.023	0.057		
Variable	Code used	Coefficient	Std. Error	t-value
Constant term	Constant	-0.577	0.323	-0.469
Error Correction Mechanism	$\Delta ECM (-1)$	-0.072	0.057	-2.607
Physical capital	$\Delta CAP (-1)$	0.153	0.052	2.203
War dummy	$\Delta WAR (-1)$	-0.018	0.013	-3.320

Table 3B . Burundi: Model 1(Cobb-Douglas extended to scare land) Error Correction Model for GDP

	CAP	GDP	LAND	TREND
Cointegration vector (beta parameters)	-0.356	1.000	-0.356	0.015
Standard Error	0.006	0.000	0.037	0.515
Loading vector (alpha parameters)	-0.148	-0.072	0.149	
Standard Error	0.158	0.010	0.102	
Variable	Code used	Coefficient	Std. Error	t-value
Constant term	Constant	-0.781	0.072	-4.019
Error Correction Mechanism	$\Delta ECM (-1)$	-0.072	0.010	-4.038
Physical capital per capita	$\Delta CAP (-1)$	0.065	0.030	2.378
Land per capita	$\Delta LAND (-1)$	0.258	0.015	1.985
War dummy	$\Delta WAR (-1)$	-0.171	0.027	-2.060

²¹ A pre-condition for using cointegration analysis is that variables should follow a unit process, that is I(1). As expected, none of the variables investigated, reject the null hypothesis of I(1) at 95 percent. See Table II for more detail. Residuals from the analysis are normally distributed and all variables are significant at 95 percent (see Appendix Tables V1 to V3).

²² The TFP will be the estimated residual term of the VECM (Appendix III).

43. **Factor contributions to growth are estimated using standard output elasticities** (Table 4). Output per worker stabilizes in 2001-05 after a steady decline between 1965 and 2005 (see models 1 and 2). After a sharp increase early on, TFP deteriorated during the subperiods 1976-92 and 1993-2000, with a recovery in 2001-05. Controlling for land, the estimates suggest that the scarcity of land and its dramatically reduced productivity on account of civil conflict also contributed to poor growth. The similarity in trends (or the positive correlation) between GDP per worker and TFP is consistent with the results obtained by Bosworth and Collins (1999).

44. **It appears that the use of land per worker displays a decreasing return.** This result supports the adverse impact of scarcity of land, as between 1965 and 2001, the population density has unsustainably more than doubled to average 270 persons per km²; while the use of land increased by less than 45 percent in the same period. As emphasized in footnote five, it seems that marginal used of land triggered growth through social conflict, decline of soil fertility and productivity, and migration. This result finds support in “*Conflict and Coffee in Burundi*” by Oketch and Polzer who state the following on the use of land in Burundi “... in some areas has been a source of conflict, directly and otherwise. ... there is the problem of intense competition. ...cultural practices and traditions of land inheritance from father to son have led to the increased subdivision of land between sons, decreasing the economies of scale that would otherwise accrue from reasonable parcels. This increased subdivision has led to general decline in soil fertility and productivity. Third, the traditional land tenure system of subdivision between male heirs has led increasingly to the shrinking of household land. Increasingly, land is becoming too small for viable subdivision, effectively disinheriting some members of the household and leading to migration.”

Table 4. Burundi: Sources of Growth by Factor Accumulation, 1965-2005

	1965-75	1976-92	1993-2000	2001-05	1965-2005
	(Change in percent)				
	<i>Model 1 : Standard Cobb-Douglas Production</i>				
Real GDP per worker	1.18	0.73	-2.13	-0.07	0.17
<i>Contribution of :</i>					
Real capital growth per worker	0.64	0.98	-1.25	-0.05	0.32
Change in TFP	0.54	-0.25	-0.88	-0.02	-0.15
	<i>Model 2: C-D Model with Land</i>				
Real GDP per worker	1.18	0.73	-2.13	-0.07	0.17
<i>Contribution of :</i>					
Real capital growth per worker	0.67	1.03	-1.31	-0.05	0.33
Use of land per worker	0.15	-0.38	-0.25	-0.30	-0.21
Change in TFP	0.36	0.08	-0.58	0.29	0.04

Source: Burundi authorities; and IMF staff estimates.

45. **Finally, it is worth noting that as a residual component (in line with theoretical and empirical literature), TFP reflects the effect of policy shocks and other domestic and external shocks, as well as institutional change, financial sector development, and the degree of openness of the economy.** As such, the causality between business cycle and TFP is much more robust from the last to the first. Growth performance is partly explained by the TFP trend which in turn depends on the above-mentioned factors. Consistently with recent empirical findings in less developed countries, the volatility of TFP reflects the instability of the above-mentioned determinants.²³

Agricultural sector TFP

46. **The agricultural sector TFP is estimated using the same methodology.** Tables 5A and 5B summarize the empirical results of the agricultural sector growth equations. Table 5A refers to the basic model without land; Table 5B considers the model with land.²⁴

Table 5A . Burundi: Model 1(Cobb-Douglas) Error Correction Model for GDP

	K_AGRI	GDP_AGRI	TREND	
Cointegration vector (beta parameters)	-0.293	1.000	-0.576	
Standard Error	0.006	0.000	0.037	
Loading vector (alpha parameters)	0.099	-0.046	-0.311	
Standard Error	0.465	0.025	0.010	
Variable	Code used	Coefficient	Std. Error	t-value
Constant term	Constant	-0.303	0.085	-1.950
Error Correction Mechanism	$\Delta ECM (-1)$	-0.046	0.025	-4.108
Physical capital per capita	$\Delta K_AGRI (-1)$	0.195	0.101	2.012
War dummy	$\Delta WAR (-1)$	-0.331	0.057	-3.003

²³ Among others, see IMF *Working Paper* series Akitoby and Cinyabuguma (2004), Senhadji (1999), and in “Understanding Total Factor Productivity in Sub Saharan Africa Countries” by Njikam, Binam, and Tachi (2006).

²⁴ As discussed in previous footnote, see Appendix II, Table II and Appendix V for detail methodology and unit root test results.

Table 5B . Burundi: Model 1(Cobb-Douglas extended to scare land) Error Correction Model for GDP

	K_AGRI	GDP_AGRI	LAND
Cointegration vector (beta parameters)	-0.293	1.000	-0.576
Standard Error	0.006	0.000	0.037
Loading vector (alpha parameters)	0.099	-0.064	-0.311
Standard Error	0.465	0.031	0.010

Variable	Code used	Coefficient	Std. Error	t-value
Constant term	Constant	-0.267	0.052	-3.215
Error Correction Mechanism	$\Delta ECM (-1)$	-0.064	0.031	-3.987
Physical capital per capita	$\Delta K_AGRI (-1)$	0.257	0.049	1.149
Land per capita	$\Delta LAND (-1)$	0.618	0.008	5.145
War dummy	$\Delta WAR (-1)$	-0.131	0.252	-1.750

47. **The rather poor performance of agricultural TFP in Burundi is an adverse consequence of recurrent civil war, demographic pressure, and the scarcity of arable land.** Agricultural sector growth is mostly driven by TFP in model 1, but model 2 suggests that it is determined by both TFP and the use of arable land. TFP reached its lowest level in 1993-2000, reflecting the loss of human²⁵ and physical capital because of the war. Martin and Mitra (2001) find that average TFP growth for agriculture in developing countries lies between 1.76 percent and 2.62 percent, while Nin, Arndt, and Preckel (2003) showed that it grew at an average rate of 1.3 percent from 1961 to 1994.

48. **It appears that the marginal use of land is associated with negative growth through social conflict, decline of soil fertility and productivity, and migration.** This outcome was more pronounced during 2001-05 for the agricultural sector, affecting in turn agricultural TFP. Although 2001-05 is viewed as

	1965-75	1976-92	1993-2000	2001-05	1965-2005
	(Change in percent)				
	<i>Model 1 : Standard Cobb-Douglas Production</i>				
Real Value Added per worker	4.46	0.33	-4.85	-0.37	0.24
<i>Contribution of :</i>					
Real capital growth worker	0.02	1.44	-3.58	3.33	0.32
Change in TFP	4.44	-1.11	-1.28	-3.70	-0.08
	<i>Model 2: C-D Model with Scare Land</i>				
Real Value Added per worker	4.46	0.33	-4.85	-0.37	0.24
<i>Contribution of :</i>					
Real capital growth worker	0.02	1.44	-3.58	3.33	0.32
Use of land per worker	0.66	-1.39	-1.03	-1.13	-0.77
Change in TFP	3.78	0.28	-0.24	-2.58	0.69

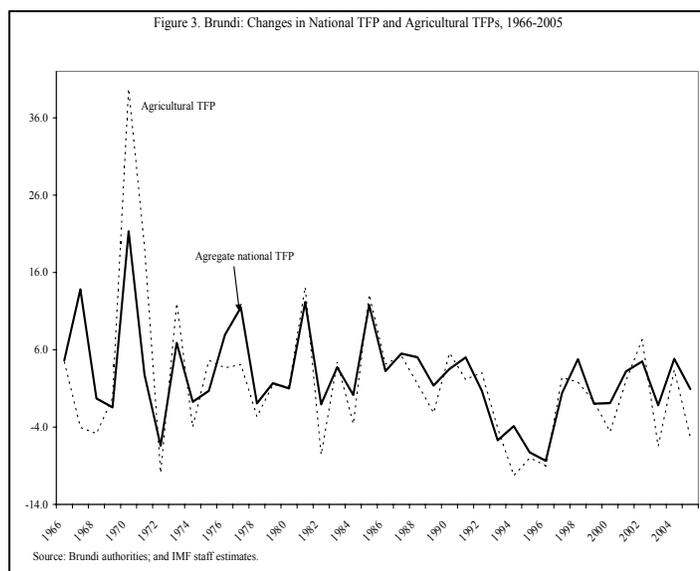
Source: Burundi authorities and staff estimates.

²⁵ As the model specifications did not highlight human capital as an explicit determinant of growth that is to some extent embodied in the residual component.

the most peaceful period, social conflict persisted, soil fertility and productivity continued to decline as population density increased and pressure on land continued.

National and agricultural TFP trends, 1966–2005

49. **The results of this study suggests (Figure 3) that national and agricultural TFP exhibit similar trends: moreover agricultural TFP has a large impact on agriculture and drives national TFP with a lag.** The contributions of the agricultural sector value-added to GDP and its TFP are not symmetric. More specifically, while the agricultural sector is about 62 percent of GDP (Table 2), the contribution of agricultural TFP to national TFP is more than one-to-one (Tables 4 and 6, and Figure 3). The national and agricultural TFP trends reflect both the country's historical growth performance and the severe adverse shocks it has undergone since 1965 (see Figure 1 and Table 1). Consistent with the results contained in Senhadji (1999), this suggests that TFP is endogenous to political and macroeconomic instability, structural constraints, institutional weaknesses, the trade regime, initial conditions, and external shocks.



Spillover effects of the agricultural sector

50. **Changes in the agricultural sector spill over onto the rest of the economy: a 1 percent increase in agricultural sector activity leads indirectly to 0.7 percent increase in real GDP growth.** However, the spillover effect was significantly negative during the civil conflict. This differs from that of Bravo-Ortega and Lederman (World Bank, 2004), whom in a sample of 120 developing countries showed that a 1 percent increase in agricultural growth leads to an increase of between 0.12 percent (for Latin American countries) and 0.15 percent (for other developing countries) in nonagricultural growth.

51. **The difference in the spillover impact of agriculture in Burundi relative to other developing countries reflects the more dominant role of the sector in total output.** Cross-sector growth elasticities suggest (Table 7) that helping the agricultural sector will stimulate overall domestic output.²⁶

²⁶ See Appendix IV for more details.

Table 7. Burundi: Cross-sector Growth Elasticities - Agriculture on Growth				
	Direct effect (A)	Indirect effect		Total effect (C)=(A)+(B)
		Elasticity	Contribution (B)	
1966-75	0.580	0.420	-0.033	0.548
1976-92	0.548	0.452	0.472	1.020
1993-2000	0.520	0.480	2.771	3.291
2001-05	0.509	0.491	-0.288	0.221
1966-2005	0.546	0.454	0.711	1.256

Sources: Burundi authorities; and IMF staff estimates.

D. Determinants of Output Fluctuations and Speed of Adjustment

52. **An important step in analyzing the sources of growth is to consider the macroeconomic implications of policy instruments through a demand-side analysis to assess the extent to which shocks to macroeconomic variables affect output both in the short and the long run.** Figure 4 shows how public expenditure and credit allocation to the private sector are related to growth. The top chart suggests that the private sector may have been crowded out in Burundi in 1989–95 and since 2000. Moreover, public expenditure and to some extent credit to the private sector seem to exhibit procyclical behavior.²⁷

53. **We now focus on aggregate demand and policy variables.** The empirical methodology will consist, as in the preceding sections, of employing the VECM technique. In business cycle or growth literature, few studies have attempted to use the VECM methodology that focuses on the demand-side approach;²⁸ however, the framework is suitable for our analysis for the following reasons:

- It is appropriate for addressing our concern regarding the extent to which shock-to-aggregate-demand variables affect output (both in short- and long-run). Although our

²⁷ This is an observation from the figure, not a finding per se; however, it supports the variables selected for the analysis.

²⁸ One could cite among the few (i) “*Singapore’s Engine of Growth: A Demand-Side Perspective*”, available at: http://www.mendaki.org.sg/content_files/SinEngineofGrowth.pdf; (ii) “*Manufacturing exports, mining exports and growth: cointegration and causality analysis for Chile (1960-2001)*”, by Boriss Siliverstovs and Dierk Herzer, April 20, 2005; (iii) “*A Small Macro-econometric Model of the Lithuanian Economy*”, by Rimantas Rudzkis and Virmantas Kvedaras in AUSTRIAN JOURNAL OF STATISTICS, Volume 34 (2005), Number 2, 185–197; and (iv) “*A macro-econometric model for the Euro economy*” by Christian Dreger*, Massimiliano Marcellino available at: <http://www.iwh-halle.de/d/Abteil/VWGR/cdr/Papers/Macroeconometric%20Model.pdf>

purpose is not to determine whether output is supply-driven or demand-determined, we do know that one-time shock to demand variable may lead to output shifts in the short-run and therefore to some pace of adjustment.

- It helps in summarizing in a same framework, short-run output fluctuations, and long-run equilibrium.²⁹
- The VECM methodology controls also for possible endogeneity between output and aggregate demand components.

54. **To avoid the problem of too many parameters given the short time series (1965-2005)**, we limit system variables to real GDP, public expenditure, credit to the private sector, public capital stock, private investment flows, total exports of goods, inflation, rainfall shocks, and the 1993-2000 conflict dummy. Variables used (see equations (4) and (5))³⁰:

- GDP is the log of real GDP in local currency at 2000 prices.
- EXP is the log of (real) government current expenditures in local currency at 2000 prices.
- CRED is the log (real) net domestic credit to the private sector in local currency at 2000 prices.
- K_G is the log of (real) public capital stock in local currency at 2000 prices.
- I_INV is the log of (real) private investment in local currency at 2000 prices.
- EXPORT is the log of total exports of goods in millions of U.S. dollars.
- RAIN is the log of precipitation.³¹
- CPI is the consumer price index at 2000 = 100.
- WAR is the 1993-2000 civil conflict dummy.

²⁹ Assuming that the pre-condition for cointegration analysis, which is that the variables of interest follow a unit root process (or I(1)), and if the existence of at least one long-run relationship (or a cointegration relation) is demonstrated.

³⁰ As mentioned above, a precondition for conducting a cointegration analysis is that variables should follow a I(I) process. Table II provides a summary of the unit root tests for the variables of interest. In order to avoid “spurious” unit root tests, Augmented Dickey-Fuller (or ADF) and Phillips-Perron (or PP) tests are simultaneously conducted, as it is well known that in the presence of structural break, ADF could be biased in favor of I(0). As expected, for all variables investigated, none of them reject the null hypothesis of I(1) at 95 percent. See Table II for more detail.

³¹ The rainfall data for Burundi are from Mitchell et al. (2003), Jefferson and O’Connell (2004), and Ramankutty and Foley (1998);

55. **The long-run equations³² (or cointegration relations) of interest are the following output equation:**

$$GDP_t = \beta_1 EXP_t + \beta_2 CRED_t + \beta_3 K_G_t + \beta_4 PRIV_t + \beta_5 X_t + \beta_6 CPI_t + Constant \quad (4)$$

and its associated short-run equation:

$$\begin{aligned} \Delta GDP_t = & \alpha CI_{t-1} + \gamma_1 \Delta EXP_{t-1} + \gamma_2 \Delta CRED_{t-1} + \gamma_3 \Delta K_G_{t-1} + \gamma_4 \Delta PRIV_{t-1} \\ & + \gamma_5 \Delta X_{t-1} + \gamma_6 \Delta CPI_{t-1} + \gamma_7 \Delta GDP_{t-1} + \gamma_8 RAIN_{t-1} + \gamma_9 \Delta WAR_{t-1} + \mu_{1t} \end{aligned} \quad (5)$$

where Δ is the year-to-year change in the variable of interest around the long-run equilibrium equation.

56. **Using the structural VECM technique as suggested by Lutkepohl and Saikkonen (1999, 2000)**, we enhance the significance of the model parameters by applying the reduction technique³³ suggested by Hendry (1995). As in the supply-side analysis section:

- the β s are the long-run coefficients (Equation 4);
- α is the loading parameter or the adjustment parameter that indicates the speed of adjustment toward long-run equilibrium (Equation 5); and
- the γ s are the short-run parameters (Equation 5).

The model considers public capital stock as opposed to public investment.³⁴ The model makes it possible to investigate whether credit market conditions have played or may play a

³² We use the structural VECM approach for the estimation. Equations (4) and (5) are drawn from specifications similar to those below in (C5) through (C8),

where $X'_t = [EXP_t, K_G_t, CRED_t, PRIV_t, GDP_t, X_t, CPI_t]$ and $RAIN_t$ and WAR_t are the exogenous variables. The assumed system (vector X_t) variables ordering is from the most exogenous to the most endogenous. This is an ad hoc equation that links GDP to these specified explanatory variables; it is not derived from a specific production function. The introduction of private investment and public capital stock will test for possible complementarities between the two regressors and their total impact on long-run growth. Equations (4) and (5) follow Johansen (1992, 1994, and 1995a) on the assumptions for the deterministic terms and associated critical values.

³³ Based on the general-to-specific approach (Hendry, 1995). The technique helps eliminate insignificant variables in a dynamic model.

³⁴ We will not consider the composition of public investments, such as infrastructure, energy, water, etc. More recent literature has found empirical support for a positive impact of public capital accumulation on output; see, e.g., Aschauer (1989), Holtz-Eakin (1994), and Calderon and Servén (2004).

role in output fluctuations and to assess the speed of adjustment of both output and price toward long-run equilibrium. Finally, the impact of rainfall on output can be evaluated.

Empirical results

57. **The empirical results are³⁵ (see Table 8 and Appendixes II and VI):**

Long run

- Exports have a sizable effect on growth; public capital stock and private investment have a positive but limited impact on output. The export effect reflects essentially the agricultural sector's contribution to growth as exports are dominated by agricultural goods (coffee predominantly).
- A relatively small output elasticity to public capital stock and private investment suggests they may be being used inefficiently, which is consistent with the findings of our TFP analysis that implies that the use of factors of production is inefficient. Akitoby and Cinyabuguma (2004) find similar results for public investment and attribute it to the fact that "public capital was mostly invested in white elephant and unproductive projects." The relatively small public capital stock and private investment may also be associated with the lack of new investment and the significant depreciation of the capital stock during the civil conflicts.
- Credit to the private sector has a positive but limited effect on growth. The credit variable has a short-term impact and is concentrated in the service sector and import and export activities; the indirect impact of credit to the private sector may work through export shocks. That is, the positive impact of exports on growth is stimulated by credit to private sector.³⁶

58. **These results indicate that, in the long run, GDP grows significantly with policies that promote investment and exports, efficient use of (public and private) capital, and bank credit to the private sector.**

³⁵ The significance of the beta coefficients is provided in Table 8.

³⁶ This is an endogeneity problem that has been controlled for in our VECM system. The export and credit equations are not shown (in Table 8).

Table 8. Burundi: Error Correction Model for GDP 1/, 2/, and 3/							
Rank test							
Null Hypothesis: Rank <=	0	1	2	3	4	5	6
Eigenvalue		0.950	0.851	0.728	0.685	0.563	0.499
Trace stat	331.370	223.530	154.940	108.060	66.524	36.748	11.882
Test [Prob] 4/	[0.000] **	[0.000] **	[0.000] **	[0.000] **	[0.000] **	[0.001] **	[0.063]
Long-run and adjustment parameters							
	EXP	K_G	CRED	PRIV	GDP	X	CPI
Cointegration vector (beta parameters)	0.000	-0.083	-0.074	-0.044	1.000	-0.458	0.000
Standard Error	0.000	0.063	0.033	0.049	0.000	0.031	0.000
Loading vector (alpha parameters)	0.469	0.168	-0.199	-0.891	-0.078	0.428	-29.214
Standard Error	0.303	0.087	0.541	0.610	0.057	0.584	6.680
Error Correction Model for GDP (short-run equation)							
Variable 5/	Code used	Coefficient	Std. Error	t-value			
Constant term	Constant	-0.152	0.323	-0.469			
ECM 6/	$\Delta ECM (-1)$	-0.078	0.057	-2.607			
Public current expenditure	$\Delta EXP (-1)$	-0.106	0.052	-1.920			
Credit to the private sector	$\Delta CRED (-1)$	0.056	0.028	2.010			
Exports	$\Delta X (-1)$	0.123	0.021	1.572			
Consumer Price Index	$\Delta CPI (-1)$	-0.173	0.238	-1.593			
Rainfall	$\Delta RAIN (-1)$	0.134	0.023	2.573			
War dummy	$\Delta WAR (-1)$	-0.386	0.022	-1.770			

1/ RAIN and WAR are assumed exogenous in the VAR or VECM specification.
2/ GDP is the equation of interest.
3/ LR test of over-identifying restrictions: $\chi^2(31) = 92.275 [0.0000]**$
4/ (*) and (**) denote that the null hypothesis is rejected at the significant level of 10 percent and 5 percent respectively.
5/ The General-to-specific (GETS) procedure in PcGive eliminates the insignificant variables
6/ Error Correction Model (ECM) is the long-run component of the dynamic system.

59. **Low public capital stock has limited private investment flows.** The long-run effect of public capital stock on growth comprises both its direct and its indirect impact through, for instance, complementary effects on private investment. The joint impact of public capital stock and private investment contribute relatively little to growth in Burundi,³⁷ perhaps because the capital stock has depreciated significantly and new investment declined during the war and the dominant impact of insecurity or investment.

60. **Positive shocks to credit to the private sector have positive and significant impact on growth, indicating that monetary policy through the allocation of credit may significantly enhance growth.** Although credit to the private sector has a limited impact on growth, its sign indicates that an efficient credit market can be conducive to growth.

Short run

61. **Residuals from the cointegration equation were incorporated into a short-run error correction model to evaluate short-run movements in real GDP and inflation around the long-run relation.** Hypothesis testing is used to derive a parsimonious equation through the general-to-specific methodology. Public current expenditures, credit to the

³⁷ See the long-run parameters associated to K_G and PRIV. This is the Error Correction Mechanism therefore, negative sign means positive impact.

private sector, exports, and rainfall had positive and significant effects on short-run growth; the war dummy worsened output fluctuations. It is possible that the estimated positive impact of rainfall is limited because land is very scarce; however, a bad harvest may have a much higher adverse effect on growth.³⁸

62. **For the estimated model also, these findings suggest that war-induced shocks adversely affected growth.** This is consistent with Collier (2004 and 2005), who states that “conflict weakens the economy and leaves a legacy of atrocities.” The finding is also supported by the brief review of the costs during the civil wars. Again this is consistent with Collier, who shows that “civil war causes a loss from what a nation’s resources were previously contributing and a loss from the damage that they now inflict.”

Baseline projection and speed of adjustment

63. **An important question we examine is the pace of GDP adjustment toward its long-run equilibrium.** Employing the virtues of the error correction results, the loading parameter for GDP³⁹ indicates that for any deviation of GDP from its long-run equilibrium, 8 percent of the deviation from long-run growth is corrected every year, implying that it would take about 12 years and 3 months⁴⁰ to reach historical stable long-run growth. Although they use a different methodology,⁴¹ Akitoby and Cinyabuguma (2004) found that it would take about 4 years for the Democratic Republic of the Congo to reach its 1960 level and 13 years to reach its 1990 level.

E. Summary of the Results and Concluding Remarks

64. **First we summarize the main findings of the growth accounting exercises at both aggregate and sectoral levels.** We then list the findings of the demand-side analysis, followed by some suggested policy responses.

Supply side: growth accounting

- Controlling for land and the war dummy, the elasticity of physical capital per worker in total real output per worker is estimated at 0.33 and of agricultural real value-added per worker at 0.32. The disappointing trends of both national and agricultural TFP have had a significant negative effect on growth, reflecting inefficient use of physical capital, scarce land, and an unskilled labor force.

³⁸ This question is beyond the scope of this study.

³⁹ Table 8 (parameter alpha), loading parameter associated to GDP: -0.078.

⁴⁰ Starting from the time the shock occurs.

⁴¹ They employ constant GDP and population growth rates from a given period and compute the time it would take to reach a targeted GDP level.

- The scarcity of land appears to be a barrier to growth.
- It is likely that agricultural and national TFP are linked and endogenously explained by political and macroeconomic instability, structural constraints, institutional weaknesses, the trade regime, initial conditions, and external shocks.
- A 1 percent increase in the agricultural sector (including food processing), spills over into a 0.7 percent increase of real GDP growth through an indirect effect on the nonagricultural sector.

Demand side: output fluctuations and speed of adjustment

- In the long run, exports have a sizable effect on growth; public capital stock, private investment, and credit to the private sector have a positive but limited effect on output.
- In the short run, public current expenditures, credit to the private sector, exports, and rainfall have positive and significant effects on short-run growth, while the war dummy had an adverse impact on output fluctuations.
- Civil war and macroeconomic instability have undermined growth.
- The analysis of the speed of adjustment indicates that an 8 percent GDP deviation from its long-run equilibrium is corrected every year, suggesting that it would take about 12 years and 3 months to reach the historical stable long-run growth path.

Macroeconomic and structural policies, and the way forward

- **Macroeconomic stability will be essential for long-run growth.** Removing institutional and structural barriers would enhance the pace of growth and therefore help to significantly reduce poverty. A strategy encouraging export and service-led growth would help diversify the economy and make growth more robust.
- **Key to promoting export growth and diversification are policies to increase productivity in the agricultural sector, such as focusing on efficient use of arable land or instituting new irrigation techniques, primarily for the main export commodities (coffee, cotton, sugar, and tea).** Such a focus would be pro-poor, since more than 80 percent of the labor force draws direct revenue from the agricultural sector and about the same proportion of households live in rural areas. This strategy would also have a sizeable growth impact because the sector has contributed more than 85 percent to growth.
- **Privatization could be an effective policy.** Limiting government intervention in the marketing of goods and services through transparent privatization of public enterprises would enhance production and allocation efficiencies and improve competitiveness, thereby driving growth.

- **Reforms to improve credit market efficiency would boost growth.** These reforms include financial sector policies that create an economic environment conducive to private sector credit development, central bank independence, strengthen supervision, the clearing of government arrears, and a monetary stance that accommodates sufficient credit to the private sector, while containing liquidity and inflation. Eliminating distortions in credit and deposit markets would also facilitate financial intermediation and private investment.

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Burundi: Summary of Sources of Growth (Section B)

Sources of Growth	Beneficial Aspect	Constraints
Food crops	<ul style="list-style-type: none"> Basis for self-sufficiency in food (rice, bananas, fishing, livestock, corn, etc.) About 50 percent of GDP <u>Labor force in 2005</u>: about 2,300,000 workers 	<ul style="list-style-type: none"> Underdeveloped irrigation Inadequate property rights
Coffee	<ul style="list-style-type: none"> 5 to 6 percent of GDP First export crop (between 60 and 70 of exports of goods) Potential not yet used (twice current production level) <u>Labor force in 2005</u>: about 750 000 farmers 	<ul style="list-style-type: none"> Frequent intervention of OCIBU in marketing Decreasing productivity as plants are getting older
Tea	<ul style="list-style-type: none"> Second largest export crop (about 22 percent of exports) Potential not yet used (to 22, 000 tons in 15 years from 7,000 tons in 2005) Needs less land than other crops Provides smooth revenue 12 month out of 12 <u>Labor force in 2005</u>: about 50,000 farmers. 	<ul style="list-style-type: none"> Parastatal OTB in poor financial management conditions Deteriorating financial condition Has marketing monopoly
Cotton	<ul style="list-style-type: none"> Used for textile, leather products, and oil Production could potentially increase from about 9,000 tons in 2005 of fibers to about 30,000 tons in 2012. 	<ul style="list-style-type: none"> Production undermined by the civil conflict COTEBU is insolvent COGERCO and COTEBU have the marketing monopoly and are suffering financial and managerial problems COGERCO is more preoccupied by marketing than training farmers and quality control
Sugar		<ul style="list-style-type: none"> Domestic price administered. Distorted by government intervention through the parastatal SOSUMO
Palm oil	<ul style="list-style-type: none"> 75 percent of the production uses modern techniques Improving productivity can double production by 2012 	<ul style="list-style-type: none"> Limited space available (no more than 3,000 hectares)
Services	<ul style="list-style-type: none"> Second contributor to GDP (about 30 percent on average between 2000-05) The sector can largely benefit from the positive externality of agriculture and manufacture sectors. Large potential in tourism not yet investigated. 	<ul style="list-style-type: none"> Poor public infrastructure. Energy shortage.
Mining	<ul style="list-style-type: none"> Nickel: reserves estimated at more than 200 million tons. Gold: Possibly significant reserves. Petroleum: positive signs of oil in the lake at the Ruzizi basin (need for more exploration to assess reserve value) 	<ul style="list-style-type: none"> <u>Nickel</u>: Mining investment code needs to be updated for equity and transparency. <u>Nickel</u>: Energy required for better functioning is about 60 megawatts, the equivalent of nationwide demand, while the country is facing an energy shortage. <u>Gold</u>: small gold exploiters are not trained, protected, and organized. <u>Petroleum</u>: exploration potential may go beyond Burundi borders.

Sources of Growth	Beneficial Aspect	Constraints
Labor force	<ul style="list-style-type: none"> • Abundant and low cost. 	<ul style="list-style-type: none"> • Labor is unskilled. • Labor code of 1976 is not harmonized with the current social security code or international labor regulations. • No minimum wage (the current equivalent US\$0.16 is outdated; has been in place since 1982). • Dual and segmented.
Privatization of public enterprises	<ul style="list-style-type: none"> • About 32 public enterprises in the pipeline covering nationwide productive sectors. 	<ul style="list-style-type: none"> • Rent seeking. • Distort service delivery and affect economic efficiency.
Source: Burundian authorities.		

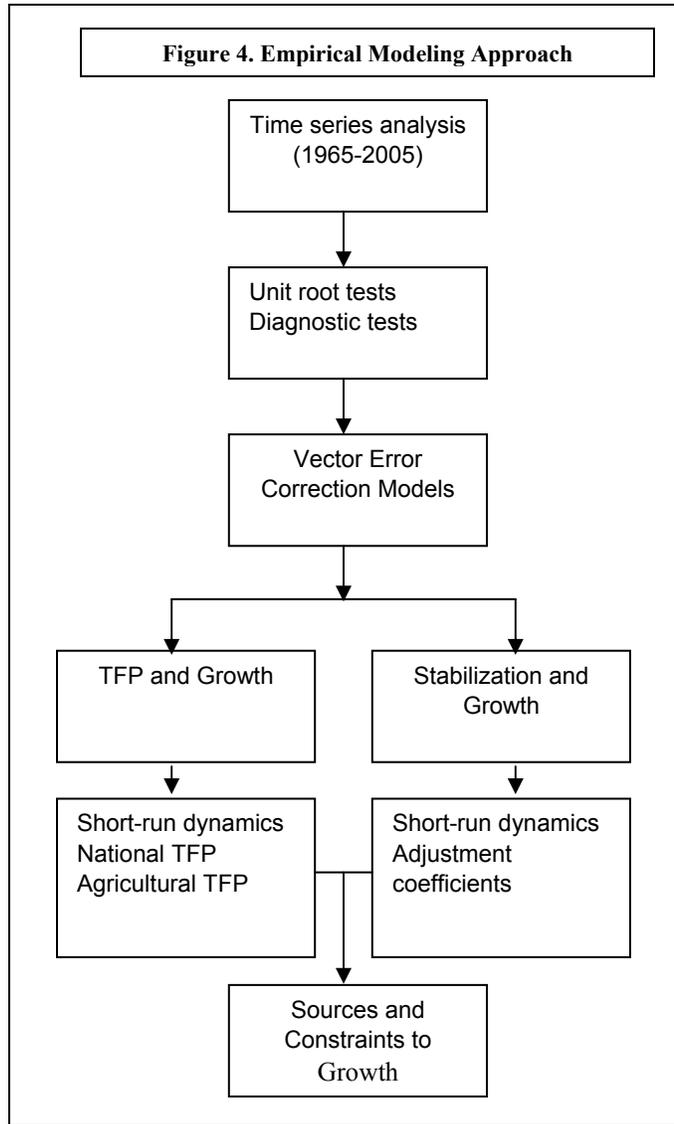
Burundi: Econometric Methodology and Data Issues Used in Section C

65. We start with a parsimonious specification of the standard neoclassical growth model (model 1) and then extend it (model 2) to control for scarce land—something specific to Burundi. The sample uses annual data covering 1965 through 2005. As year-to-year variations in, say, output have cyclical components, we introduce short-run regressors in the estimated equations to control for that.

66. The vector error correction model (VECM) is well suited to integrating short-run and long-run analysis.⁴² We employ a VAR model, the VECM, that combines cointegration analysis and vector autoregressive time series processes. The essence of conducting cointegration analysis is to (i) test for the presence of long-run stationary relationships between variables; (ii) estimate long-run parameters β s (cointegration vectors); (iii) estimate long-run coefficients of adjustments α s (loading coefficients); and (iv) employ long-run information to estimate VECMs that describe short-term dynamics.

67. Further, VECMs embodied in cointegrated VAR technique distinguish clearly between long- and short-run impacts, providing a suitable tool for policy analysis.

68. The classic reference is Solow (1957); he uses growth accounting theory to establish the link between technical progress and changes in productivity. Newer endogenous growth



⁴² VECM is also useful because it helps account for spurious correlations and exogeneity bias because it is designated for nonstationary time series. Simple OLS or failing to account for nonstationarity and endogeneity problems often taint analysis.

theory (Romer, 1994) attributes the TFP component of growth to the interaction between ideas and knowledge accumulation, which together generate increasing returns to physical and human capital. We define growth in TFP as the annual variation in aggregate output not explained by input changes.

Table II. Unit Root Tests: Augmented Dickey-Fuller and Phillips-Perron Tests

		Augmented Dickey-Fuller or ADF				Phillips-Perron or PP	
		Level		First difference		Level	First diff.
		No trend ^{1/}	Trend ^{2/}	No trend ^{4/}	Trend	Trend	Trend
Aggregate Variables							
Log of real GDP per worker	GDP	-1.783274	-1.155319	-5.764329*	-6.833269*	-1.155319	-7.033721*
<i>Optimal lag length</i> ^{3/}		0	0	0	0	0	3
Log of capital stock per worker	CAP	-1.543875	-1.977566	-4.857046*	-6.06557*	-1.577671	-6.160412*
<i>Optimal lag length</i>		1	1	0	0	4	3
Log arable land per worker	LAND	-1.039177	-3.236617	-5.265501*	-5.47518*	-2.420105	-5.435727
<i>Optimal lag length</i>		1	1	0	0	5	4
Agricultural Sector Variables							
Log of cst agri. Value added per worker	GDP_AGRI	-1.352832	-1.675760	-5.91013*	-6.230186*	-1.350219	-8.754123*
<i>Optimal lag length</i>		0	0	0	0	11	19
Log of agri. capital stock per worker	K_AGRI	-2.510763	-2.626451	-4.671937*	-4.641905*	-1.782635	-4.659412*
<i>Optimal lag length</i>		1	1	0	0	4	2
Log arable land per worker in agri. sect.	LAND	-0.668116	-2.798955	-6.828133*	-7.436972*	-4.854037	-7.399827*
<i>Optimal lag length</i>		0	7	0	0	20	2
Demand Model Variables							
Log real GDP	GDP	-2.492667	-1.449022	-5.672704*	-6.149044*	-1.455169	-6.153558*
<i>Optimal lag length</i>		0	0	0	0	3	2
Log public expenditure	EXP	-0.736571	-2.583203	-5.271828*	-5.204629*	-2.059328	-5.197175*
<i>Optimal lag length</i>		0	1	0	0	0	4
Log of credit to private sector	CRED	-1.858760	-3.975592	-7.417558*	-7.393622*	-2.307997	-7.383372*
<i>Optimal lag length</i>		0	3	0	0	0	1
Log of public capital stock	K_G	-1.418259	-2.045605	-5.355857*	-5.388971*	-0.765443	-4.522232*
<i>Optimal lag length</i>		2	2	0	0	4	3
Log of private investment	I_INV	-1.872633	-1.858894	-7.967581*	-7.890937*	-1.716540	-7.890937*
<i>Optimal lag length</i>		0	0	0	0	1	0
Log of consumer price index	CPI	-1.733368	-1.053533	-5.15158*	-4.849803*	-1.015153	-4.851253*
<i>Optimal lag length</i>		6	6	6	0	2	3
Log of export	EXPORT	-2.015555	-1.177250	-9.943828*	-10.27388*	-1.786354	-10.63657*
<i>Optimal lag length</i>		1	1	0	0	3	2
Log precipitation	RAIN	-1.903877	-1.857524	-5.737046*	-5.25557*	-1.665671	-7.160412*
<i>Optimal lag length</i>		1	1	0	0	4	3

1/ Regression includes include an intercept without linear trend.

2/ Regressions include an intercept plus a linear trend.

3/ The optimal lag refers to the order of augmentation chosen by Schwarz Information Criterion for the ADF test, while it provides the bandwidth according to Newey-West using Bartlett kernel for the PP test.

4/ An asterisk (*) means the rejection of the unit root null hypothesis at 95 percent critical level as in MacKinnon (1991).

Burundi: Econometric Background of Sections C and D

Production functions:

Let Y_t represent output, A_t TFP, K_{1t} physical capital, K_{2t} capital land, and L_t labor force.

Let model 1 and 2 be:

$$Y_t = A_t K_{1t}^\beta L_t^{1-\beta} \tag{III1}$$

$$Y_t = A_t K_{1t}^{\beta_1} K_{2t}^{\beta_2} L_t^{1-\beta_1-\beta_2} \tag{III2}$$

Dividing each equation by L_t and taking the natural logarithm gives:

$$y_t = \beta k_{1t} + a_t \text{ (A3) for Model 1 and,} \tag{III3}$$

$$y_t = \beta_1 k_{1t} + \beta_2 k_{2t} + a_t \text{ (A4) for Model 2,} \tag{III4}$$

where $y_t = \text{Ln}\left[\frac{Y_t}{L_t}\right]$, $k_{1t} = \text{Ln}\left[\frac{K_{1t}}{L_t}\right]$, $k_{2t} = \text{Ln}\left[\frac{K_{2t}}{L_t}\right]$, and $a_t = \text{Ln}\left[\frac{A_t}{L_t}\right]$

Econometric representation:

Let $X_t' = (y_t, k_{1t})$ for model 1 or $X_t' = (y_t, k_{1t}, k_{2t})$ for model 2. More generally, let us assume that X_t is a $n \times 1$ vector and that all variables are at most I(1). The following VAR(p) model captures the dynamic interactions between y_t , k_{1t} , k_{2t} and a_t

$$X_t = \sum_{i=1}^p \pi_i X_{t-i} + \phi a_t + \lambda DUM_{t\tau} + u_t \tag{III5},$$

where π_i ($i = 1, \dots, p$) and ϕ are unknown parameter vectors and λ is the level war-dummy coefficient. $DUM_{t\tau}$ is defined as:

$$DUM_{t\tau} = \begin{cases} 0, & t < \tau = 1993 \\ 1, & \tau = 1993 \leq t \leq \tau = 2000 \\ 0, & t > \tau = 2000 \end{cases} \tag{III6},$$

By subtracting x_{t-1} from both sides of equation A5 and rearranging terms, the vector error correction representation (A5) can be expressed as:

$$\Delta X_t = \Pi X_{t-1} + \sum_{i=1}^{p-1} \Gamma_i \Delta X_{t-i} + \sum_{i=0}^{p-1} \chi_i \Delta DUM_{t-i,\tau} + \phi \alpha_t + v_t \quad (\text{III7})$$

where:

$$\Pi = - \left[I - \sum_{i=1}^p \pi_i \right], \quad \Gamma_i = - \left[\sum_{j=i+1}^p \pi_j \right], \quad i = (1, \dots, p-1), \text{ and from Lutkepohl and Saikkonen}$$

$$(2000c), \quad \chi_i = \begin{cases} \lambda, & i = 0 \\ -\Gamma_i \lambda, & i = 1, \dots, p-1 \end{cases} \quad (\text{III8})$$

- A7 indicates the importance of the rank of Π and Π determines how the level of the process X_{t-1} enters the system.
- Let us assume that $rank(\Pi) \leq r$; therefore, Π can be written as $\Pi = \alpha\beta'$, where α and β are $n \times r$ vectors. The statistical hypothesis of cointegration is based on the rank of Π . It is known that:
 - If $rank(\Pi) = n$, all variables X_{t-1} are stationary (I(0)).
 - If $rank(\Pi) = 0$, then ΔX_t is stationary.
 - If $0 < rank(\Pi) = r < n$, there are r cointegrating relations .

Under the last condition,

- The relations $\beta' X_{t-1}$ are the cointegrating relations, and the coefficients β are the long-run parameters;
- The coefficients of α , which are the loading parameters, will be interpreted as speed of adjustment to the long-run equilibrium in the baseline projection;
- The coefficients of Γ_i are the short-run coefficients.

Following Saikkonen & Lutkepohl (2000 and 2000d), the error correction equations of interest are

For model 1:

$$\Delta y_t = \alpha CI_{t-1} + \sum_{i=1}^{p-1} \Gamma_{yi} \Delta y_{t-i} + \sum_{i=0}^{p-1} \Gamma_{ki} \Delta k_{1t-i} + \phi \alpha_t + \sum_{i=1}^{p-1} \chi_i \Delta DUM_{t-i,\tau} + u_t \quad (\text{III9})$$

where $CI_t = y_t - \beta k_{1t} - a_t$ ⁴³.

(III10)

For model 2:

$$\Delta y_t = \alpha CI_{t-1} + \sum_{i=1}^{p-1} \Gamma_{y_i} \Delta y_{t-i} + \sum_{i=0}^{p-1} \Gamma_{k_1 i} \Delta k_{1t-i} + \sum_{i=0}^{p-1} \Gamma_{k_2 i} \Delta k_{2t-i} + \phi a_t + \sum_{i=1}^{p-1} \chi_i \Delta DUM_{t-i, \tau} + u_t$$
⁴⁴

(III11), where

$$CI_t = y_t - \beta_1 k_{1t} - \beta_2 k_{2t} - a_t$$

(III12).

Total factor productivity is the estimated residual term (\hat{u}_t).

⁴³ a_t can be expressed as $a_t = a_0 + a_1 t$.

⁴⁴ Johansen (1995a) considers the intercept version of A10 based on the likelihood ratio test (LR) that is the trace test. Lutkepohl and Saikkonen (1999, 2000 and 2000d) propose a two-step procedure based on GLS and reduced-rank regression that applies an LR-type test.

Burundi: Direct and Indirect Effects of the Agricultural Sector on GDP

One step in assessing the contribution of agriculture to growth is to evaluate its direct and indirect effects.

$$GDP = [AGRI_VA]^{AGRI_SHARE} [NONAGRI_VA]^{1-AGRI_SHARE} \quad (IV1)$$

$$\frac{\partial \ln(GDP)}{\partial \ln(AGRI_VA)} = \left[AGRI_SHARE + (1 - NONAGRI_SHARE) \times \frac{\partial \ln(NONAGRI_VA)}{\partial \ln(AGRI_VA)} \right] \quad (I$$

V2)

where:

- GDP is real GDP (100=2000);
- AGRI_VA is agricultural sector value-added at a constant price (100=2000);
- NONAGRI_VA is the total nonagricultural sector value-added at a constant price (100=2000);+
- AGRI_SHARE is the share of GDP at a constant price of agricultural sector value-added; and
- NONAGRI_VA and AGRI_SHARE are derived from the series of GDP and AGRI_VA over 1965-2005.

From (B2), AGRI_SHARE is the direct effect of the change in agricultural sector to output;

$$\left[(1 - NONAGRI_SHARE) \times \frac{\partial \ln(NONAGRI_VA)}{\partial \ln(AGRI_VA)} \right] \text{ is the indirect effect.} \quad (IV3)$$

Burundi: Detail Empirical Results from Section C

Table V1. Supply-Side Analysis: Tests on the significance of each variable

Variable	Code	Aggregate model without land			Aggregate model with land		
		F-test	Value	[Prob]	F-test	Value	[Prob]
Arable land per worker	LAND				F(15,44)	2.869	[0.0033]**
Physical capital per worker	CAP	F(10,44)	11.106	[0.0000]**	F(15,44)	6.3497	[0.0000]**
GDP per worker	GDP	F(10,44)	2.1446	[0.0406]*	F(15,44)	1.4394	[0.1718]
The 1993-2000 war dummy	WAR	F(2,22)	4.7111	[0.0198]*	F(3,16)	2.4497	[0.1011]
Constant terms	Constant	F(2,22)	16.433	[0.0000]**	F(3,16)	4.2434	[0.0219]*
Trend	Trend	F(2,22)	12.383	[0.0002]**	F(3,16)	4.0199	[0.0262]*
		Agricultural sec. model without land			Agricultural sec. model with land		
Arable land per worker	LAND				F(6,52)	116.14	[0.0000]**
Phys. cap. per worker in agr. sec.	K_AGRI	F(4,58)	43.955	[0.0000]**	F(6,52)	19.839	[0.0000]**
agri. sect. real value added per worker	GDP_AGRI	F(4,58)	7.3732	[0.0001]**	F(6,52)	4.3442	[0.0207]*
The 1993-2000 war dummy	WAR	F(2,29)	9.0236	[0.0009]**	F(3,26)	5.7892	[0.0036]**
Constant terms	Constant	F(2,29)	6.4923	[0.0047]**	F(3,26)	11.184	[0.0001]**

Table V2: Supply-Side Analysis: Tests on the significance of all lags up to 5

Agregate Model : Model without land					
	F-test	Value	[Prob]	AIC	SC
Full model				-9.51625	-8.37259
Lag 5 - 5	F(4,44)	2.3321	[0.0705]	-9.35392	-8.38621
Lag 4 - 5	F(8,44)	2.1402	[0.0518]	-9.30335	-8.51159
Lag 3 - 5	F(12,44)	1.78	[0.0820]	-9.39147	-8.77566
Lag 2 - 5	F(16,44)	2.0172	[0.0337]*	-9.30483	-8.86497
Lag 1 - 5	F(20,44)	22.446	[0.0000]**	-5.79503	-5.53111
Agregate Model: Model with land					
Full model				-15.0351	-12.6598
Lag 5 - 5	F(9,39)	1.1618	[0.3456]	-14.9582	-12.9788
Lag 4 - 5	F(18,45)	1.1786	[0.3176]	-14.9574	-13.3738
Lag 3 - 5	F(27,47)	1.2184	[0.2709]	-14.9949	-13.8073
Lag 2 - 5	F(36,48)	1.4224	[0.1262]	-14.8901	-14.0983
Lag 1 - 5	F(45,48)	10.36	[0.0000]**	-10.5076	-10.1118
Agricultural Sector: Model without land					
Full model				-4.3534	-3.29772
Lag 5 - 5	F(4,46)	0.62362	[0.6480]	-4.47001	-3.59027
Lag 4 - 5	F(8,46)	0.64667	[0.7345]	-4.58469	-3.8809
Lag 3 - 5	F(12,46)	0.47229	[0.9207]	-4.78769	-4.25985
Lag 2 - 5	F(16,46)	0.66079	[0.8157]	-4.82852	-4.47663
Lag 1 - 5	F(20,46)	18.194	[0.0000]**	-1.09008	-0.914133
Agricultural Sector: Model with land					
Full model				-11.4132	-9.16984
Lag 5 - 5	F(9,41)	0.82539	[0.5966]	-11.5126	-9.66518
Lag 4 - 5	F(18,48)	1.7291	[0.0667]	-11.0125	-9.56095
Lag 3 - 5	F(27,50)	1.4973	[0.1072]	-11.1902	-10.1345
Lag 2 - 5	F(36,50)	17687	[0.0309]	-11.0177	-10.3579
Lag 1 - 5	F(45,51)	49.161	[0.0000]**	-2.662	-2.39808

Table V3: Supply-Side Analysis: Correlation Between Actual and Fitted,
Overall Normality Tests

		Agregate model without land		
Agregate model without land				
Variable		CAP	GDP	
Correlation coefficient		0.99074	0.93453	
Vector normality test		Chi ² (4)=5.274[0.2600]		
		Agregate model with land		
Agregate model with land				
Variable		CAP	GDP	LAND
Correlation coefficient		0.99158	0.96283	0.98649
Vector normality test		Chi ² (6)=18.375[0.0054]**		
		Agricultural model without land		
Agricultural sector model without land				
Variable		K_AGRI	GDP_AGRI	
Correlation coefficient		0.9800	0.87261	
Vector normality test		Chi ² (4)=11.264[0.0237]*		
		Agricultural model with land		
Agricultural sector model with land				
Variable		K_AGRI	GDP_AGRI	LAND
Correlation coefficient		0.98328	0.94179	0.99876
Vector normality test		Chi ² (6)=14.947[0.0207]*		

Table V4. Supply-Side Analysis: Cointegration Analysis, 1970 to 2005

<u>Agregate Model : Model without land</u>			
Null Hypothesis: Rank <=	0	1	
Eigenvalue		0.63011	
Trace stat	53.334	17.53	
Test [Prob]	[0.000] **	[0.000] **	
<u>Agregate model with land</u>			
Null Hypothesis: Rank <=	0	1	2
Eigenvalue		0.65214	0.57719
Trace stat	84.658	46.644	15.654
Test [Prob]	[0.000] **	[0.000] **	[0.013] *
<u>Agricultural sec. model without land</u>			
Null Hypothesis: Rank <=	0	1	
Eigenvalue		0.64009	
Trace stat	41.007	24.3591	
Test [Prob]	[0.000] **	[0.000] **	
<u>Agricultural sec. model with land</u>			
Null Hypothesis: Rank <=	0	1	2
Eigenvalue		0.65555	0.59249
Trace stat	77.2391	53.945	15.004
Test [Prob]	[0.000] **	[0.000] **	[0.013] *

(*) and (**) denote that the null hypothesis is rejected at the significant level of 10 percent and 5 percent respectively.

Burundi: Detail Empirical Results from Section D

Table VII. Demand-Side Analysis: Tests on the significance of each variable

Variable	Code	Aggregate model without land		
		F-test	Value	[Prob]
Public current expenditure	EXP	F(21,17)	3.2325	[0.0086]**
Public capital stock	K_G	F(21,17)	3.5789	[0.0050]**
Credit to the private sector	CRED	F(21,17)	2.8754	[0.0150]*
Private investment	PRIV	F(21,17)	2.8711	[0.0156]*
Real GDP	GDP	F(21,17)	2.9443	[0.0142]*
Exports	X	F(21,17)	2.0466	[0.0692]
Consumer Price Index	CPI	F(21,17)	12.191	[0.0000]**
Rainfall index (Precipitation)	RAIN	F(7,6)	8.3699	[0.0126]*
The 1993-2000 war dummy	WAR	F(7,6)	22.623	[0.0007]**
Constant terms	Constant	F(7,6)	7.2541	[0.0139]*

Table VI2: Demand-Side Analysis: Tests on the significance of all lags up to 3

	F-test	Value	[Prob]	AIC	SC
Full model				-8.2781	-0.888341
Lag 3 - 3	F(49,34)	2.1205	[0.0116]*	-3.98955	1.24486
Lag 2 - 3	F(98,46)	2.3787	[0.0007]**	-2.41806	0.661003
Lag 1 - 3	F(147,50)	15.604	[0.0000]**	9.10867	10.0324

Table VI3: Supply-Side Analysis: Correlation Between Actual and Fitted, Overall Normality Tests

Demand-side analysis							
Variable	EXP	K_G	CRED	PRIV	GDP	X	CPI
Correlation coefficient	0.97773	0.99842	0.92749	0.94369	0.99282	0.93692	0.99851
Vector Normality test	Chi ² (14)= 38.355 [0.0005]**						

Table VI4. Demand-Side Analysis: Cointegration Analysis, 1970 to 2005

Null Hypothesis: Rank <=	Rank test						
	0	1	2	3	4	5	6
Eigenvalue		0.94999	0.85124	0.72802	0.68458	0.56268	0.49879
Trace stat	331.37	223.53	154.94	108.06	66.524	36.748	11.882
Test [Prob]	[0.000]**	[0.000]**	[0.000]**	[0.000]**	[0.000]**	[0.001]**	[0.063]

(*) and (**) denote that the null hypothesis is rejected at the significant level of 10 percent and 5 percent respectively.

IV. PUBLIC EXPENDITURE MANAGEMENT REFORMS IN BURUNDI⁴⁵

A. Introduction

69. **The new government elected in August 2005 after 12 years of civil conflict has made good governance and combating corruption a primary objective of its administration.** The donor community has also increasingly emphasized good governance in dealings with individual countries and this is also a focus of reforms under the PRGF-supported program. One avenue to improving governance in Burundi is to bring fiscal transparency up to regional and international standards. Substantial enhancements in public expenditure management (PEM) are, as in most HIPC countries, a necessary condition for properly tracking social expenditures (including pro-poor spending) and improving fiscal transparency.⁴⁶ Now, more than ever, it is necessary that a larger share of spending be allocated to, and actually spent, on pro-poor programs.

70. **The main objective of this paper is to take stock of current fiscal management of public expenditures and identify weaknesses and needs for further reforms.** As a basis for comparison, the paper applies public expenditure indicators formulated by the World Bank and the Fund, the HIPC Tracking Assessments and Action Plans (AAPs).⁴⁷ It also compares the general fiscal transparency of Burundi against the Fund's Code of Fiscal Transparency.⁴⁸ The purpose is to identify major weaknesses and areas of further PEM reforms that could eventually be part of technical assistance programs. Section B discusses why PEM is important for macroeconomic management; why, with the approach of the HIPC completion point, Burundi needs to make further progress in controlling pro-poor expenditure; and why fiscal transparency and best practices in fiscal management matter. Section C makes recommendations for further PEM reforms so that expenditure tracking and fiscal transparency can continue to improve. Section D draws some conclusions.

⁴⁵ Prepared by Alvaro Manoel.

⁴⁶ Burundi reached the decision point under the enhanced HIPC Initiative in August 2005. This will provide the equivalent of about US\$40 million in debt relief annually for the next 30 years. At the completion point, expected in mid-2007, a stock of debt operation is in view.

⁴⁷ See International Monetary Fund (2001) and World Bank (2003) for the description of benchmarks and standard tables.

⁴⁸ This paper does not intend to undertake a HIPC-tracking assessment or a fiscal transparency report on Observance of Standards and Codes (ROSC). Neither has yet been carried out for Burundi. HIPC-tracking benchmarks and ROSC best practices are used here only as general references. Basic information on current Burundi PEM practices in this paper comes from technical assistance reports and documents prepared by the Fund and the World Bank over the past three years. During the Article IV consultation discussions, the author had the opportunity to discuss these issues with the authorities.

B. Continuing PEM Reforms in Burundi

Macroeconomic stability and fiscal control

71. **Macroeconomic stability, sustainable high growth, and poverty alleviation are positively linked with sound fiscal management.**⁴⁹ Private sector development depends on macroeconomic stability, which is based on sound financial policies (monetary and fiscal). Sound fiscal management is also essential to ensure that the authorities will have enough resources to enhance growth, fight poverty, and ensure financial sustainability by controlling public and external debt. Macroeconomic stability has been a main objective of the Burundian authorities' plans and the PRGF-supported program which incorporates strong fiscal reforms. In Burundi, fiscal policy reform has been a key component of progress towards macroeconomic stability since 2004 and will continue to be the cornerstone of the program. The Fund-supported program has been directed to (i) achieving macroeconomic stability; (ii) improving transparency and governance; and (iii) supporting long-term economic growth by encouraging private sector development.

72. **Fiscal policy, however, will not be effective if it is not accompanied by strong institutions, notably regarding expenditure management.** Improvements in fiscal management in Burundi, especially public expenditure control, should continue to be a top policy priority and be supported by technical assistance. Through their influence on the efficiency of resource allocation, the microeconomic aspects of public sector management are critical to directing fiscal policy and control toward macroeconomic stability. Weaknesses in public expenditure management in Burundi, therefore, should be assessed against regional and international benchmarks to identify further needs of reforms in this area.

The HIPC Initiative and the need for better control of public expenditures

73. **One of the HIPC completion point triggers covers the need for Burundi to demonstrate that a larger share of the budget is actually spent on pro-poor programs.** When budgets are being prepared, it is easy to allocate pro-poor expenditures; it is much more difficult to ensure allocations are properly spent and consistently reported. Increased debt relief and the imminent possibility of scaled-up external aid means that donors will be more zealous in their concern that their resources be used to reduce poverty, reach intended beneficiaries, and make the intended progress toward achieving the MDGs.

74. **Well-functioning PEM systems should help reduce donor reporting requirements and assure both domestic taxpayers and development partners that funds are being used as intended.** This is even more urgent now that increasing amounts of development aid are taking the form of budgetary support. The importance of PEM is clearer in the light of several instruments drafted by multilateral institutions in recent years. Box 1

⁴⁹ See Abed and Gupta (2002) and Gupta and others (2005).

summarizes the main instruments these institutions are currently using to analyze budgetary systems and PEM capabilities. All these instruments cover at least the budget execution stage of PEM, reflecting the critical role of this area in fiscal policy. The instruments also make recommendations in the form of actions plans to overcome weaknesses and bring country performance to acceptable standards.

Box 1. Instruments for Assessing PEM Capabilities

- **Public expenditure review (PER)**, created by the World Bank, looks at “upstream” issues of budget construction, assesses a country’s public expenditure program, checks on progress in meeting accountability requirements, and gives the government an external view of its budget.
- **Country Financial Accountability Assessments (CFAA)** by the World Bank look at “downstream” aspects of the budget process: accounting and internal controls, financial reporting, fiscal transparency, and auditing.
- **Country Procurement Assessment Reports (CPAR)** by the World Bank comprehensively analyze a country’s public procurement system—laws, organizational responsibilities and capabilities, current operating procedures and practices—and draw up a detailed action plan to improve institutions.
- **HIPC Tracking Assessments and Actions Plans (HIPC AAPs)**, carried out jointly by the World Bank and Fund, survey the extent to which PEM systems can assure that debt relief is used for poverty reduction. AAPs assess the capacity of a country to plan a program of spending, execute that plan, and produce timely and reliable reports on results.
- **Public Financial Management Performance Indicators (PEFA)**, carried out jointly by the World Bank, the Fund, and other partners, replaced the AAPs in the second semester of 2005. PEFA indicators are broader in scope and use a modified approach to subject coverage and scoring system.
- **Fiscal transparency reports (ROSCs)**, implemented by the Fund, assess fiscal transparency based on 37 good practices organized according to four main principles: clarity of roles and responsibilities; public availability of information; open budget preparation, execution, and reporting; and assurances of integrity.
- **European Commission audits**, largely based on financial and technical audits, verify the legality, legitimacy, and conformity of public expenditures in relation to aid funds provided by the Commission.

75. **This paper uses the AAPs as a reference point for a preliminary evaluation of the current status of Burundi PEM performance.** It also identifies areas for improvement. As Burundi approaches the HIPC completion point and donors consider increasing their aid and financing, it becomes ever more important for Burundi to generate reliable reports on budget execution and pro-poor expenditures. The next subsection uses another of the instruments (Fiscal Transparency Reports, ROSCs) to broaden the perspective on fiscal management in Burundi by comparing it with best international practices.

76. **The AAPs include 16 benchmarks of expenditure management capacity for all World Bank/IMF Heavily Indebted Poor Countries.**⁵⁰ The purposes of the AAPs are threefold: (i) to assess capacity for tracking all public spending, including poverty-reducing spending; (ii) to better understand risks associated with poverty-reducing spending, especially in the context of debt relief; and (iii) to clarify what donor and technical assistance will be necessary to improve systems for managing poverty-reducing and other public spending. The benchmarks are organized in terms of three dimensions of PEM: covering budget formulation, execution, and reporting. These areas provide the basic information needed to identify and monitor functional and economic and targeted spending.

77. **Of the 26 countries assessed by AAPs up to 2004, a majority require substantial upgrading to have PEM systems capable of reliably tracking public spending** (Figure 1).⁵¹ Only 2 countries, Tanzania and Mali, needed little upgrading; 5 more countries met 8 to 11 of the benchmarks, meaning they need somewhat more upgrading; and 19 countries, which met from 0 to 7 benchmarks, required substantial improvement in their PEM systems. A low-income, post-conflict country like Burundi is likely to show very low compliance with the AAP indicators. The rest of this section explores the 16 benchmarks as applied to Burundi.

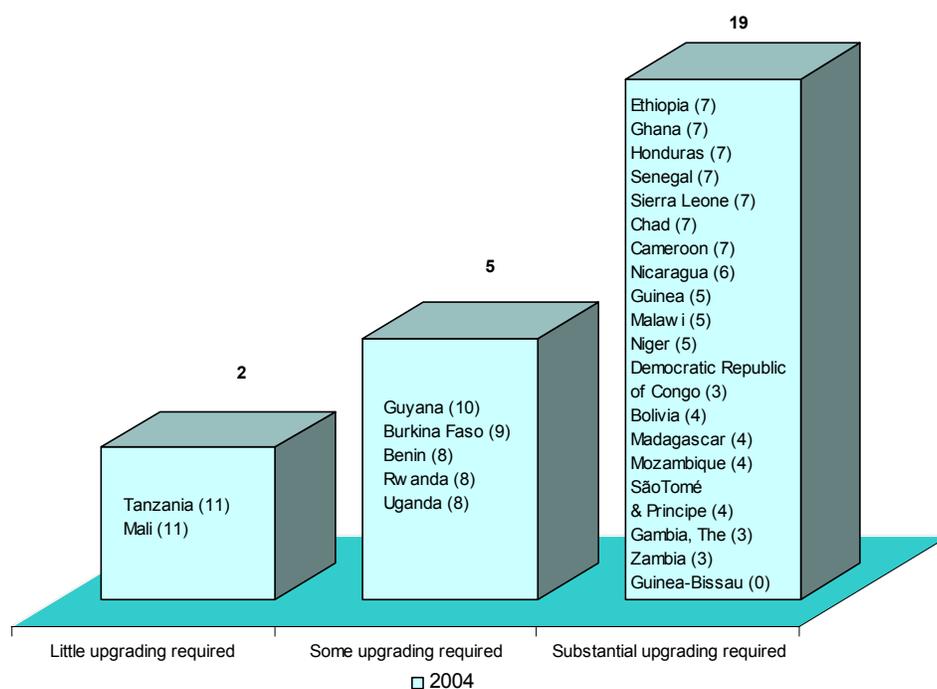
78. **A preliminary analysis suggests that it meets only 3 of the 16 AAP benchmarks** (Table 1). This preliminary analysis is not based on a full HIPC-AAP assessment process, and therefore the ratings should be regarded with some caution. At present, Burundi appears to meet the benchmarks on the reliability of the budget as a guide to the future, timely accounting for transaction and budget classification. Although Burundi has not yet implemented programmatic classification, it is not sufficient for arguing that the indicator cannot be met since the country is already reporting expenditure by administrative economic and functional classification. Recent improvements on budget execution and reporting will allow the country meet the internal fiscal reporting as soon as the quarterly budget execution report is consolidated and starts including comparisons with previous years.

79. **The poor performance of Burundi against the 16 AAP benchmarks should not be a surprise considering that the country has only recently emerged from a prolonged civil conflict.** Deterioration of macroeconomic management capacity and collapse of the expenditure control system and revenue collection have been a common outcome of civil conflict in Africa. In several cases, the implications for macroeconomic control have resulted

⁵⁰ In the second half of 2005, the HIPC-AAP benchmarks were replaced by a new set of 28 public financial management performance indicators (PEFAs). PEFA is a joint program of the World Bank, the EC, the DFID, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Norwegian Ministry of Foreign Affairs, and the IMF. While the new indicators are based on the HIPC-AAP benchmarks, they are broader in scope and modify subject coverage and the scoring system. Because so few countries have been assessed since the change, this paper bases its analysis on the HIPC-AAP benchmarks for which comparable information is available.

⁵¹ Individual country HIPC Assessments and main documents are available at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE>.

Figure 1. Relative Need for Upgrading PEM Systems in HIPC Countries



(Number in parentheses = total number of benchmarks met)

Source: Fund-Bank AAP database

in monetization of an uncontrolled budgetary deficit and have fueled inflation. Lessons from other post-conflict countries highlight the importance of an early strengthening of budget control and tracking of expenditure—including budget formulation and execution and reform of civil service.⁵² PEM reforms currently being put in place, especially through the implementation in 2004-05 of an interim information financial management system (interim IFMIS),⁵³ with technical assistance from donors suggest, however, that Burundi is likely to meet more of the indicators soon. Consolidation and deepening of PEM reforms is critical at this juncture and further steps and measures are discussed in section C.

⁵² See Calcoen (2004) for an analysis of rebuilding fiscal institutions in the Democratic Republic of the Congo.

⁵³ The interim IFMIS (SIGEFI in French) is also partial because it is not integrated and works with very few capabilities.

Table 1. Burundi: Comparison Between HIPC AAPs Indicators and Current PEM Practices

HIPC AAPs Indicators	Current Status Quo in Burundi	Preliminary Assessment
<p>1—Coverage of the budget - how well coverage of fiscal information matches the Government Finance Statistics (GFS) definition of the general government sector (central, regional, and local governments and all their operations, whether funded through the budget or not).</p>	<p>Coverage is relatively broad because government activity is still centralized—there are no independent subnational governments or budgets. However, several agencies and activities are generating revenues that are not budgetized; neither are their expenditures. Semi-autonomous entities are also part of the budget execution process.</p>	Not met.
<p>2—Extrabudgetary funds: spending that is funded by inadequately reported extrabudgetary sources. Extrabudgetary activities, according to this indicator, should not be higher than 3 percent of the total budget.</p>	<p>Off-budget activities are still substantial. Burundi’s Road Fund revenues and expenditures are still outside the budget. The Social Security Fund is not part of the budget either.</p>	Not met.
<p>3—The reliability of the budget as a guide to the future. Is the budget implemented as approved by Parliament? It compares the level and composition of budget execution at the administrative or functional level with the original budget allocations.</p>	<p>Preliminary 2005 data indicate that expenditure execution was close to the original appropriations: (i) wages and goods and services achieved about 97 percent of the budget’s appropriations; (ii) contributions and subsidies were even closer at around 99 percent; (iii) domestic and external debt interests were only about 78 percent of the year’s appropriations but the difference is mainly due to poor debt management; (iv) capital outlays were more volatile because they depend on project financed by donors, which is difficult to predict especially in a post-conflict environment.</p>	Met.
<p>4—Inclusion (without exception) of donor funds. The question is whether all donor funds are reported in government budget or fiscal reports.</p>	<p>Off-budget activities are still common in Burundi; donor-funded expenditure reporting is thus incomplete. Burundi, like several other HIPC countries, does not meet this benchmark.</p>	Not met.
<p>5—Budget classification. This examines whether the budget classification is complete, i.e., whether expenditures are classified by administrative, economic, functional, and programmatic dimensions.</p>	<p>In 2004, Burundi began using a unified functional and economic classification of public expenditure and adopted a double-entry accounting system. Currently, the PEM system is able to generate reports that classify expenditures on administrative, economic, and functional dimensions. No programmatic classification is available.</p>	Met.
<p>6—Identification of poverty-reducing spending. It relates to the efficiency of the means used to track poverty-reducing spending.</p>	<p>The Burundi budget law does not make clear what the government priorities are. For example, “poverty-reducing spending” is broadly defined—social expenditures in education, health, etc.—but there is no budgetary mechanism to tackle it properly other than using the basic appropriations lines in the budget.</p>	Not met.
<p>7—Integration of medium-term forecasts into budget preparation. This relates to whether there is any framework for medium-term spending beyond the one-year budget horizon.</p>	<p>Although the Burundi government has prepared medium- and long-term government, MTEF are not prepared and budget preparation is still a fragmented process disconnected from macroeconomic forecasts and budget constraints.</p>	Not met.

Table 1. Burundi: Comparison Between HIPC AAPs Indicators and Current PEM Practices

HIPC AAPs Indicators	Current Status Quo in Burundi	Preliminary Assessment
<p>8—Budgetary arrears. Expenditure arrears should be minimal, with little accumulation over the previous year. All countries should attempt to meet obligations as they fall due.</p>	<p>Accumulated arrears have been substantial—about 3 percent of GDP in 2004.</p>	<p>Not met.</p>
<p>9—The internal control system. Comprises a series of procedures and arrangements designed to minimize the risk of fraud, waste, and abuse, and to provide reasonable assurance that management objectives are being achieved and policy directives followed.</p>	<p>Currently, the General Inspectorate of Finance (IGF) has a government-wide mandate to inspect government operations and reports to the Ministry of Good Governance. At the moment, IGF capacity is weak mainly because (a) its reports and recommendations are not made public or followed up with corrective measures; (b) its personnel have inadequate expertise in auditing and control techniques; and (c) its autonomy is limited by insufficient budgetary resources. Burundi has not yet carried out any PETS. Two PETS in health and education are planned and are part of the HIPC completion point triggers.</p>	<p>Not met.</p>
<p>10—Use of tracking surveys. Internal controls should be supplemented by Public Expenditure Tracking Surveys (PETS) that follow funds to the ultimate service provider or beneficiary.</p>	<p>Reconciliation of government accounts is hampered by the large number of active accounts. Reconciliation with central bank monetary accounts (financing to the government by the banking system) has not been proper and timely.</p>	<p>Not met.</p>
<p>11—Quality of fiscal information. Asks whether there is a satisfactory, timely, and routine reconciliation of government bank accounts and accounting records.</p>	<p>The Ministry of Finance has not made public any quarterly report on budget execution that analyzes revenues and expenditure. However, detailed quarterly budget execution reports are now possible under the interim IFMIS, including information on commitments as well as payments.</p>	<p>Not met</p>
<p>12—Timely internal fiscal reporting. Asks whether the central financial authority receives budget-tracking reports from the line ministries, other spending units, and the Treasury within four weeks after a reporting period ends.</p>	<p>The 2006 budget incorporates new detailed classification of public expenditures, which allows for better identification of areas of spending. The definition of pro-poor spending, however, is still debatable because a broad range of expenditures, including even university education, are classified as pro-poor.</p>	<p>Not met.</p>
<p>13—Fiscal reports that track poverty-reducing spending. Inquires about the quality of the functional classifications. Broad functional categories are not sufficient to allow for assessment of the extent to which government spending is pro-poor.</p>	<p>Since January 2006, with the new interim IFMIS system, information on commitment, verification, and payment are entered within the month they are realized and are automatically consolidated.</p>	<p>Met.</p>
<p>14—Timely accounting for transactions. This indicator requires that routine transactions be entered into the main accounting system within two months after the end of the fiscal year.</p>	<p>In December 2005, the Audit Court published its first report, analyzing government accounts for 2004. The government account consolidation is still precarious what has hampered the audit. The accounts still need to be analyzed by Parliament and made public.</p>	<p>Not met.</p>
<p>15—Timely audit of government financial accounts. An audited record of financial allocations should be presented to the legislature within twelve months of the end of the fiscal year and made public.</p>	<p>The regulatory framework for procurement is inadequate. The government has decided to reform the public procurement system in 2006 with World Bank support.</p>	<p>Not met.</p>
<p>16—Procurement system must promote efficiency and effectiveness in the use of public funds through clear, enforceable rules that promotes competition, transparency, and the value of money</p>		<p>Not met.</p>

Fiscal transparency

80. **The empirical literature suggests that there is a strong positive relationship between fiscal transparency and economic outcomes.**⁵⁴ In Burundi, there was increased attention to good governance in the late 1990s—ultimately, the literature has shown, good institutions contribute to economic growth. Because of this link, fiscal transparency⁵⁵ has received considerable attention from both policy makers and researchers, who have been particularly concerned with economic governance, particularly public sector management.

81. **Why is it important for Burundi?** Greater transparency will generate better information for fiscal policy design and decisions, allow stronger public and parliamentary oversight, make government more accountable for its actions (governance), and improve the environment for investment, both domestic and foreign. Fiscal transparency also lowers government borrowing costs and helps keep budget deficits low, which has positive implications for macroeconomic stability and stronger economic growth. Fiscal transparency also helps to identify weaknesses in fiscal policy, risks, distributional implications, and poverty effects. Finally, fiscal transparency may enhance public understanding of reforms and thus public support for responsible policies. Building political consensus is fundamental for countries like Burundi.

82. **It has been shown that better-performing countries generally follow more transparent fiscal practices.** Hameed (2005) reviewed the main literature, developed indices of fiscal transparency for a broad range of countries based on the Fiscal Transparency Code, and carried out a cross-section analysis using the transparency indices to examine how fiscal transparency relates to market credibility, fiscal discipline, and corruption. Some of the main conclusions:

- **Transparency makes it easier to achieve fiscal discipline**, which, in turn, helps explain macroeconomic stability. For example, a medium-term budget outlook and careful analysis of fiscal risks are likely to result in more-disciplined budgets and better fiscal outcomes. Econometric analysis (Hamed, 2005) shows a significant relationship between primary balances and the main indices of fiscal transparency (including fiscal risks).
- **Transparency makes it easier to combat corruption** because the government is more accountable and there is less tax discretion and more effective auditing. After controlling

⁵⁴ See, for example, Hameed (2005) and Alt and Lassen (2003).

⁵⁵ Fiscal transparency is defined as “openness to the public at large about government structure and functions, fiscal policy intentions, public sector accounts, and projections.” See the Code of Good Practices on Fiscal Transparency and Kopits and Craig (1988) for definition and description of the principles.

for certain geographical economic and demographic factors, transparency has been positively correlated with control of corruption.⁵⁶

- **Transparency gives countries more credibility in financial markets and lowers the premium.** For a country with access to capital markets, controlling for economic fundamentals, international financial markets are likely to demand lower premiums from countries that are forthcoming about their fiscal position and risks. Hammed (2005) analyses the relationship between a credit ratings variable⁵⁷ and fiscal transparency indices for countries that have published fiscal ROSCs. The analysis showed that fiscal transparency matters for credit ratings. Although this result may not be of immediate interest to Burundi—participation in the international financial markets is still incipient—it may become important for later economic development because Burundi, a land-locked country, will depend strongly on trade, foreign direct investment, aid, and external financing.

83. **Cross-country comparisons of fiscal transparency show differences in performance across regions and level of development.** Observations for the 57 countries that have published fiscal ROSCs, 20 specific good transparency practices were assessed as observed, largely observed, or not observed (Table 2).⁵⁸ Main results in Table 2 indicate that (i) advanced economies, as expected, generally comply best with good fiscal transparency practices, and (ii) sub-Saharan Africa countries generally have low compliance with good practices but they perform relatively well on some.

84. **It appears from a preliminary analysis that best practices of fiscal transparency in Burundi, like other sub-Saharan countries, are not being observed (Table 2), except for those on budget classification.** Some of the benchmarks in fiscal transparency overlap with the AAPs indicators already analyzed. It is worth noting, however, that the PEM reforms put in place in recent years are improving the capacity of the country to become more transparent in terms of fiscal management. Consolidation of the current reforms, especially the interim IFMIS, additional capacity building, and further expansion of specific measures on improving universality of the budget and reporting, will substantially improve Burundian fiscal transparency.

⁵⁶ See an econometric exercise in Hammed (2005).

⁵⁷ The credit ratings variable is an average of the Moody's, Standard and Poor's, and Fitch sovereign ratings on foreign currency long-term debt.

⁵⁸ Table 2 was developed by the Fiscal Transparency Unit at FAD/IMF and shows the number of countries by region that have either observed or largely observed a given practice as a ratio of the total number of countries in the group for which there is enough information to make an assessment.

85. **Burundi is now poised to make quick progress on at least two areas of fiscal transparency practices—an open budget process and medium-term budgeting which correspond to best practices 1 to 6 and 17 to 20 in Table 2.** The interim IFMIS system is being consolidated and with the first quarter of 2006, quarterly budget execution reports are now being published. Some improvements in the government's capacity to prepare annual government accounts and the Audit Court's capacity to analyze them will allow Burundi to comply with most practices encompassed by the title of "open budget processes." Likewise, by including more information (forward estimates) in the budget and carefully identifying poverty-reducing activities, and by linking the annual budget with an MTEF, Burundi can be expected to improve the practices for numbers 17 to 20 in Table 1. Improvements in most of the fiscal transparency practices related to data quality, assurances of integrity, and reporting on fiscal risks, will take more effort but should be tackled by the time reforms on the open budget process and medium-term budgeting are in place.

C. Further PEM reforms

86. **Although some progress was made in 2004 and 2005, weaknesses and inefficiency in PEM in Burundi are still hampering fiscal policy implementation.** Section B indicated that Burundi is considered far behind in complying with indicators to track expenditures; especially pro-poor spending and fiscal transparency could be considered below the regional average, which suggests that Burundi is not using best practices.

87. **Further PEM reforms should aim at consolidating the current implementation of an interim IFMIS and expand in areas that will help to improve compliance with the HIPC AAPs indicators and fiscal transparency.** Public expenditure management, for example, is being reinforced from a very low base by an interim IFMIS, a crucial step toward improved budget execution and capacity to generate more reliable and detailed reports. The system is still restricted to the Ministry of Finance and there are several capabilities still to be developed, such as expansion to line ministries and completion of interfaces with systems like payroll and public debt management.

88. **The extension of the interim IFMIS to all public expenditure and revenue will allow the Ministry Finance to prepare its annual government accounts a few months after the end of the fiscal year.** In turn, this will permit the Audit Court to expedite its analysis and technical opinion on government accounts. It is feasible that by 2008, the Audit Court analysis can be considered by the Parliament within a year after the end of the fiscal year, allowing Burundi to comply with one more best practice in fiscal transparency. Additional training and resources for the Audit Court are still needed and the calendar of the government accounts must also be reviewed to reflect (i) time for preparation and approval of government accounts by the Ministry of Finance and Council of the Ministries (three to four months); (ii) time for Audit Court analysis and preparation of a formal opinion (six months); and (iii) submission of the conclusion to the Parliament.

89. **Full functioning of the Audit Court and finalization of the first audit of the government accounts in 2005 will help to improve external controls and give**

independent assurance of the integrity of government activities helping Burundi to comply with another best practice of the Fiscal Transparency Code. Much more remains to be done related to internal controls and public availability of information. The new Audit Court needs to be reinforced. Recently, the government announced a reorganization of the Ministry of Finance and created a new department of internal control. This decision has obfuscated internal control roles because the Ministry of Good Governance has been in charge of internal control matters. The lack of clarity undermines the efficiency of the system and compromises the use of limited financial and human resources. The government should consider placing the government-wide internal control system back under the Ministry of Finance, which is more familiar with financial operations, budgeting, and cost-benefit analysis.

90. **The interim IFMIS should be upgraded into a fully integrated budget financial management system when it is extended beyond the Ministry of Finance to line ministries and government agencies.** This step should create additional capabilities in the system that will allow the line ministries to perform part of the budget execution process, for example by managing their own expenditure commitments. Currently, authority to spend budget allocations has been concentrated exclusively in the Ministry of Finance. Controllers reporting to the Ministry of Finance perform ex-ante controls on almost every phase of expenditure process (commitment, verification, service rendered). These cumbersome procedures generate delays and inefficiency in government spending. Furthermore, they dilute responsibility and accountability and encourage irregular practices to overcome them. Streamlining ex-ante controls in budget execution is urgently needed. It is also important to delegate to line ministries the responsibility to enter commitments into the interim IFMIS. This would be a critical step in PEM decentralization to line Ministries and government agencies, though the Ministry of Finance as the primary fiscal authority would retain firm control on global limits for commitment and payment.

91. **Investment/project spending and recurrent expenditures can be integrated shortly using the capabilities of the current interim IFMIS.** The potential scaling up of external aid in Burundi underscores that integration is a necessary condition to improve the quality of budgeting. Integration would increase efficiency because forecasting of future outlays (future recurrent expenditures linked to current capital expenditures) would be more effective and realistic.

92. **Incorporating into the budgetary procedures donor investment and public projects and other extrabudgetary activities will help Burundi to comply with indicators 2 and 4 of the AAPs (Table 1) and fiscal transparency benchmark 8 (Table 2).** This is related to a core universal principle in budgeting: comprehensiveness. In their technical assistance reports by World Bank and the Fund have made several recommendations to overcome this weakness: (i) inventory all extrabudgetary resources; (ii) standardize the reporting of expenditures and revenues by semiautonomous agencies; and (iii) identify off-budget expenditures and their effect on recorded revenue and expenditures with a view to their later inclusion in the budget.

93. **Government bank accounts can be better controlled by setting up a single Treasury account (or a consolidated government bank account) in the central bank.** By controlling the use of financial resources in government accounts, the Treasury could substantially reduce the need for short-term bank financing. This would also improve central bank liquidity control and implementation of monetary policy because use of government bank resources becomes much more predictable. This measure will help Burundi to comply with HIPC AAPs indicator 11 (Table 1).

94. **Short-term measures can be taken to help harmonize budget execution reports and other fiscal reports on such topics as banking financing and public debt.** The interim IFMIS allows the Ministry of Finance to put together the main information related to budget expenditures and revenues. By incorporating other sources of revenue, such as revenues generated independently by government agencies, public debt operations, and bank financing, the Ministry of Finance can generate consistent reports on government financial operations. The Ministry is currently producing a quarterly report on budget expenditure; the objective is that it covers all budgetary transactions. The budget execution report should at least cover functional and economic classifications and comparisons with the total allocation (as modified during the fiscal year), and quarterly projections should be made for the main items. Comparisons with actual figures in the same period in previous years would also help make fiscal performance clearer. A section on poverty expenditure should detail pro-poor spending in terms of evolution and main priority areas. These measures, together with inclusion in the budget of contingent liabilities and quasifiscal activities and regular publication of public debt in the budget execution reports, will improve Burundi observance on fiscal transparency best practices No. 11, 12, 13, and 14 (Table 2).

95. **The law governing public finance needs to be completely overhauled.** Budgetary and financial resources need to be consolidated because not all revenue is deposited in the Treasury account. There is no formal obligation to produce end-of-year government accounts, which may complicate the functioning of the Audit Court. Furthermore, there is currently a serious potential conflict of interest built into budget execution: the person or area in charge of issuing payment orders is also the government accountant, which can obviously lead to undesirable management practices. Best practices recommend that these roles be carried out by different entities. In general, the Organic Budget Law (*Loi Organique des Finances*) needs to be updated to provide: (i) a clear definition of the main principles and procedures for managing public resources; (ii) a requirement that government produce governments accounts on schedule and submit them for audit by the Audit Court, whose reports will be analyzed by Parliament; (iii) integration of current and investment expenditure budget; and (iv) a requirement that annual budget global ceilings of expenditure be linked with MTEF which has to be produced regularly.

96. **Now that the first complete PRSP is being finalized, it is feasible to harmonize medium- and long-term planning and monitoring instruments.** Therefore, short- and medium-term fiscal documents like the annual budget and its reporting system should be totally consistent with the PRSP. It is recommended that an MTEF be progressively introduced starting with the complete PRSP. One option would be to phase in basic elements

of program budgeting, for example, linking budget request to outcomes in specific areas, such as primary education and immunization programs. The challenge for program budgeting is that activities that are part of a single program are implemented by different agencies and even line ministries—another reason for consolidation of current and capital expenditure programs.

97. **Accumulation of expenditure arrears have been substantial—about 3 percent of GDP in 2004 and has certainly undermined the quality of fiscal policy implementation and has impeded the country to comply with indicator 8 (Table 1).** The efficiency of the government may decline when budgetary arrears are high and persistent; certain areas, such as health services, can experience severe deteriorations in service delivery from late or no payment of invoices. In 2005 and 2006, the government made progress on clearing expenditure arrears (Box 2) and it should attempt to meet obligations as they fall due avoiding any form of nontransparent financing in order to comply with indicator 8 of Table 1.

Box 2. Budgetary Arrears Audit and Strategy for Clearance

Arrears: a recurrent problem

The weak budget preparation and execution associated with civil conflict in Burundi over the past decade have led to a significant accumulation of budgetary arrears to about 3 percent of GDP. Besides the negative implications for fiscal policy, the accumulated arrears have also generated lawsuits against the government; impaired the mechanisms for public procurement; and created a public perception that the government has not managed its budget and finances properly.

Government arrears inventory and independent audit

The government decided to face this problem by inventorying the precise amount of arrears and the creditors. The arrears inventory was finalized in 2005 and audited by an external firm in the first quarter of 2006. The amount still outstanding in 2006 is FBu 25.7 billion or 3 percent of GDP. The creditors were varied: private banks, companies, and suppliers; public enterprises and autonomous entities; and even some individuals.

Strategy for clearance: transparent and consistent with fiscal policy

The next step was to design a strategy to clear the arrears without impairing budget balance, undermining fiscal policy consistency with macro variables, and compromising priority expenditures. The strategy being adopted comprises the following principles and measures:

- The strategy should be transparent. The government decided to make it explicit in the 2006 revised budget. Regular payments and issuing of additional government liabilities are now being presented in the budget law and incorporated into the budget execution process.
- An official government decision will state the total amount of arrears for each creditor and the modalities for their settlement.
- FBu 100 million. Total cash payments in 2006 are estimated in FBu 7.4 billion (0.9 percent of GDP).
- For the remaining validated arrears, a Treasury certificate (with no interest) recognizing these debts will be issued for the nominal value, which is estimated to total in FBu 18.3 billion (2.1 percent of GDP).
- The Treasury certificates could either be freely exchangeable for Treasury bonds of three to five years maturity auctioned by BRB on behalf of the Treasury, or used in the privatization program to settle winning offers of government assets.

98. Debt management and reporting (which is part of the fiscal transparency benchmarks) is also a HIPC trigger according to the decision point document.

Supported by technical assistance from donors, the government has installed some small capacity in the Ministry of Finance, in coordination with the central bank, which has maintained a public database on domestic and external debt. Monthly reports on debt are now being produced although data reliability needs considerable work. Accounts are not regularly reconciled with creditors' statements and the information in the system is not being updated on a timely basis.

99. Wage bill control in Burundi is unsatisfactory, while its share of budgetary allocations has been increasing (see Box 3). Though the government wage bill is the most important single item in the budget, amounting to some 10 percent of GDP, the Ministry of Finance does not control payroll and normal budget procedures are not followed. Urgent reform and clear definition of long-term policy are needed. Like expenditure on investments, some items of recurrent expenditures such as wage bill need to be factored into the MTEF and linked to annual budgets.

Box 3. The Wage Bill in Burundi

Because payroll has become the largest recurrent expenditure item in the Burundi budget, improving its management has become a priority for public expenditure reform. Reports prepared by the government and donors have identified specific weaknesses in current payroll procedures and controls.

The magnitude of the problem

- Wages constitute 24 percent of total expenditure, which in 2006 is expected to achieve about 10 percent of GDP;
- Their weight in the budget has been increasing steadily, from 7 percent of GDP in 2002 and 9 percent in 2004;
- The government has around 100,000 people on the payroll, a high proportion of the total population compared to neighboring countries;
- About 50 percent of these are in the security forces (the army and the new national police).

The civil servant average salary is still low (about US\$60 dollars per month) and there is a clear need for a firm strategy to increase average salaries while bringing the total wage bill outlay below 10 percent of GDP. Demobilization and integration of rebel groups plus eliminating ghost workers from the payroll will certainly help to increase the average salary without jeopardizing the budget.

Lack of control

A recent government census of civil servants identified more than 4,000 ghost workers of a total of 46,000 employees. Currently, computerization of the payroll is limited and subject to errors, and the civil servant roster is not timely updated.

A reform strategy might be to transfer management of the civil payroll to the Ministry of Finance, which is better equipped and more familiar with the financial aspects of payroll payments. That would leave the Ministry of Good Governance in charge of designing civil servant wage policy (subject to broad budgetary limits defined in the budget and in the MTEF).

D. Conclusion

100. **This paper has stressed the importance of fiscal policy for macroeconomic stability and the critical role of PEM in fiscal policy.** By using benchmarks provided by the HIPC AAPs and fiscal transparency ROSCs, the paper concludes that it is urgent that Burundi consolidate its current PEM reforms and move forward purposefully to bring fiscal management to regional and international standards.

101. **Although Burundi has been making progress in PEM since 2004, as this paper shown, much remains to be consolidated, extended, and advanced.** Some of the PEM instruments analyzed in Section II might be helpful at this juncture. For example, a complete fiscal transparency ROSC and HIPC PEFA (the replacement for the AAP) for Burundi would provide more specific information on areas that need attention and would give detailed actions plans for continuing the reforms. A World Bank PER exercise would also benefit PEM reform, both current and future. Two priorities areas for a PER would be drafting medium-term plans and an MTEF and integrating them into the annual budget, and identifying pro-poor spending priorities for follow-up in budget preparation and execution.

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Summary of the Burundi Tax System
(as of December 31, 2005)

Tax	Taxable Income	Exemptions and Deductions	Rates Applied
Transactions tax (<i>taxe sur les transactions</i>)	Assessed on the consumption of goods and services (MO No.540/1850 of 12/30/2005). The transaction tax is one of the self-assessed taxes that taxpayers must file on a monthly basis.	<ul style="list-style-type: none"> • Equipment, inputs and spare parts imported by priority businesses. • As of January 2006, transport vehicles are no longer exempt from the transactions tax. • Inputs and equipment for agricultural and livestock activities. • Banking transactions (Law No. 1/022 of 12/31/2005). • Businesses with free zone status are exempted on inputs and equipments necessary to the operations of the business. • Medical care and medical biology analysis activities. • Real estate leasing and hire-purchase transactions. • Loans contracted by financial institutions to finance housing. • Embassies and international organizations. • International travel. • Provision of water and electricity. • Temporary imports and exports. • Legal services. • Vehicle purchases by a member of Parliament, a Minister, or by officials with similar rank according to the legislature. 	<p>There are three rates: 7 percent for:</p> <ul style="list-style-type: none"> • Agricultural, fishery, and livestock products for businesses whose annual sales are greater than or equal to FBu 50 million. • Meat (fresh or prepared). • Real estate sales. <p>17 percent for:</p> <ul style="list-style-type: none"> • Imports. • Goods. • Manufacturers. • Services. • Goodwill sales, sales of stocks and shares. <p>20 percent for:</p> <ul style="list-style-type: none"> • Telecommunications transactions. • Sales of cigarettes, wine, and luxury vehicles.

Summary of the Burundi Tax System
(as of December 31, 2005)

Tax	Taxable Income	Exemptions and Deductions	Rates Applied
Professional tax on remuneration (<i>impôt professionnel sur les rémunérations</i>)	<p>Taxable incomes are those of individuals who are paid by a third party without being bound by a business contract. This self-assessed tax is withheld at the source by the employer and is paid each time the beneficiary is paid their salary.</p> <p>In addition to these types of regular income, professional income tax is assessed on some types of nonrecurring or occasional incomes.</p>	<ul style="list-style-type: none"> • Employees of embassies and international organizations covered under the Vienna Convention (diplomatic immunity). • Base rate deduction of FBu 480,000 per year, or • FBu 40,000 per month (See MO 540/044/2005 of 01/17/2005). • Loss carry-forward. • Fees paid by a wage earner for medical services for themselves and their family. • Transportation costs for expatriates staying in Burundi for one year or less. • Travel/relocation costs may be claimed as professional expenses up to a value equal to 15 percent of the base salary. • Final payments made in Burundi by the wage earner to pension and insurance funds. Tax-free employee contributions (<i>cotisations sociales libres</i>) are limited to 30 percent of base pay. • Donations; business contributions to charities or independent foundations (<i>établissements reconnus d'utilité publique</i>). 	<p>For retirement benefits, termination of work or separation from employment:</p> <ul style="list-style-type: none"> • The bracket earning up to FBu 500,000 is taxed at the rate of 15 percent; • The bracket earning more than FBu 500,000 is taxed at the rate of 30 percent. <p>For occasional income:</p> <p>For sums paid to an occasional employee, the tax is equal to 35 percent of the amount paid, minus a flat deduction of 20 percent.</p> <p>The health and education sectors, however, are taxed at the rate of 10 percent.</p> <p>Graduated rates are applied to regular income. The rate applied corresponds to the category of taxable income before the monthly deduction of FBu 40,000.</p> <p>Graduated rates vary between 27 percent and 60 percent according to the net taxable income bracket; nevertheless, the tax may not exceed 35 percent of net taxable income.</p> <p>Local employees of embassies, consulates, international organizations, and related projects pay 10 percent.</p>

Summary of the Burundi Tax System
(as of December 31, 2005)

Tax	Taxable Income	Exemptions and Deductions	Rates Applied
<p>Professional income tax: (<i>Impôt sur les revenus professionnels</i>) Business profits <i>(Bénéfices industriels et commerciaux – BIC)</i> and nonbusiness profits <i>(Bénéfices non-commerciaux – BNC)</i></p>	<ul style="list-style-type: none"> • Profits of all independent industrial, commercial, handicraft and real estate businesses, and other; • Profits of independent professions, practices or offices, and other profit occupations; • Revenue of a foreign business from the provision of services in Burundi, as well as any fees or royalties collected. In this case, tax is paid by the business located in Burundi and paying the benefit or fee. 	<p>Redundancy pay (<i>indemnités de préavis et de licenciement</i>) as a result of privatization or the restructuring of public enterprises and the civil service is nontaxable.</p> <ul style="list-style-type: none"> • Profits made in the context of an international agreement ratified by Burundi; • Profits of agricultural or livestock businesses; • Businesses operating in the free zone during the first ten years of operations, with the exception of commercial export processing businesses that benefit from preferential rates; • Fees and royalties for exempt transactions; • Businesses that have benefited from the advantages of the investment code during the period specified in their license; • Real estate leasing and hire-purchase businesses, during the first three years of operations. 	<p>Income tax cannot exceed 35 percent (marginal rate) of net taxable income.</p> <ul style="list-style-type: none"> • 35 percent for both individuals and businesses; • 15 percent as of the 11th year and throughout the existence of industrial or agricultural businesses operating in the free zone; • 10 percent when these businesses create more than 100 permanent jobs for Burundi nationals; • Normal rate is reduced by 10 percent if these industrial or agricultural businesses operating in the free zone reinvest at least 25 percent of the profits they make over their decade of operation; • 1 percent of sales for all commercial businesses operating in the free zone and throughout their existence from the time they begin operation; • 0.80 percent of sales for all commercial businesses operating in the free zone that creates more than 20 permanent jobs for Burundi nationals.

Summary of the Burundi Tax System
(as of December 31, 2005)

Tax	Taxable Income	Exemptions and Deductions	Rates Applied
		<p>All occupational outlays or expenses that the taxpayer has made or incurred during the taxable period to acquire or retain taxable income and for which the necessity and amount is justified by supporting documentation. Should supporting documentation not be provided, the administration and the taxpayer may jointly evaluate them.</p>	<ul style="list-style-type: none"> • 50 percent of the withholding tax rate on profits made by all exporters of nontraditional products. • 35 percent of the profits for coffee exporters if the amount is greater than total sales multiplied by 0.0285. • The rate moves to 0.5 percent of total sales if the amount is less than total sales multiplied by 0.0285.
		<p>Deductible expenses include:</p>	<ul style="list-style-type: none"> • 20 percent of the income or profits made by individuals after end of professional activity. • 20 percent for real estate leasing and hire-purchase businesses for a period of 4 years. • By the 8th year, the applicable rate is the rate specified under ordinary law. • 1 percent of total sales if taxable income is less than the product obtained from multiplying total sales by 0.0285 (i.e., $\frac{1}{35}$).
		<ul style="list-style-type: none"> • Rents derived from property or partial property used to practice the profession and all other maintenance and lighting costs. • Maintenance costs of the fixtures and fittings used to practice the profession. • Wages, salaries, bonuses, and payments made to employees and workers employed by the business, as well as health care and any other benefits accorded to staff members. 	<ul style="list-style-type: none"> • Interest on capital loaned to third parties and used for the business and all comparable and related expenses, benefits, and fees. • Transportation costs, brokerage fees, and commissions.

Summary of the Burundi Tax System
(as of December 31, 2005)

Tax	Taxable Income	Exemptions and Deductions	Rates Applied
		<ul style="list-style-type: none">• The salaries paid to managing directors in shares. The amount of profit shared between the staff members of a business.• Depreciation of the immovable assets of a business and materials required to practice the profession.• The items already taxed during an accounting year.• Loan loss provisions established by banks.• Fees for legal representation in the interests of the business. These are fixed at 1 percent of total sales but may exceed FBu 2,000,000 per year, unless the business obtains special authorization from the Ministry of Finance.• Payments made for life annuities, pensions, health insurance or unemployment insurance; these sums may not exceed 20 percent of income taxed the previous year.• Gifts made to general-interest charities or organizations, as well as to philanthropic, educational, scientific, social, religious, humanitarian, sporting, or cultural organizations made to benefit Burundi nationals, up to a maximum of one percent of sales not to exceed 1 percent of the net taxable income from the previous financial year.	

Summary of the Burundi Tax System
(as of December 31, 2005)

Tax	Taxable Income	Exemptions and Deductions	Rates Applied
Property tax (<i>impôt mobilier</i>)	<p>Property tax is assessed on:</p> <ul style="list-style-type: none"> Income from any stocks or shares and income from bonds which are liabilities of civil or commercial joint-stock companies (<i>sociétés par actions civiles ou commerciales</i>), when such businesses have their headquarters or main administrative office in Burundi; Income from partners' shares (<i>parts des associés</i>) in businesses other than joint-stock companies, which have their headquarters or main administrative office in Burundi; Sums that partners owe or are owed for any share in the business as of the final day of the financial year; 	<ul style="list-style-type: none"> When the taxpayer is an individual who effectively resides in Burundi, the following may also be deducted: cost of transport for holidays, after one year's stay, for the individual's spouse and unmarried children. Employer payment of cafeteria costs. Regardless of its legal status, a business may deduct losses incurred during the 4 previous years. 	<p>15 percent on all income distributed or presumed to have been distributed.</p>
		<p>The following are exempt from property tax:</p> <ul style="list-style-type: none"> Businesses operating in the free zone. Businesses benefiting from the advantages offered under the investment law. Income generated in the context of an international agreement ratified by Burundi. 	

Summary of the Burundi Tax System
(as of December 31, 2005)

Tax	Taxable Income	Exemptions and Deductions	Rates Applied
	<ul style="list-style-type: none"> For all businesses, regardless of legal status, income from stocks or shares shall be presumed to be distributed at the rate of 50 percent of the profits realized and subject to the professional tax on earnings unless it is proven that the profits have been reinvested. 	<p>Included in the distributions are the following:</p>	
	<ul style="list-style-type: none"> Amounts pertaining to income adjustments as a result of audits, in the case of years in which the business recorded a period of losses and which did not lead to an actual assessment of corporate tax, or that resulted in the cancellation or reduction of deficits. 		
	<ul style="list-style-type: none"> Embezzlement and withdrawals of funds belonging to the business by a partner, as well as undisclosed benefits. 		
	<ul style="list-style-type: none"> Debts or expenses cancelled by the business and for which shareholders are normally responsible. 		
Tax on vehicles, boats, and watercraft	<p>This tax is owed by individuals or corporations that use one or more vehicles for transporting people, goods or any type of object.</p>	<p>The following are exempt :</p> <ul style="list-style-type: none"> Vehicles, boats, and watercraft belonging to the government, the communes, and administrative entities of the government. 	<ul style="list-style-type: none"> FBu 2,250 per vehicle for motorcycles, and three- and four-wheel motor vehicles; FBu 1,050 per 100 kg of weight for automobiles [weighing] more than 2,500 kg; For automobiles not weighing more than 2,500 kg;
<p>Boat and watercraft tax is owed by individuals or corporations that own boats and watercrafts registered in Burundi.</p>	<ul style="list-style-type: none"> Vehicles, boats, and watercraft exempted under an international agreement ratified by Burundi. 		

Summary of the Burundi Tax System
(as of December 31, 2005)

Tax	Taxable Income	Exemptions and Deductions	Rates Applied
	The vehicle tax is levied on the power or weight of the vehicle, while the boat and watercraft tax is levied on tonnage.	<ul style="list-style-type: none"> • Auto-ambulances and vehicles used exclusively by people with disabilities for their own personal transport. • Baby carriages, hand-carts, and wheelbarrows. • Vehicles registered abroad and used during the visit, authorized by the competent authorities, of persons neither residing nor having a domicile in Burundi, and who are not gainfully employed in Burundi. • Vehicles used in firefighting. • Vehicles for the use of orphanages, hospitals, centers for the disabled and schools, provided that sufficient documentation justifying said use is presented. • Motor vehicles used exclusively on a trial basis by vehicle builders, assemblers, body shops, sellers or repairers. These vehicles must have special license plates issued by the Tax Department for this purpose. • The State and the communes. • Administrative public entities. • Incorporated government entities benefiting from government subsidies. • Rental income for a single rented dwelling owned by: <ul style="list-style-type: none"> • a minor or child the age of majority or over in school up to 25 years of age; or a motherless 	<ul style="list-style-type: none"> • FBu 900 for each unit of horsepower for vehicles under 8 HP; • FBu 1,200 for each unit of horsepower for vehicles from 8 HP to 10 HP; • FBu 1,500 for each unit of horsepower for vehicles with 11 HP and above. <p>For boats:</p> <ul style="list-style-type: none"> • FBu 3,000 per m³ of gross registered tonnage for industrial fishing vessels. • FBu 30,000 per craft for each pleasure craft. • FBu 900 per m³ of gross registered tonnage empty gauge for each tugboat used exclusively for transport. • FBu 900 per m³ of gross gauge for each mechanically propelled transport vessel. • FBu 500 per m³ of net gauge for transportation banks.
Rental tax	All revenues generated from the rental of buildings and land in Burundi, regardless of the place of residence of the recipient.		<ul style="list-style-type: none"> • 20 percent for the 200,000 income bracket • 25 percent for the 200,001 to 400,000 income bracket • 30 percent for 400,001 to 700,000 income bracket • 35 percent for the 700,001 to 1,000,000 income bracket
	The tax is applied to:		
	<ul style="list-style-type: none"> • the net income from rented buildings and land. 		

Summary of the Burundi Tax System
(as of December 31, 2005)

Tax	Taxable Income	Exemptions and Deductions	Rates Applied
	<ul style="list-style-type: none"> the net profits from the total or partial subletting of the aforementioned buildings and land. 	<ul style="list-style-type: none"> and fatherless child who inherits or uses the aforementioned dwelling. widowers and widows. retirees and the disabled. Buildings exempted by virtue of an international agreement ratified by Burundi, on a reciprocal basis. <p>Newly constructed buildings:</p> <ul style="list-style-type: none"> For the 3 years following completion of construction if intended for residential use. During the 4 years following the year construction was completed if the building is used for industrial or handicraft purposes. During the 2 years following the year construction was completed if the building is intended for a use other than those mentioned above. <p>Exemption from rental tax beginning on the 2nd and 3rd levels for buildings intended for residential use.</p> <p>Deductions:</p> <ul style="list-style-type: none"> 40 percent of gross revenue. The portion of the principal and interest representing loans used to build the rental property. Rent paid for a home. Costs of renovating or extending a rental property to improve same. Water and sanitation fees for a multi-storey building. 	<ul style="list-style-type: none"> 40 percent for the 1,000,001 to 1,300,000 income bracket 45 percent for the 1,300,001 to 1,800,000 income bracket 50 percent for the 1,800,001 to 3,800,000 income bracket 60 percent for higher income brackets. <p>The maximum rate shall not exceed 35 percent of net taxable income.</p> <p>The rate may, however, be reduced to:</p> <ul style="list-style-type: none"> 35 percent: for a multi-storey property. 30 percent: for a property with more than one storey. 30 percent for those who own at least two rental properties. 25 percent for those who own at least two multi-storey rental properties. 20 percent: two-storey rental property for self-contained accommodation.

Burundi: Basic Data

Area	2001	2002	2003	2004	2005
Area	27,834 square kilometers				
Population					
Total (2005)	7.5 million 1/				
Growth rate	2 percent 1/				
GDP per capita (2005)	US\$106.9				
(In billions of Burundi francs)					
National accounts					
Gross domestic product in nominal terms at					
factor cost	495.6	526.0	580.1	658.8	774.4
Primary sector	195.9	213.2	232.5	264.0	271.1
Secondary sector	94.3	97.8	109.8	124.7	155.7
Tertiary sector	205.4	215.0	237.8	270.1	347.6
Gross domestic product at current market prices	550.0	584.6	644.2	731.5	860.8
Imports of goods and nonfactor services	101.8	114.9	130.5	178.3	248.1
Total supply of resources = total use	651.8	699.5	774.7	909.9	1108.9
Exports of goods and nonfactor services	39.6	37.7	36.0	54.2	70.1
Domestic demand	573.2	627.2	679.1	768.3	909.6
Private consumption	452.2	483.7	529.7	553.6	621.2
Public consumption	89.7	109.2	111.7	146.3	191.1
Gross investment	31.4	34.2	37.6	68.4	97.3
Resource gap	-62.2	-77.2	-94.5	-124.1	-178.1
(Change in percent)					
Gross domestic product and prices					
Real GDP (market prices)	2.1	4.4	-1.2	4.8	0.9
GDP deflator	5.5	1.8	11.6	8.3	16.6
Consumer price index	3.9	3.5	10.7	11.8	1.1
(In billions of Burundi francs)					
Central government operations					
Revenue and grants					
Revenue	110.2	118.4	136.0	146.9	172.1
Grants	11.3	25.1	48.5	97.7	59.6
Expenditure and net lending					
Current expenditure	118.6	119.6	141.8	173.9	233.8
Capital expenditure and net lending	31.3	31.9	83.0	117.3	82.7
Overall balance (commitment basis)					
Including grants	-28.4	-7.9	-40.2	-39.2	-76.0
Excluding grants	-39.6	-33.1	-88.7	-144.3	-144.3
Change in arrears (reduction -)					
	21.3	9.4	-2.2	-58.5	-10.8
Financing					
Foreign (net)	5.0	41.3	71.8	137.3	154.4
Domestic (net)	13.3	-17.7	19.1	66.7	10.8
Banking system	23.4	-13.0	4.9	60.5	16.4
Other	-10.1	-4.7	14.2	6.2	-5.6
(In percent of GDP)					
Revenue (excluding grants)	22.1	24.6	28.7	33.4	26.9
Grants	2.0	4.3	7.5	13.4	6.9
Current expenditure	21.6	20.5	22.0	23.8	27.2
Capital expenditure	5.7	5.5	12.9	16.0	9.6
Total expenditure and net lending	27.2	25.9	34.9	39.8	36.8
Overall balance (commitment basis)					
Including grants	-5.2	-1.4	-6.2	-5.4	-8.8
Excluding grants	-7.2	-5.7	-13.8	-19.7	-16.8

Burundi: Basic Data (concluded)

	2001	2002	2003	2004	2005
	(In billions of Burundi francs)				
Money and credit					
Foreign assets (net)	10.3	0.7	25.5	52.8	38.0
Domestic credit	168.1	179.8	193.2	214.6	278.3
Net credit to the government	46.3	44.9	32.0	45.2	106.6
Central government	53.2	53.2	39.2	56.4	118.0
Other government	-6.9	-8.3	-7.2	-11.2	-11.4
Credit to the private sector	117.2	129.4	154.7	162.5	164.8
Credit to public enterprises	4.7	5.5	6.5	6.9	6.9
Money and quasi money	110.1	116.1	140.4	172.3	202.7
Other items (net)	-68.3	-63.9	-78.1	-95.9	-68.1
	(In percent of beginning-of-year broad money)				
Net foreign assets	-14.0	-8.8	10.8	15.8	-7.3
Domestic credit	37.9	10.2	25.6	13.5	31.6
Net credit to the government	23.3	-1.7	-10.1	7.6	30.3
Credit to the private sector	13.1	11.1	34.0	5.6	1.3
Credit to public enterprises	1.5	0.8	1.7	0.3	0.0
Money and quasi money	15.0	5.4	27.5	22.7	17.6
	(In millions of U.S. dollars)				
Balance of payments					
Trade balance	-69.9	-76.2	-90.8	-101.1	-181.8
Exports, f.o.b.	38.5	31.0	37.5	47.9	57.2
Of which: coffee	19.7	16.7	22.9	29.4	40.5
Imports, f.o.b.	-108.4	-107.2	-128.3	-148.9	-239.0
Services (net)	-23.1	-25.3	-23.9	-60.6	-89.5
Income (net)	-12.3	-13.7	-17.9	-18.1	-20.3
Current transfers	74.6	93.0	105.2	125.9	207.6
Private transfers (net)	6.5	5.5	7.0	10.5	17.3
Official transfers (net)	68.1	87.5	98.2	115.4	190.3
Current account (excluding official transfers)	-98.8	-109.8	-125.6	-169.4	-274.3
Current account (including official transfers)	-30.8	-22.3	-27.3	-54.0	-84.0
Capital account	7.1	14.1	33.0	48.1	26.2
Financial account	-4.0	-2.4	-12.4	6.7	66.6
Direct investment	0.0	0.0	0.0	10.0	15.0
Medium- and long-term official loans (net)	-13.1	-3.1	2.0	11.5	37.7
Other capital 2/	9.1	0.7	-14.4	-14.7	13.9
Overall balance	-41.3	-17.7	-17.1	11.1	22.1
	(In percent of GDP, unless otherwise indicated)				
Memorandum items:					
Trade balance	-10.6	-12.1	-15.3	-15.2	-22.7
Current account	-4.6	-3.5	-4.6	-8.1	-10.5
Of which: excluding current official transfers	-14.9	-17.5	-21.1	-25.5	-34.3
Gross official reserves					
In million of U.S. dollars	23.8	60.1	67.3	67.2	112.7
In months of imports, c.i.f.	2.3	5.8	5.4	4.8	5.2
Total external debt	162.0	181.6	224.6	208.0	189.3
In months of following period's imports of goods and services	2.0	4.4	3.6	2.2	2.9
Imports					
Growth rate	0.5	-1.1	19.7	16.1	60.5
In percent of GDP	16.4	17.1	21.6	22.4	29.9
Exports					
Growth rate	-21.2	-19.5	21.0	27.5	19.5
In percent of GDP	5.8	4.9	6.3	7.2	7.1
Debt-service ratio (in percent of exports of goods and services)					
Scheduled current maturities (including IMF)	93.4	134.1	101.8	109.2	47.1
Actual debt service (including IMF; after HIPC)	...	...	...	...	27.1
Exchange rate (Burundi francs per U.S. dollar; period average)	830.4	930.7	1,082.6	1,100.9	1,075.3
Nominal GDP (in millions of U.S. dollars)	662.3	628.1	595.0	664.5	800.5

Sources: Burundi authorities; and Fund staff estimates.

1/ World Bank development indicators.

2/ Including net short-term capital and errors and omissions.

Table 1. Burundi: Gross Domestic Product at Current Prices, 2001–05 1/
(In billions of Burundi francs)

	2001	2002	2003	2004	2005
	Estimates				
Primary sector	195.9	213.2	232.5	264.0	271.1
Food crops	151.0	152.8	168.3	191.1	220.7
Export crops	20.3	36.4	37.2	42.2	13.0
Livestock	19.3	18.8	21.0	23.8	29.0
Forestry	3.9	3.8	4.4	4.9	6.0
Fishing	1.4	1.3	1.7	1.9	2.3
Secondary sector	94.3	97.8	109.8	124.7	155.7
Manufacturing	43.5	44.2	49.2	55.9	68.7
Agricultural processing	4.5	4.6	5.4	6.1	7.3
Food industries	23.7	24.1	26.0	29.5	36.3
Textiles and leather products	4.7	4.8	5.7	6.4	8.0
Other industry	10.5	10.7	12.2	13.8	17.1
Handicrafts	22.1	23.3	26.0	29.6	36.2
Construction	23.1	24.3	28.0	31.8	41.7
Mining and energy	5.6	6.0	6.6	7.4	9.1
Tertiary sector	205.4	215.0	237.8	270.1	347.6
Public services	131.9	138.0	152.2	172.9	220.1
Transport and communications	27.7	29.0	32.2	36.6	46.9
Commerce	26.3	27.6	30.7	34.8	44.7
Other	19.5	20.4	22.7	25.8	35.9
GDP at factor cost	495.6	526.0	580.1	658.8	774.4
Growth rate (in percent)	8.8	6.1	10.3	13.6	17.6
Indirect taxes, net of subsidies	54.3	58.6	64.1	72.8	86.4
GDP at market prices	550.0	584.6	644.2	731.5	860.8
Growth rate (in percent)	7.6	6.3	10.2	13.6	17.7

Sources: Burundi authorities; and Fund staff estimates.

1/ No official National Accounts have been produced since 1998. However the authorities do provide estimates, based on expert judgment and the few statistics available, at the Ministry of Planning.

Table 2. Burundi: Gross Domestic Product at Constant 1996 Prices, 2001–05 1/
(In billions of Burundi francs, unless otherwise indicated)

	2001	2002	2003	2004	2005
	Estimates				
Primary sector	141.3	152.6	141.2	146.0	136.8
Food crops	112.5	117.0	112.9	113.5	112.4
Export crops	10.6	16.9	9.0	12.3	3.3
Livestock	14.4	14.7	15.3	16.0	16.8
Forestry	2.9	2.9	3.0	3.1	3.3
Fishing	1.0	1.0	1.0	1.1	1.1
Secondary sector	36.2	37.0	39.9	43.2	46.4
Manufacturing	16.7	16.7	17.6	18.2	19.2
Agricultural processing	1.7	1.7	1.8	1.9	1.9
Food industries	9.1	9.1	9.6	10.0	10.6
Textiles and leather products	1.8	1.8	1.9	1.8	2.0
Other industry	4.0	4.1	4.3	4.5	4.8
Handicrafts	8.5	8.8	9.3	9.8	10.2
Construction	8.9	9.2	10.8	12.9	14.5
Mining and energy	2.2	2.3	2.2	2.4	2.5
Tertiary sector	78.9	81.3	85.4	90.4	98.5
Public services	50.7	52.2	55.1	58.2	63.5
Transport and communications	10.6	11.0	11.4	12.1	13.3
Commerce	10.1	10.4	10.9	11.5	12.7
Other services	7.5	7.7	8.0	8.6	9.0
GDP at factor cost	256.5	270.9	266.6	279.6	281.7
Growth rate (in percent)	2.8	5.6	-1.6	4.9	0.7
Indirect taxes	20.7	18.6	19.4	20.1	20.8
GDP at market prices	277.2	289.5	285.9	299.8	302.5
Growth rate (in percent)	2.0	4.4	-1.2	4.8	0.9

Sources: Burundi authorities; and Fund staff estimates.

1/ No official National Accounts have been produced since 1998. However, the authorities do provide estimates, based on expert judgment and the few statistics available, at the Ministry of Planning.

Table 3. Burundi: Supply and Use of Resources at Current Market Prices, 2001–05 1/

	2001	2002	2003	2004	2005
	Estimates				
	(In billions of Burundi francs)				
GDP at market prices	550.0	584.6	644.2	731.5	860.8
Resource gap 2/	-77.2	-94.5	-124.1	-178.1	-291.8
Imports of goods and nonfactor services 2/	114.9	130.5	178.3	248.1	389.9
Exports of goods and nonfactor services 2/	37.7	36.0	54.2	70.1	98.1
Gross domestic expenditure	627.2	679.1	768.3	909.6	1,152.6
Consumption	593.0	641.4	699.9	812.3	1,059.8
Public	109.2	111.7	146.3	191.1	228.1
Private 3/	483.7	529.7	553.6	621.2	831.7
Investment	34.2	37.6	68.4	97.3	92.7
Fixed investment	34.2	35.6	68.4	95.3	90.7
Public	22.1	21.0	53.5	75.5	56.3
Private	12.1	14.6	14.8	19.8	34.4
Changes in stocks	0.0	2.0	0.0	2.0	2.0
Gross domestic savings	-43.0	-56.9	-55.8	-80.8	-199.0
Government savings	0.5	9.9	-118.1	-68.7	-88.0
Private savings	-43.5	-66.8	62.3	-12.0	-111.0
Gross national savings	7.0	9.6	37.2	37.9	11.4
Government savings	-4.4	4.0	-116.6	-25.2	-18.8
Private savings	11.3	5.6	153.9	63.1	30.3
	(In percent of GDP)				
Resource gap	-14.0	-16.2	-19.3	-24.3	-33.9
Imports of goods and services	20.9	22.3	27.7	33.9	45.3
Exports of goods and services	6.9	6.2	8.4	9.6	11.4
Gross domestic expenditure	114.0	116.2	119.3	124.3	133.9
Consumption	107.8	109.7	108.7	111.0	123.1
Public	19.9	19.1	22.7	26.1	26.5
Private	88.0	90.6	85.9	84.9	96.6
Investment	6.2	6.4	10.6	13.3	10.8
Fixed investment	6.2	6.1	10.6	13.0	10.5
Public	4.0	3.6	8.3	10.3	6.5
Private	2.2	2.5	2.3	2.7	4.0
Changes in stocks	0.0	0.3	0.0	0.3	0.2
Gross domestic savings	-7.8	-9.7	-8.7	-11.0	-23.5
Government savings	0.1	1.7	-18.3	-9.4	-10.2
Private savings	-7.9	-11.4	9.7	-1.6	-13.3
Gross national savings	1.3	1.6	5.8	5.2	0.3
Government savings	-0.8	0.7	-18.1	-3.4	-3.5
Private savings	2.1	1.0	23.9	8.6	3.6

Sources: Burundi authorities; and Fund staff estimates.

1/ No official National Accounts have been produced since 1998. However, the authorities do provide estimates, based on expert judgment and the few statistics available, at the Ministry of Planning.

2/ As recorded in the balance of payments.

3/ Derived as residual.

Table 4. Burundi: Savings and Investment, 2001–05

	2001	2002	2003	2004	2005
			Estimates		
(In billions of Burundi francs at current prices)					
External resources balance	-77.2	-94.5	-124.1	-178.1	-291.8
Factor services (net)	-10.2	-12.7	-19.4	-20.0	-21.3
Private current transfers (net)	5.4	5.1	7.6	10.8	19.0
External current account 2/	-82.0	-102.2	-135.9	-186.5	-294.5
Official transfers (net)	56.5	81.4	106.3	127.1	213.2
External current account 3/	-25.5	-20.7	-29.6	-59.4	-81.3
Gross domestic savings	-44.7	-64.2	-57.3	-80.8	-199.0
Gross national savings	7.0	9.6	37.2	37.9	11.4
Gross investment (including stock)	34.2	37.6	68.4	97.3	92.7
(Ratio; in percent)					
Gross domestic savings/gross investment	-130.6	-170.5	-83.8	-83.0	-214.6
Gross national savings/gross investment	20.4	25.5	54.5	38.9	12.3
External current account/GDP 2/	-14.9	-17.5	-21.1	-25.5	-34.3
External current account/GDP 3/	-4.6	-3.5	-4.6	-8.1	-10.5
(In billions of Burundi francs)					
Memorandum item:					
National income, current prices	601.7	658.4	738.7	849.5	1,071.7

Sources: Burundi authorities; and Fund staff estimates.

1/ No official National Accounts have been produced since 1998. However the authorities do provide estimates, based on expert judgment and the few statistics available, at the Ministry of Planning.

2/ Excluding official transfers.

3/ Including official transfers.

Table 5. Burundi: Key Coffee Sector Indicators, 2000/01–2004/05 1/

	2000/01	2001/02	2002/03	2003/04	2004/05
Production (green coffee; metric tons)	18,584.5	16,206.9	36,225.8	5,673.4	38,254.0
Fully washed	10,212.5	10,952.0	28,235.8	5,083.7	32,312.6
Semiwashed	8,282.0	5,025.0	7,990.1	589.6	5,941.4
Robusta	90.0	229.9	0.0	0.0	0.0
Exports of coffee (millions of U.S. dollars)	21.7	16.3	33.4	6.5	61.6
Exports of coffee/total exports (in percent)	1.0	1.0	1.0	1.0	1.0
Taxes on coffee/total revenue (in percent) 2/	...	...	...	...	...
Taxes on coffee/GDP (in percent) 2/	...	...	...	...	...
Producer price (Burundi francs per kilogram)					
Fully washed	500.0	500.0	646.5	660.0	968.0
Semiwashed	450.0	450.0	592.1	592.1	646.3
Memorandum items:					
World market prices					
Cents per pound	75.0	45.8	48.8	59.9	66.8
Index (1990=100)	84.6	51.6	55.0	67.5	75.3

Sources: Burundi authorities; and Fund staff estimates.

1/ The coffee crop year extends from May 1 to April 30.

2/ Coffee export taxes were abolished in 2000.

Table 6. Burundi: Structure of Arabica Coffee Prices at Different Stages of Production and Export Results for the Sector, 2000/01–2004/05 1/

	2000/01		2001/02		2002/03		2003/04		2004/05	
	FW	W	FW	W	FW	W	FW	W	FW	W
1. Producer prices										
Parchment coffee price (A)	100.0	...	100.0	...	100.2	...	103.0	...	153.0	...
Semi-washed, cherry coffee price	500.0	450.0	500.0	450.0	501.2	450.0	514.8	450.0	765.0	500.0
Fully washed, parchment coffee price	641.0	600.0	641.0	600.0	646.5	592.1	660.0	592.1	971.2	666.7
Green coffee price (B)	...	23.0	...	23.0	...	26.3	...	26.3	...	47.5
2. Transportation charges (for semi-washed parchment) (C)										
3. Production and processing charges (D)	404.3	211.7	265.2	138.8	312.4	163.6	717.5	313.6	520.0	234.7
From cherry coffee into parchment fully-washed	181.7	95.1	119.2	62.4	140.4	...	565.3	...	271.5	...
Transportation (washing, hulling factories, and warehouses)	24.4	12.8	16.0	8.4	18.9	26.3	21.8	26.3	59.2	47.5
Hulling processing charges	77.5	40.6	50.8	26.6	59.9	45.0	51.6	213.8	86.8	93.7
Financial charges	120.7	63.2	79.1	41.4	93.2	92.3	78.9	73.4	102.5	93.5
4. Institutional charges (E)	179.6	138.4	179.6	138.4	129.3	99.7	334.9	306.5	150.3	113.5
Producers' support charge	65.7	50.6	65.7	50.6	47.3	47.3	229.1	229.1	39.4	39.4
Operating expenses Coffee Company (OCIBU)	22.8	17.6	22.8	17.6	16.4	16.4	41.3	41.3	45.4	38.2
Land rental charges	82.0	63.2	82.0	63.2	59.1	30.0	57.9	30.0	59.1	30.0
City taxes	9.1	7.0	9.1	7.0	6.5	6.0	6.5	6.0	6.5	6.0
5. Other export cost (F)	0.9	1.2	0.9	1.2	3.8	4.8	3.8	4.8	5.0	5.0
Storage	0.4	0.5	0.4	0.5	1.8	1.8	1.8	1.8	2.0	2.0
Insurance	0.5	0.7	0.5	0.7	2.0	3.0	2.0	3.0	3.0	3.0
6. Green coffee cost at port of exports (B+C+D+E+F) =G	1,225.8	974.4	1,086.6	901.5	1,092.0	886.5	1,716.2	1,243.2	1,646.5	1,067.4
7. Average green coffee selling price 2/ (H)	1,200.0	810.0	811.0	506.0	959.5	656.1	1,175.4	1,144.4	1,815.8	1,771.8
8. Profit or loss (-) per kg (H-G) = (I)	-25.8	-164.4	-275.6	-395.5	-132.5	-230.4	-540.9	-98.9	169.3	704.4
9. Total exportable green coffee (in metric tons) (J)	10,212.5	8,261.2	10,952.0	5,025.0	28,235.8	7,990.1	5,083.8	589.6	32,200.0	5,911.6
10. Profit or loss (-) (in millions of F Bu) (I*J/1000)	-263.3	-1,357.7	-3,018.8	-1,987.4	-3,741.5	-1,841.1	-2,749.7	-58.3	5,452.7	4,164.4
11. Total profit or loss (-)	-263.3	-1,621.1	-3,018.8	-5,006.1	-3,741.5	-5,582.6	-2,749.7	-2,808.0	5,452.7	9,617.0
Memorandum items:										
Ratio of producer price to export price (percent)										
Semi-washed coffee price	8.3	...	12.3	...	10.4	...	8.8	...	8.4	...
Fully washed coffee price	41.7	55.6	61.7	88.9	52.2	68.6	43.8	39.3	42.1	28.2
Green coffee price	53.4	74.1	79.0	118.6	67.4	90.3	56.2	51.7	53.5	37.6
Real producer prices 3/										
Washed coffee price	25.3	...	25.4	...	23.5	...	22.4	...	28.8	...
Fully washed coffee price	126.4	113.7	127.2	114.5	117.4	105.4	111.8	97.7	143.9	94.1
Green coffee price	162.0	151.6	163.1	152.7	151.5	138.7	143.4	128.6	182.7	125.4

Sources: Burundi authorities; and Fund staff estimates.

1/ The coffee crop year extends from May 1 to April 30.

2/ Determined as average rate, on the basis of actual payments in Dar es Salaam in relation to exportable coffee output.

3/ Deflated by the consumer price index (1991=100).

Table 7. Burundi: Arabica and Robusta Coffee Production, 2000/01–2004/05 1/

(In metric tons)

	2000/01	2001/02	2002/03	2003/04	2004/05 Prel.
Arabica fully washed	10,212.5	10,952.0	28,235.8	5,083.7	32,312.6
Ngoma mild coffee	66.1	60.1	90.5	0.0	50.9
F.W. Super 2/	1,230.0	1,037.4	1,697.9	323.5	1,311.8
F.W. Extra 2/	1,083.1	3,626.0	6,470.8	1,266.8	7,882.2
F.W.H.T.	5,419.9	2,198.5	3,442.6	964.6	5,346.0
F.W.	0.0	2,238.4	9,729.7	1,277.5	7,402.6
F.W.4.	255.4	1,207.1	4,872.2	785.0	5,988.1
F.W.5.	0.0	584.6	1,932.1	459.2	2,284.9
F.W. Stock	2,158.1	0.0	0.0	7.1	2,046.1
Arabica semi-washed	8,282.3	5,025.0	7,990.1	589.6	5,941.4
W.02 3/	522.0	2,111.6	1,328.6	72.0	594.0
W.3A 3/	2,479.4	1,074.8	1,494.0	54.0	810.0
W.3B	1,592.2	353.3	337.3	58.0	571.0
W.HTM/3C	1,452.7	852.5	1,909.2	251.3	1,026.4
W.4	429.3	632.7	2,627.9	154.3	1,376.5
W.5			293.0	0.0	1,563.5
W.H.	1,806.6	0.0	0.0	0.0	0.0
Total arabica	18,494.8	15,977.0	36,225.8	5,673.4	38,254.0
Robusta	90.0	229.9	0.0	0.0	0.0
R.T.	90.0	36.0	0.0	0.0	0.0
R.N.	0.0	18.0	0.0	0.0	0.0
R.W.	0.0	175.9	0.0	0.0	0.0
Total coffee production	18,585	16,207	36,226	5,673	38,254

Source: Office des Cultures Industrielles du Burundi (OCIBU).

1/ The coffee crop year extends from May 1 to April 30.

2/ High-quality fully washed arabica.

3/ High-quality semi-washed arabica.

Table 8. Burundi: Cotton Production, Consumption, Exports, and Prices, 2001–05

(In units indicated)

	2001	2002	2003	2004	2005 Prel.
Production					
Area under cultivation (hectares)	3,115	3,656	3,934	5,281	5,058
North	1,138	1,409	1,334	1,478	1,447
Center	575	611	577	927	758
South	1,035	1,168	1,332	1,813	1,965
Moso	367	468	691	1,063	888
Number of farmers	17,000	17,050	17,650	17,781	17,795
Production of seed cotton (tons)	2,888	3,062	3,570	4,731	4,442
First quality	2,801	3,062	3,570	4,731	4,442
Second quality	87	0	0	0	0
Yield (kilograms per hectare)	927	838	907	896	878
Ginning coefficient (percent)	43	43	43	43	43
Production of cotton fiber (tons)	1,238	1,302	1,535	2,041	1,921
First quality	1,201	1,302	1,535	2,041	1,921
Second quality	37	0	0	0	0
Production of seeds (tons)	1,567	1,639	1,937	2,556	2,417
Consumption and exports (tons)					
Domestic consumption of cotton fiber	1,200	1,333	1,277	794	1,028
First quality	1,163	1,333	1,277	794	1,028
Second quality	37	0	0	0	0
Exports of cotton fiber	0	0	0	0	2,300
First quality	0				2,300
Stocks of cotton fiber (end of year)	239	554,571	868,402	1,768,848	880
First quality	239	554,571	868,402	1,768,848	880
Second quality	0	0	0	0	0
Consumption of seeds					
Oil factory (RAFINA)	1,219	1,251,716	1,583,693	1,896,554	1,928,740
Seeds	308	328,815	305,536	380,601	324,038
Animal feed	39	58,830	18,015	279,408	162,751
Prices (Burundi francs per kilogram)					
Local price of cotton fiber					
First quality	920	993	1,184	1,419	1,349
Second quality	450	n.a.	n.a.	n.a.	n.a.
Producer price of seed cotton					
First quality	135	170	190	200	200
Second quality	120	150	130	180	180
Equivalent producer price of cotton fiber					
First quality	315	n.a.	n.a.	n.a.	n.a.
Second quality	273	n.a.	n.a.	n.a.	n.a.
Sale price of seeds to RAFINA	47	47	47	50	50

Sources: Compagnie de Gérance Cotonnière (COGERCO); and Complexe Textile de Bujumbura (COTEBU).

1/ Based on contracts signed by COTEBU.

Table 9. Burundi: Tea Production, Exports, Stocks, and Prices, 2001–05

(In units indicated)

	2001	2002	2003	2004	2005
Production					
Area planted (hectares)	8,114	8,625	8,758	8,823	8,883
Family holdings	6,138	6,649	6,782	6,847	6,907
Industrial blocks	1,976	1,976	1,976	1,976	1,976
Wastage factor (percent)	10	10	10	15	15
Production of green leaves (tons)	44,041	33,236	35,219	38,222	39,263
Yield (kilograms per hectare)	5,428	3,853	4,021	4,332	4,420
Production of dry green leaves (tons)					
Teza	1,634	1,662	1,672	1,840	1,949
Rwegura	2,790	1,832	2,014	2,198	1,859
Tora	1,652	1,179	1,478	1,496	1,723
Ijenda	2,190	1,514	1,577	1,570	1,771
Buhoro	743	654	495	689	601
Exports (tons) 1/	8,743	6,515	6,905	7,361	7,374
<i>Of which:</i> private sales	3,573	2,221	1,399	1,545	1,683
Stocks (end of period; tons)	1,370	1,155	1,094	1,243	914
Prices (Burundi francs per kilogram)					
Producer price					
Planters	75	80	100	100	110
Pickers (industrial blocks)	15	16	20	24	30
Average unit export price 2/	1,054	1,247	1,570	1,555	1,256
Commercial freight 3/	170	200	231	212	220
Export price (f.o.b. Bujumbura)	884	1,047	1,399	1,343	1,036

Source: Office du Thé du Burundi (OTB).

1/ Quantities refer to tea leaving Bujumbura.

2/ Calculated on the basis of sales contracts or auction prices.

3/ Transport and other commercial costs.

Table 10. Burundi: Production of Manufacturing Industries, 2001–05

Product	Unit of Measurement	2001	2002	2003	2004	2005 Prel.
Beer	Hectoliters	702,187	752,549	876,160	973,117	1,012,471
Primus	Hectoliters	533,368	540,597	676,682	764,089	776,201
Amstel	Hectoliters	168,819	211,952	199,478	209,028	236,270
Carbonated beverages	Hectoliters	94,405	111,269	121,064	119,578	143,574
Cottonseed oil	Liters	86,750	74,800	125,000	157,850	135,900
Sugar	Tons	18,186	17,661	20,268	20,152	19,058
Animal feed	Tons	144	...	...	...	...
Cigarettes 1/	Cartons	29,306	31,205	35,439	37,605	41,905
Paint	Tons	478	493	477	518	544
Insecticides	Tons	...	...	...	...	...
Oxygen	Cubic meters	52,906	45,177	45,883	39,099	44,627
Polyethylene	Kilograms	179,309	204,355	158,526	122,364	103,852
Mattresses	Units	25,265	19,192	19,264	21,139	18,799
Plastic cases	Units	147,429	221,201	180,154	233,007	112,018
Household soap	Tons	3,072	3,009	2,824	3,086	2,975
Toilet soap	Tons	133	129	138	149	156
Pharmaceutical products	Millions of Burundi francs	950	590	855	677	494
Matches 2/	Cartons	12,768	11,670	...	...	...
Bottles	Tons	...	...	...	...	...
Blankets	Units	121,598	103,576	123,217	106,756	43,253
Fabrics	Millions of square meters	6	7	70	5	5
Polyvinyl chloride tubes	Tons	94	96	68	92	115
Fibro-cement products	Tons	2,510	1,397	758	390	397
Steel rods	Tons	17	59	44	98	19
Toilet paper	Tons	94	127	...	...	...
Bottle caps	Millions of units	147	160	110	11	...
Batteries 3/	Cartons	3,024	...	...	...	...
Cardboard boxes	Tons	98	...	...	...	...

Source: Bank of the Republic of Burundi.

1/ Cartons of 10,000 cigarettes, except Kiyago, which is in cartons of 5,000 cigarettes.

2/ Cartons of 1,000 boxes.

3/ Cartons of 240 batteries.

Table 11. Burundi: Energy Production, Imports, and Consumption, 2001–05

	2001	2002	2003	2004	2005 Prel.
(In units indicated)					
Electricity (in thousands of kilowatt-hours)					
Production	113,921	127,095	104,455	91,222	99,239
Imports	40,750	40,255	57,025	72,606	71,204
Ruzizi I	29,981	28,005	26,132	30,277	20,284
Ruzizi II	10,769	12,250	30,893	42,329	50,920
Consumption	122,153	118,876	124,093	125,769	119,791
<i>Of which</i> : industry	42,077	49,947	42,279	60,369	43,891
Domestic rate (Burundi francs per kilowatt-hour)	53	60	64	80	78
Petroleum products					
Consumption (tons)	48,093	64,652	59,174	55,512	63,788
Imports (tons)	46,304	65,394	58,405	56,702	62,446
Stocks at end of period (tons)	9,565	5,467	4,647	5,647	4,002
(Annual change in percent, unless otherwise indicated)					
Electricity					
Production	15	12	-18	-13	9
Imports	-14	-1	42	27	-2
Consumption	21	-3	4	1	-5
<i>Of which</i> : industry	4	19	-15	43	-27
Petroleum products					
Consumption	-5	34	-8	-6	15
Imports	-19	41	-11	-3	10
Stocks at end of period	-16	-43	-15	22	-29

Sources: Régie de Distribution d'Eau et d'Electricité (REGIDESO); and Société d'Entreposage de Produits Pétroliers (SEP), Burundi.

Table 12. Burundi: Retail Prices of Petroleum Products, 2001–05
(Burundi francs per liter)

	2001	2002	2003	2004	2005
Premium gasoline	720	780	880	1045	1100
Kerosene	560	710	810	1028	1100
Diesel fuel	670	730	830	1070	1150

Source: Ministry of Commerce and Industry.

Table 13. Burundi: Minimum Wages, 2001–05

	2001	2002	2003	2004	2005
	(In Burundi francs per day)				
Urban areas 1/	160	160	160	160	160
Rest of the country	105	105	105	105	105
	(In real terms) 2/				
Urban areas 1/	39.9	40.5	36.6	33.9	29.9
Rest of the country	26.2	26.6	24.0	22.2	19.6
	(In U.S. dollars, unless otherwise indicated) 3/				
Urban areas 1/	0.19	0.17	0.15	0.15	0.15
Rest of the country	0.13	0.11	0.10	0.10	0.10
Memorandum items:					
Consumer price index (January 1991=100)	401	395	438	473	536
Exchange rate (Burundi francs per U.S. dollar; period average)	830	931	1083	1101	1075

Source: Ministry of Labor and Social Affairs.

1/ Bujumbura and Gitega.

2/ Deflated by the consumer price index (January 1991=100).

3/ Converted using period-average exchange rates.

Table 14. Burundi: Consumer Price Index for Households in Bujumbura, 2001–05

(January 1991=100, unless otherwise indicated)

	Food	Clothing	Housing, Heating, and Light	Furniture	Health	Transport	Culture, Education, and Leisure	Other	General Index	Change of General Index 1/
Basket weight	51.9	5.3	27.0	4.9	2.0	5.3	1.9	1.7	100.0	
2001	398.0	407.9	433.7	319.9	305.7	367.2	325.6	460.0	400.6	9.3
Q1	405.6	397.6	410.6	312.5	310.9	352.9	332.8	429.3	396.3	11.8
Q2	409.6	400.7	439.8	321.2	306.7	353.5	333.1	454.2	407.2	12.7
Q3	389.0	420.9	441.7	323.1	301.1	365.8	327.7	474.8	399.0	7.8
Q4	387.9	412.4	442.7	322.7	304.0	396.6	309.0	481.7	399.7	5.2
2002	377.8	426.8	448.4	317.2	328.5	371.9	316.4	448.7	395.3	-1.3
Q1	371.6	412.2	443.0	317.3	322.1	361.8	313.0	456.5	389.3	-1.8
Q2	373.3	420.3	451.5	314.1	322.1	361.0	313.5	431.2	392.2	-3.7
Q3	371.1	431.1	447.5	315.7	322.1	361.8	316.1	429.1	390.7	-2.1
Q4	395.0	443.5	451.5	321.6	347.6	403.1	323.2	477.9	408.9	2.3
2003										
Q1	415.1	449.9	462.4	331.1	360.4	473.2	323.8	491.3	427.3	9.8
Q2	426.9	466.3	465.7	333.0	360.3	486.3	322.7	462.7	435.4	11.0
Q3	418.7	527.5	467.6	327.9	387.9	496.6	324.2	474.3	435.9	11.6
Q4	448.8	534.5	468.6	334.7	387.9	471.5	324.3	494.9	451.5	10.4
2004										
Q1	446.8	547.3	472.3	345.2	387.9	471.5	324.1	500.5	452.8	6.0
Q2	467.8	546.2	473.5	348.5	387.9	502.0	329.2	513.2	466.1	7.1
Q3	463.3	576.6	480.9	353.1	387.9	549.3	354.9	545.9	471.0	8.1
Q4	502.1	555.2	512.1	362.8	394.0	560.7	362.8	552.4	500.1	10.8
2005										
Q1	546.7	576.6	563.4	371.5	423.1	565.9	360.3	580.3	539.9	19.2
Q2	567.8	583.0	528.3	377.7	423.1	566.1	357.2	586.6	542.1	16.3
Q3	570.4	596.8	527.8	378.9	423.1	566.1	363.2	586.6	543.8	15.5
Q4	521.0	624.6	518.1	377.5	423.1	565.6	355.8	586.6	517.0	3.4

Sources: Institut de Statistiques et des Etudes Economiques du Burundi.

1/ Average percent changes for annual data; year-on-year changes for quarterly and monthly data.

Table 15. Burundi: Central Government Financial Operations, 2001-05

	2001	2002	2003	2004	2005
	(In billions of Burundi francs)				
Revenue	110.2	118.4	136.0	146.9	172.1
Tax revenue	103.1	104.8	120.5	133.6	158.9
Income tax	28.5	29.4	32.4	35.7	41.8
Taxes on goods and services	48.7	51.9	58.4	67.6	78.3
Taxes on international trade	21.7	23.2	29.5	30.0	38.4
Other tax revenue	4.0	0.1	0.0	0.0	0.0
Property tax	0.3	0.3	0.3	0.3	0.3
Nontax revenue	7.0	13.6	15.5	13.4	13.2
Expenditure and net lending	149.8	151.5	224.8	291.2	316.7
Current expenditure	118.6	119.6	141.8	163.2	200.6
Salaries	40.1	45.9	53.8	58.6	72.6
Civilian	21.6	23.6	30.8	34.8	41.9
Military	18.5	22.3	23.0	23.8	24.0
National Police					6.7
Goods and services	44.2	38.5	47.3	53.6	65.7
Civilian	18.4	19.0	23.4	28.1	26.7
Military	25.7	19.5	24.0	25.5	29.6
National Police					9.5
Transfers and subsidies	15.9	16.4	15.8	26.4	30.3
Of which: international organizations	0.7	0.7	0.8	0.8	0.8
Interest payments	18.5	18.7	24.9	24.5	32.0
Domestic	9.6	7.7	13.3	14.0	19.4
Foreign	8.9	11.0	11.5	10.5	12.6
Exceptional expenditure	0.0	0.0	0.0	10.7	33.2
DDR				7.4	8.7
Elections				3.3	24.5
Capital expenditure	35.1	33.4	85.0	119.9	84.3
Domestic resources	18.5	6.4	26.5	36.2	19.5
External resources	16.6	27.0	58.4	83.7	64.8
Project lending	10.7	13.9	22.7	46.8	45.0
Capital grants	5.9	13.1	35.8	36.9	19.8
Net lending	-3.9	-1.4	-2.0	-2.6	-1.4
Receipts	-3.9	-1.4	-2.0	-2.6	-1.4
Onlending	0.0	0.0	0.0	0.0	0.0
Primary balance 1/	-4.6	12.7	-5.4	-25.4	-14.6
Primary balance including exceptional expenditure	-4.6	12.7	-5.4	-36.1	-47.8
Overall balance (commitment basis)					
Including grants	-28.4	-7.9	-40.2	-39.2	-53.9
Excluding grants	-39.6	-33.1	-88.7	-144.3	-144.6
Change in arrears (reduction -)	21.3	9.4	-2.2	-58.5	-10.8
External (current interest)	18.5	6.6	4.2	-49.0	-10.7
Domestic	2.8	2.8	-6.4	-9.5	-0.1
Overall balance (cash basis)	-18.3	-23.6	-90.9	-202.7	-155.4
Financing	18.3	23.6	90.9	210.3	165.8
External	5.0	41.3	71.8	143.7	154.9
Program (budgetary) loans	5.3	21.3	22.4	0.0	29.1
Program grants	5.4	12.0	12.8	60.9	40.1
Project Loans	10.7	13.9	22.7	46.8	45.0
Project grants	5.9	13.1	35.8	36.9	19.8
DDR support	0.0	0.0	0.0	7.4	8.7
Elections	0.0	0.0	0.0	3.3	24.5
HIPC relief IMF, WB, ADB, PC	0.0	0.0	0.0		8.0
Amortization	-27.1	-42.8	-42.3	-34.2	-34.0
Change in principal arrears (reduction -)	4.9	23.7	-9.0	-65.4	-14.9
Debt relief (resch.; cancellation)	0.0	0.0	29.4	88.0	28.7
Privatization proceeds	0.0	0.0	0.0	0.0	0.4
Domestic	13.3	-17.7	19.1	66.7	10.4
Banking sector	23.4	-13.0	4.9	60.5	16.4
Nonbank sector	-10.1	-4.7	14.2	6.2	-6.0
Unidentified financing	0.0	0.0	0.0	-7.6	-10.4
	(In percent of GDP, unless otherwise indicated)				
Memorandum items:					
Revenue, excluding grants	20.0	20.3	21.1	20.1	20.0
Current expenditure	21.6	20.5	22.0	22.3	23.3
Capital expenditure	6.4	5.7	13.2	16.4	9.8
Total expenditure and net lending	27.2	25.9	34.9	39.8	36.8
Of which: Military and security expenditure	8.0	7.1	7.3	6.7	6.2
Primary balance 1/	-0.8	2.2	-0.8	-3.5	-1.7
Primary balance including exceptional expenditure	-0.8	2.2	-0.8	-4.9	-5.6
Overall balance (commitment basis)					
Including grants	-5.2	-1.4	-6.2	-5.4	-6.3
Excluding grants	-7.2	-5.7	-13.8	-19.7	-16.8
Overall balance (cash basis)	-3.3	-4.0	-14.1	-27.7	-18.1
Domestic financing	2.4	-3.0	3.0	9.1	1.2
Foreign financing	0.9	7.1	11.1	19.6	18.0
GDP at current market prices (in billions of Burundi francs)	550.0	584.6	644.2	731.5	860.8

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

1/ Revenue minus noninterest current expenditure, domestically financed capital expenditure and net lending.

Table 16. Burundi: Central Government Revenue, 2001–05

	2001	2002	2003	2004	2005
	(In billions of Burundi francs)				
Tax revenue	103.1	104.9	120.5	133.6	158.9
Tax on income and profits	28.5	29.4	32.4	35.7	41.8
Individual	8.5	10.0	11.5	14.6	16.0
Physical personal tax	0.5	0.6	0.7	0.6	0.6
Professional tax	6.2	6.6	7.8	10.0	11.1
Lumpsum taxes	1.8	2.5	2.6	3.5	4.3
Arrears collected	0.0	0.2	0.4	0.5	0.0
Corporate	19.1	18.7	20.3	20.4	25.1
Company tax	17.8	15.4	17.1	15.9	20.9
Tax on mobile capital	1.3	1.7	1.8	2.3	2.3
Arrears collected	0.0	1.5	1.3	2.2	1.8
Other: late payments	0.9	0.8	0.5	0.6	0.7
Tax on property	0.3	0.3	0.3	0.3	0.3
Tax on motor vehicle	0.3	0.2	0.3	0.3	0.3
Tax on ships and boats	0.0	0.1	0.0	0.0	0.0
Taxes on goods and services	48.7	51.9	58.4	67.6	78.3
Transaction tax	22.5	25.5	31.1	36.3	41.8
Excise tax	22.1	20.2	19.7	22.7	26.0
Cigarettes	0.9	1.2	1.1	1.4	1.5
Beer and soft drinks	19.7	16.9	16.5	19.0	22.0
Social and Cultural Fund	0.8	1.3	1.3	1.2	1.5
Sugar	0.7	0.8	0.9	1.0	1.0
Other taxes on goods and services	0.2	0.0	0.0	0.0	0.0
National solidarity fund	3.9	6.2	7.6	8.7	10.6
Taxes on international trade	21.7	23.2	29.5	30.0	38.4
Import duties	16.0	17.5	21.8	20.5	24.8
Import tax	13.0	13.4	15.9	15.6	18.5
Tax on imported clothe	0.9	0.4	0.3	0.0	0.0
Road fund	0.6	0.7	1.0	1.4	2.9
Special gasoline tax	1.1	2.7	4.3	3.3	3.2
Other import taxes	0.4	0.2	0.2	0.3	0.3
Export duties	0.1	0.0	0.1	0.1	0.1
Other international trade duties	5.6	5.7	7.6	9.4	13.5
Other tax revenue	4.0	0.1	0.0	0.0	0.0
Nontax revenue	7.0	13.6	15.5	13.4	13.2
Penalties and confiscations	0.1	0.1	0.1	0.1	0.4
Dividends and profits (public enterprises)	5.1	12.3	12.8	10.3	7.2
Dividends of nonfinancial public enterprises	0.0	0.8	0.6	1.5	1.7
Dividends and profits (public financial enterprises)	8.0	8.0	9.1	5.6	5.6
BRB dividend	8.0	8.0	9.1	5.6	0.0
Operating surpluses of mixed enterprises	0.0	1.9	2.2	2.3	0.0
Profits from monetary readjustment	0.0	1.5	0.0	0.0	0.0
Proceeds from privatization	0.0	0.1	0.9	0.9	0.0
Other revenues from the public domain	0.4	0.3	1.4	1.7	1.2
Administrative receipts	1.2	0.9	1.2	1.3	4.0
Other nontax revenue (including BEI)	0.3	0.0	0.0	0.0	0.4
Total revenue	110.2	118.5	136.0	146.9	172.1
Privatization proceeds	0.0	0.0	0.0	0.0	0.4
Total revenue plus privatization proceeds	110.2	118.5	136.0	146.9	172.5
	(In percentage of total revenue)				
Tax Revenue	93.6	88.5	88.6	90.9	92.3
Tax on income and profits	25.8	24.8	23.8	24.3	24.3
Tax on property	0.2	0.3	0.2	0.2	0.2
Taxes on goods and services	44.2	43.8	42.9	46.0	45.5
Taxes on international trade	19.7	19.5	21.7	20.4	22.3
Other tax revenue	3.7	0.1	0.0	0.0	0.0
Nontax revenue	6.4	11.5	11.4	9.1	7.7
	(In percentage of GDP)				
Tax Revenue	18.8	17.9	18.7	18.3	18.5
Tax on income and profits	5.2	5.0	5.0	4.9	4.9
Tax on property	0.0	0.1	0.0	0.0	0.0
Taxes on goods and services	8.9	8.9	9.1	9.2	9.1
Taxes on international trade	3.9	4.0	4.6	4.1	4.5
Other tax revenue	0.7	0.0	0.0	0.0	0.0
Nontax revenue	1.3	2.3	2.4	1.8	1.5

Source: Burundian authorities and Fund staff estimates.

Table 17. Burundi: Import Duty Exemptions, 2001–2005

(In millions of Burundi francs, unless otherwise specified)

	Beneficiaries					Total exemptions	Total imports c.i.f.	Exemptions/Imports ratio (Percent)
	Diplomatic missions	Government	Nongovernment organizations	Investments	Other exemptions			
2001	6,525	3,429	3,762	272	8,330	22,318	143,277	15.6
2002	8,074	9,228	2,748	1,051	6,946	23,612	120,959	19.5
2003	15,582	4,187	4,321	847	8,608	33,544	162,557	20.6
2004								
January	558	1,394	361	9	943	3,265	13,872	24
February	2,360	417	297	0	594	3,667	16,516	22
March	628	1,051	487	5	1,117	3,288	17,260	19
April	511	666	266	43	1,003	2,489	13,076	19
May	440	941	397	181	934	2,892	12,033	24
June	2,444	421	621	113	718	4,317	18,788	23
July	520	396	842	85	726	2,568	17,011	15
August	291	888	229	80	638	2,127	13,767	15
September	763	846	628	687	690	3,614	21,776	17
October	869	1,768	204	316	699	3,856	15,677	25
November	1,048	849	249	1,157	762	4,065	16,177	25
December	417	2,135	321	93	760	3,727	16,862	22
Total	10,848	11,773	4,902	2,769	9,584	39,875	192,816	20.7
2005								
January	836	778	257	2,367	839	5,077	20,188	25
February	719	779	117	73	534	2,222	16,561	13
March	2,796	630	163	436	936	4,961	23,321	21
April	1,862	835	89	3,577	591	6,953	28,737	24
May	525	1,000	191	164	600	2,480	20,907	12
June	1,372	1,289	204	648	1,117	4,631	21,038	22
July	2,434	1,089	109	1,076	1,044	5,752	32,035	18
August	3,656	8,334	185	205	813	13,192	45,458	29
September	6,658	1,502	211	3,444	825	12,641	58,341	22
October	4,150	1,385	129	122	750	6,536	27,464	24
November	7,686	880	507	122	977	10,172	32,717	31
December	1,497	656	108	195	748	3,205	20,711	15
Total	34,193	19,156	2,270	12,429	9,773	77,821	347,478	22.4

Source: Burundi authorities.

Table 18. Burundi: Economic Classification of Government Expenditure, 2001–05

	2001	2002	2003	2004	2005
	(In billions of Burundi francs)				
Total expenditure and net lending	149.8	151.5	224.8	291.2	316.7
Current expenditure	118.6	119.6	141.8	163.2	200.6
Salaries	40.1	45.9	53.8	58.6	72.6
Civilian	21.6	23.6	30.8	34.8	41.9
Military	18.5	22.3	23.0	23.8	24.0
National police	0.0	0.0	0.0	0.0	6.7
Goods and services	44.2	38.5	47.3	53.6	65.7
Civilian	18.4	19.0	23.4	28.1	26.7
Military	25.7	19.5	24.0	25.5	29.6
National police	0.0	0.0	0.0	0.0	9.5
Transfers and subsidies	15.9	16.4	15.8	26.4	30.3
Of which: international organizations	0.7	0.7	0.8	0.8	0.8
Interest payments	18.5	18.7	24.9	24.5	32.0
Domestic	9.6	7.7	13.3	14.0	19.4
Foreign	8.9	11.0	11.5	10.5	12.6
Exceptional expenditure	0.0	0.0	0.0	10.7	33.2
DDR	0.0	0.0	0.0	7.4	8.7
Elections	0.0	0.0	0.0	3.3	24.5
Capital expenditure	35.1	33.4	85.0	119.9	84.3
Domestic resources	18.5	6.4	26.5	36.2	19.5
External resources	16.6	27.0	58.4	83.7	64.8
Project lending	10.7	13.9	22.7	46.8	45.0
Capital grants	5.9	13.1	35.8	36.9	19.8
Net lending	-3.9	-1.4	-2.0	-2.6	-1.4
	(In percent of total expenditure)				
Total expenditure and net lending	100.0	100.0	100.0	100.0	100.0
Current expenditure	79.1	78.9	63.1	56.0	63.3
Salaries	26.7	30.3	23.9	20.1	22.9
Civilian	14.4	15.6	13.7	12.0	13.2
Military	12.3	14.7	10.2	8.2	7.6
National police	0.0	0.0	0.0	0.0	2.1
Goods and services	29.5	25.4	21.1	18.4	20.7
Civilian	12.3	12.6	10.4	9.6	8.4
Military	17.2	12.9	10.7	8.8	9.3
New police force	0.0	0.0	0.0	0.0	3.0
Transfers and subsidies	10.6	10.8	7.0	9.1	9.6
Of which: international organizations	0.5	0.5	0.4	0.3	0.3
Interest payments	12.3	12.4	11.1	8.4	10.1
Domestic	6.4	5.1	5.9	4.8	6.1
Foreign	5.9	7.3	5.1	3.6	4.0
Exceptional expenditure	0.0	0.0	0.0	3.7	10.5
DDR	0.0	0.0	0.0	2.5	2.7
Elections	0.0	0.0	0.0	1.1	7.7
Capital expenditure	23.4	22.0	37.8	41.2	26.6
Domestic resources	12.4	4.2	11.8	12.4	6.2
External resources	11.1	17.8	26.0	28.7	20.5
Project lending	7.1	9.2	10.1	16.1	14.2
Capital grants	3.9	8.7	15.9	12.7	6.2
Net lending	-2.6	-1.0	-0.9	-0.9	-0.4
	(In percent of GDP)				
Total expenditure and net lending	27.2	25.9	34.9	39.8	36.8
Current expenditure	21.6	20.5	22.0	22.3	23.3
Salaries	7.3	7.9	8.3	8.0	8.4
Civilian	3.9	4.0	4.8	4.8	4.9
Military	3.4	3.8	3.6	3.3	2.8
National police	0.0	0.0	0.0	0.0	0.8
Goods and services	8.0	6.6	7.3	7.3	7.6
Civilian	3.4	3.3	3.6	3.8	3.1
Military	4.7	3.3	3.7	3.5	3.4
National police	0.0	0.0	0.0	0.0	1.1
Transfers and subsidies	2.9	2.8	2.5	3.6	3.5
Of which: international organizations	0.1	0.1	0.1	0.1	0.1
Interest payments	3.4	3.2	3.9	3.4	3.7
Domestic	1.7	1.3	2.1	1.9	2.3
Foreign	1.6	1.9	1.8	1.4	1.5
Exceptional expenditure	0.0	0.0	0.0	1.5	3.9
DDR	0.0	0.0	0.0	1.0	1.0
Elections	0.0	0.0	0.0	0.5	2.8
Capital expenditure	6.4	5.7	13.2	16.4	9.8
Domestic resources	3.4	1.1	4.1	5.0	2.3
External resources	3.0	4.6	9.1	11.4	7.5
Project lending	1.9	2.4	3.5	6.4	5.2
Capital grants	1.1	2.2	5.6	5.0	2.3
Net lending	-0.7	-0.2	-0.3	-0.4	-0.2

Sources: Burundi authorities; and Fund staff estimates.

Table 19. Burundi: Expenditure on Health and Education, 2001–05

	2001	2002	2003	2004	2005
(In billions of Burundi francs)					
Total expenditure	23.7	28.5	38.4	45.3	53.6
Education	20.0	24.2	33.0	39.0	47.6
Health	3.7	4.3	5.3	6.3	6.0
Current expenditure	23.4	25.3	31.4	36.9	47.7
Education	20.0	21.6	27.6	32.3	42.8
Health	3.4	3.7	3.8	4.6	4.9
Capital expenditure	0.3	3.2	7.0	8.4	5.9
Education	0.0	2.5	5.5	6.7	4.8
Health	0.3	0.7	1.5	1.7	1.1
(In percent of total expenditure)					
Education and health	15.8	18.8	17.1	15.6	16.9
Education	13.4	15.9	14.7	13.4	15.1
Health	2.5	2.8	2.4	2.2	1.9
(In percent of GDP, unless otherwise indicated)					
Education and health	4.3	4.9	6.0	6.2	6.2
Education	3.6	4.1	5.1	5.3	5.5
Health	0.7	0.7	0.8	0.9	0.7
Memorandum items:					
GDP at current market prices					
(in billions of Burundi francs)	550.0	584.6	644.2	731.5	860.8
Total expenditure (in billions of Burundi francs)	149.8	151.5	224.8	291.2	316.7

Sources: Burundi authorities; and Fund staff estimates.

Table 20. Burundi: Military Expenditure, 2001–05

	2001	2002	2003	2004	2005
	(In billions of Burundi francs)				
Salaries	18.5	22.3	23.0	23.8	24.0
Goods and services	25.7	19.5	24.0	25.5	29.6
Total military expenditure	44.2	41.8	47.0	49.4	53.5
	(In percent)				
Military salaries/total salaries	46.1	48.6	42.8	40.6	33.0
Military spending on goods and services/total spending on goods and services	58.3	50.6	50.7	47.6	45.0
Total military expenditure/current expenditure	37.3	35.0	33.1	30.3	26.7
	(In percent of total expenditure and net lending)				
Military salaries	12.3	14.7	10.2	8.2	7.6
Military spending on goods and services	17.2	12.9	10.7	8.8	9.3
Total military expenditure	29.5	27.6	20.9	17.0	16.9
	(In percent of GDP)				
Military salaries	3.4	3.8	3.6	3.3	2.8
Military spending on goods and services	4.7	3.3	3.7	3.5	3.4
Total military expenditure	8.0	7.1	7.3	6.7	6.2
	(In billions of Burundi francs)				
Memorandum items:					
GDP at current market prices	550.0	584.6	644.2	731.5	860.8
Current expenditure	118.6	119.6	141.8	163.2	200.6
Total expenditure and net lending	149.8	151.5	224.8	291.2	316.7
Salaries	40.1	45.9	53.8	58.6	72.6
Total spending on goods and services	44.2	38.5	47.3	53.6	65.7

Sources: Burundi authorities; and Fund staff estimates.

Table 21. Burundi: Structure of Central Government Employment and Salaries, 2005

	Government employees			Annual Salaries		
	Statutory	Contractual	Total	Statutory	Contractual	Total
	Number Employed			(In millions of Burundi francs)		
General services	10,360	6,611	16,971	8,699	15,872	24,571
Presidency	57	68	125	417	111	528
National Assembly	51	106	157	687	67	755
Vice Presidency	8	88	96	4	26	30
Ministry of Development, Planning, and Reconstruction	45	28	73	50	9	59
Ministry of External Relations and Cooperation	95	35	130	1,103	470	1,573
Ministry of Defense 1/	6,943	4,237	11,180	3,865	14,592	18,457
Ministry of Interior and Security 1/	1,188	553	1,741	803	217	1,020
Ministry of Finance	434	278	712	443	133	576
Ministry of Justice	1,370	1,143	2,513	1,168	220	1,388
Ministry of Communications	7	7	14	5	3	8
Ministry of Public Service	150	53	203	124	21	145
Ministry of Institutional Reforms	8	10	18	6	2	8
Ministry in Charge of Peace Process	4	5	9	25	1	26
Social services	21,896	5,477	27,373	13,451	1,790	15,241
Ministry of Education	19,431	2,805	22,236	11,756	1,092	12,848
Ministry of Human Rights and Women	55	46	101	34	10	44
Ministry of Health	1,799	1,849	3,648	1,125	431	1,557
Ministry of Labor, Handicrafts, and Training	414	350	764	413	151	564
Ministry of Rehabilitation and Reintegration	15	13	28	13	3	17
Ministry of Youth and Sports	182	414	596	109	103	212
Economic services	866	777	1,643	649	165	814
Ministry of Agriculture and Livestock	338	140	478	235	27	262
Ministry of Communal Development	90	42	132	61	10	71
Ministry of Commerce, Industry, and Tourism	71	31	102	56	7	64
Ministry of Energy and Mining	81	82	163	83	27	110
Ministry of Transport, Post, and Telecommunications	21	34	55	20	8	28
Ministry of Public Works and Equipment	134	358	492	105	72	177
Ministry of the Territory and Environment	131	90	221	89	14	103
Central government (total)	33,122	12,865	45,987	22,799	17,826	40,626
Civil administration	26,179	8,628	34,807	18,934	3,235	22,169
Military administration	6,943	4,237	11,180	3,865	14,592	18,457

Source: Burundi authorities; and Fund staff estimates.

1/ Does not include the national police force nor the national army.

Table 22. Burundi: Size, Composition, and Gross Base Salaries of the Civil Service,
1986–2005 1/

(Gross salaries in millions of Burundi francs)

Year	Statutory						Contractual		Total civil service 2/	
	Teachers		Nonteachers		(Teachers and nonteachers)					
	Number	Salaries	Number	Salaries	Number	Salaries	Number	Salaries	Size	Salaries
1986	9,017	2,441	6,139	1,660	15,156	4,101	8,243	892	23,399	4,992
1987	9,664	2,607	6,365	1,729	16,029	4,337	8,556	918	24,585	5,254
1988	10,187	3,077	6,757	2,005	16,944	5,083	8,703	971	25,647	6,054
1989	11,814	3,511	6,986	2,224	18,800	5,736	9,012	1,100	27,812	6,836
1990	12,883	4,204	7,673	2,611	20,556	6,814	9,230	1,211	29,786	8,026
1991	13,322	4,468	7,877	2,705	21,199	7,172	8,640	1,173	29,839	8,346
1992	13,896	5,144	7,779	2,872	21,675	8,016	8,501	1,207	30,176	9,223
1993	14,540	6,059	8,145	3,186	22,685	9,245	8,361	1,271	31,046	10,516
1994	14,267	6,393	8,345	3,271	22,612	9,663	8,326	1,317	30,938	10,981
1995	14,666	6,265	8,264	3,165	22,930	9,430	8,676	1,484	31,606	10,914
1996	15,125	6,484	8,808	3,330	23,633	9,814	8,158	1,505	32,091	11,320
1997	16,262	5,800	9,115	3,019	25,377	8,819	7,971	1,274	33,348	10,093
1998	18,014	6,289	9,049	3,143	27,063	9,432	7,859	1,313	34,922	10,745
1999	18,299	8,792	8,829	3,888	27,128	12,680	8,014	1,582	35,142	14,262
2000	18,579	9,189	6,178	3,724	24,757	12,913	8,234	2,227	32,991	15,140
2001	21,701	10,118	6,660	3,808	28,361	13,926	7,886	2,057	36,247	15,983
2002	23,027	9,236	10,652	4,641	33,679	13,877	7,818	1,841	41,497	15,718
2003	24,662	12,833	10,907	4,795	35,569	17,628	7,650	2,039	43,219	19,667
2004	26,579	14,101	10,810	5,270	37,389	19,371	7,677	2,166	45,066	21,537
2005	29,846	21,201	12,344	5,698	42,190	26,899	7,617	1,997	49,807	28,896

Sources: Burundi authorities.

1/ Does not include benefits or allowances.

2/ The differences between Table 21 and 22 are due to different sources: Ministry of Public Services and Ministry of Finance.

Table 23. Burundi: Domestic Public Debt by Creditor and by Instrument, 2001–05

(In billions of Burundi francs; end of period)

	2001	2002	2003	2004	2005
Domestic public debt by creditor	80.3	95.0	117.2	200.4	195.4
Banking sector	73.4	83.7	108.3	141.8	173.4
Central bank	69.1	76.0	103.8	129.6	154.4
Ordinary advances	2.8	4.9	20.4	39.4	34.6
Special advances	3.4	3.4	3.3	3.3	3.3
Advances on investment budget	22.4	28.8	28.8	34.3	10.4
Consolidated advances	7.5	7.0	7.0	4.4	40.3
Treasury certificates	26.6	21.5	22.6	8.0	4.0
Other credits	6.5	10.4	21.5	40.2	61.8
Commercial banks	4.3	6.2	2.5	10.3	16.8
Treasury bonds	0.0	6.2	2.5	4.3	3.1
Treasury certificates	4.3	0.0	0.0	6.0	13.7
CCP 1/	1.4	1.5	2.1	1.9	2.2
Other financial establishments	0.2	0.5	1.2	1.6	0.5
Treasury bonds	0.0	0.0	0.2	1.2	0.3
Treasury certificates	0.2	0.5	1.0	0.4	0.2
Nonfinancial sector	5.3	10.8	7.7	57.0	21.5
Treasury bonds	0.0	0.0	0.0	0.0	0.0
Treasury certificates	4.6	10.1	7.4	19.2	10.2
Other loans	0.7	0.7	0.3	37.8	11.3
Domestic public debt by instrument	80.3	95.0	117.2	200.4	195.4
Treasury bonds	4.3	6.2	2.5	5.5	3.4
Treasury certificates	31.4	32.1	31.0	33.6	28.2
Advances of the central bank	36.0	54.5	81.1	81.4	88.6
Other loans	8.6	2.2	2.6	79.9	75.2

Source: Bank of the Republic of Burundi.

1/ CCP Post Office Account.

Table 24. Burundi: List of Public Enterprises, 2005 1/

Acronym	Name of Enterprise
AIR BURUNDI	Air Burundi
ALCOVIT	Alimentations Composés Vitaminés
BCC	Burundi Coffee Company
BPB	Banques Populaires du Burundi
COGERCO	Compagnie de Gérance Cotonnière
COTEBU	Complexe Textile de Bujumbura
FDC	Fonds de Développement Communal
FPH	Fonds de Promotion de l'Habitat Urbain
FNG	Fonds National de Garantie
INABU	Imprimerie Nationale du Burundi
NOVOTEL	Hotel Novotel
OCIBU	Office des Cultures Industrielles du Burundi
ONAPHA	Office National Pharmaceutique
ONATEL	Office National des Télécommunications
ONATOUR	Office National de la Tourbe
OPHAVET	Office Pharmaceutique Vétérinaire
OTB	Office du Thé du Burundi
OTRACO	Office des Transports en Commun
REGIDESO	Régie de Distribution d'Eau et d'Électricité
SBF	Société Burundaise de Financement
SOBUGEA	Société Burundaise de Gestion Aéroportuaire
SODECO	Société de Déparçage et de Conditionnement du Café
SIP	Société Immobilière Publique
SOFIDHAR	Société de Financement et Développement de l'Habitat Urbain
SOGESTAL	Société de Gestion des Stations de Lavage du Café
SOSUMO	Société Sucrière du Moso
SRDI	Société Régionale de Développement de l'Imbo
SRDR	Société Régionale de Développement de Rumonge

Source: Service chargé des entreprises publiques (SCEP).

1/ Fully state owned following the definition under the new public enterprise code promulgated on March 6, 1996 (*Loi no 1/002*); situation as of December 2005.

Table 25. Burundi: Main Economic Indicators of Public Enterprises, 2005

(In millions of Burundi francs, unless otherwise indicated)

Public Enterprises 1/	Equity capital	Equity participation (in percent) 2/	Total salaries and wages	Total assets	Total debt	Value added	Earnings before subsidies
AIR BURUNDI	1,146	100	198	3,416	2,270	844	5
BBCI	748	78	183	4,937	3,018	997	442
BCC	190	100	35		4	815	50
BPB	1,679	95	279	12,919	3,652	1,173	205
COGERCO	-186	100	269	2,632	2,881	868	559
COTEBU	-2,520	100	1,444	8,540	9,000	6,543	2,150
FDC	867	100	34	928	61	73	-121
FNG	-57	87	14	161	219	17	-4
FPHU	3,709	83	141	6,804	2,089	860	605
Hôtel Source du Nil	176	65	71	868	695	346	154
INABU	-108	100	78	187	296	157	46
NOVOTEL	208	20	220	1,355	1,132	828	446
OCIBU	4,907	100	28	10,825	5,885	834	-831
ONAPHA	-399	35	263	2,612	4,057	-65	-1,385
ONATEL	733	100	109	1,002	289	1,434	643
ONATOIR	3,280	100	1,183	25,542	6,193	6,931	4,787
OPHAVET	159	100	47	230	43	194	165
OTB	35	100	8	27	4	29	1
OTRACO	-534	100	1,830	16,046	10,718	10,008	2,451
REGIDESO	1,125	100	87	1,640	500	374	52
SBF	3,894	100	1,739	34,106	24,460	8,613	6,051
SIP	1,044	93	87	2,739	1,689	26	59
SOBUGEA	1,044	93	87	2,739	1,689	97	26
SODECO	407	90	252	1,303	733	734	599
SOFIDHAR	-1,887	82	240	1,716	2,275	1,274	137
SOGESTAL KIRIMIRO	109	68	216	1,393	1,237	337	-29
SOGESTAL MUMIRWA	-784	82	161	617	1,136	-35	266
SOSUMO	7,919	99	935	10,634	6,042	3,652	959
SRDI	7,919	99	935	10,364	2,445	6,042	3,652
SRDR	3,383	100	230	9,050	5,498	3,181	305
Total	38,206		11,403	175,332	100,210	57,181	22,445

Sources: Service Chargé des Entreprises Publiques (SCEP).

1/ For full names of public enterprises, see Table 26.

2/ Direct or indirect equity participation of government in public enterprises.

Table 26. Burundi: Monetary Survey, 2001–05

	2001 Dec.	2002 Dec.	2003 Dec.	2004 Dec.	2005 Dec.
	(In billions of Burundi francs)				
Net foreign assets	10.3	25.5	52.8	38.0	69.7
Central bank	14.6	29.0	43.2	20.7	48.8
Deposit money banks	-4.2	-3.5	9.6	17.3	21.0
Net domestic assets	99.8	114.9	119.5	210.2	227.4
Domestic credit	168.1	193.0	215.4	278.3	279.5
Net claims on the government	46.3	32.0	45.2	106.6	123.0
Central government	53.2	39.2	56.4	118.0	136.3
Treasury	74.3	80.4	106.4	139.8	172.2
Other central government	-20.6	-41.2	-50.0	-21.7	-35.9
Other government	-6.9	-7.2	-11.2	-11.4	-13.2
Government agencies	-6.9	-7.2	-10.9	-11.4	-13.2
Local government	-0.1	0.0	-0.3	0.0	-0.1
Credit to the economy	121.9	161.2	169.4	171.7	156.5
Claims on public enterprises	4.7	6.5	6.9	6.9	5.2
Claims on private sector	117.2	154.7	162.5	164.8	151.3
Other items, net (assets +)	-68.3	-78.1	-95.9	-68.1	-52.1
Money and quasi money	110.1	140.4	172.3	202.7	256.4
Money	79.1	100.2	119.2	157.1	173.7
Currency in circulation	34.1	42.8	44.5	57.2	67.9
Demand deposits	45.0	57.4	74.7	99.9	105.8
Quasi money	31.1	40.2	53.1	45.6	82.7
	(Annual change in percent of the beginning-of-period broad money supply)				
Net foreign assets	-14.0	10.8	15.8	-7.3	12.4
Central bank	-6.2	10.3	8.2	-11.1	10.9
Deposit money banks	-7.8	0.5	7.6	3.8	1.4
Net domestic assets	29.0	10.8	2.7	44.7	6.7
Domestic credit	37.9	17.7	13.0	31.0	0.5
Net claims on the government	23.3	-10.1	7.6	30.3	6.4
Central government	22.9	-10.0	10.0	30.4	7.1
Credit to the economy	14.6	35.7	5.8	1.3	-8.8
Claims on public enterprises	1.5	1.7	0.3	0.0	-1.0
Claims on private sector	13.1	34.0	5.6	1.3	-7.9
Money and quasi money	15.0	27.5	22.7	17.6	26.5
Memorandum items:	(In percent, unless otherwise specified)				
Currency/M2 ratio	0.3	0.3	0.3	0.3	0.3
M2/reserve money	2.7	2.8	3.1	2.7	2.6
Velocity (GDP/M2; period average)	5.3	4.6	4.1	3.9	3.7
Change in credit to the economy (in percent)	10.4	31.8	5.0	4.9	-8.9
Credit to the economy (as percent of GDP)	21.5	26.7	25.4	23.5	18.2
M3	120.5	158.2	203.0	248.2	297.1
Foreign currency deposits	9.6	17.4	29.3	45.5	40.7

Source: Bank of the Republic of Burundi.

Table 27. Burundi: Summary Accounts of Bank of the Republic of Burundi, 2001–05

(In billions of Burundi francs; end of period)

	2001	2002	2003	2004	2005
Foreign assets	20.4	64.4	75.3	77.5	114.3
<i>Of which:</i>					
Reserves position in Fund	0.4	0.5	0.6	0.6	0.5
SDR holdings	0.0	0.2	0	0.3	0.3
Gold holdings 1/	0.0	0.0	0.0	0.0	0.0
Credit to the government	69.1	76.0	103.8	129.7	154.4
Ordinary 2/	2.8	4.9	20.4	39.4	34.6
Special 3/	3.4	3.4	3.3	3.3	3.3
Exceptional 4/	22.4	28.8	28.8	34.3	10.4
Particular 5/	7.5	7.0	7.0	14.4	40.3
Treasury certificate advances	26.6	21.5	22.6	8.0	4.0
Others	6.5	10.4	21.5	30.2	61.8
Credit to banks	15.1	25.7	9.9	3.3	0.0
Credit to other financial institutions	4.9	9.2	1.4	1.5	0.5
Credit to the private sector	1.6	1.8	1.9	2.9	3.2
Other assets	10.5	10.7	12.5	14.6	17
Total assets = liabilities	121.6	187.8	204.8	229.5	289.4
Reserve money	35.7	49.8	55.2	75.8	100.5
Currency outside banks	34.1	48.4	48.3	61.6	73.2
Deposits by banks	1.3	0.9	5.8	12.9	25.6
Deposits by other financial institutions	0.0	0.1	0.2	0.0	0.5
Deposits by other official entities	0.3	0.3	0.9	0.9	0.8
Other monetary liabilities	0.0	0.1	0.0	0.4	0.4
Government deposits	23.7	42.3	48.3	21.4	40.8
Central government	21.9	40.6	45.0	17.9	35.6
Government agencies	1.7	1.6	3.2	3.4	5.0
Local administration	0.0	0.0	0.1	0.1	0.2
Import deposits	2.9	0.6	1.1	7.3	3.4
Foreign liabilities	3.5	35.1	31.7	55.2	64.2
Medium- and long-term foreign borrowing 6/	2.3	1.4	1.5	1.6	1.3
SDR allocation	14.9	14.9	14.9	14.9	19.5
Other liabilities	38.6	43.7	52.1	53.3	59.7

Sources: Bank of the Republic of Burundi; and Fund staff estimates.

1/ Gold valued at SDR 35 per fine troy ounce.

2/ Ordinary advances are extended to the government to cover ordinary budget operations; their level cannot exceed 10 percent of the previous year's current revenue.

3/ Special advances are extended to finance selected projects. They have a maturity of ten years. Before 1982, they carried no interest. They are not included in the amount equal to 10 percent of the previous year's current revenue that limits ordinary advances.

4/ Exceptional advances were introduced in 1982 to consolidate at the end of each year the outstanding amount of ordinary advances that were not repaid.

5/ Particular advances are short-term loans.

6/ Includes borrowing from the Fund.

Table 28. Burundi: Summary Accounts of Deposit Money Banks, 2001–05

(In millions of Burundi francs; end of period)

	2001	2002	2003	2004	2005
Foreign assets	12.3	10.0	43.0	54.2	59.1
Reserves	6.3	6.7	9.3	17.4	30.9
Cash	5.0	5.4	3.8	4.5	5.3
Deposits with the central bank	1.3	1.2	5.5	12.9	25.6
Total credit	121.1	133.4	169.1	166.1	174.5
Credit to the government	5.8	6.1	3.1	6.3	17.5
Credit to the economy	115.3	127.2	166.0	167.8	165.3
Credit to public enterprises 1/	4.6	5.5	6.9	6.9	5.2
Credit to the private sector	110.4	121.6	159	161.0	160.1
Credit to other financial institutions	0.3	0.1	0.1	...	...
Total deposits	82.4	87.6	124.4	159.0	197.1
Government deposits	6.7	7.9	14.7	14.6	10.3
Nongovernment deposits	75.7	79.7	109.7	144.3	186.8
Demand deposits	44.7	48.3	70.6	98.7	104.1
Time and savings deposits	31.1	31.4	53	45.6	82.7
Refinancing from the central bank	14.7	21.4	9.7	3.3	0.0
Foreign liabilities	16.6	15.7	33.4	36.9	38.1
Capital and reserves	24.9	30.7	47.6	55.0	62.1
Other items (net)	1.2	-5.3	6.3	-16.5	-32.8

Sources: Bank of the Republic of Burundi; and Fund staff estimates.

1/ Excluding Caisse d'Epargne du Burundi. Including shares in the capital of public enterprises.

Table 29. Burundi: Summary Accounts of Major Nonbank Financial Institutions, 2001–05
(In millions of Burundi francs; end of period)

	2001	2002	2003	2004	2005
BNDE (Burundi National Development Bank)					
Credit to the economy	10.5	11.4	12.4	12.6	9.9
<i>Of which: private sector</i>	10.1	11.0	11.8	12.2	9.2
Other assets	5.8	6.3	10.4	7.7	4.5
Assets = liabilities	16.4	17.6	22.8	20.3	14.6
Liabilities to other financial institutions	1.3	2.3	0.7	0.8	0
Foreign liabilities	7.3	7.2	11.9	8.7	2.4
Capital and reserves	5.3	5.6	7	7.4	7.5
Other liabilities	2.5	2.5	3.2	3.4	4.7
SBF (Burundi Financing Company) 1/					
Reserves	0.1	0.3	...	...	...
Credit to the economy	5.3	5.7	...	...	...
<i>Of which: private sector</i>	4.6	4.8	...	...	...
Other assets	3.2	2.9	...	...	...
Assets = liabilities	8.7	8.9	...	...	...
Capital and reserves	1.7	2.1	...	...	...
Other liabilities	7.0	6.8	...	...	...
FPHU (Urban Construction Promotion Fund)					
Credit to the economy	5.0	5.3	5.5	5.5	6.3
<i>Of which: private sector</i>	5.0	5.3	5.4	5.5	6.2
Other assets	1.6	1.4	2.7	2.8	2.4
Assets = liabilities	6.7	6.8	8.2	8.3	8.7
Capital and reserves	3.3	3.8	4.2	4.5	4.7
Foreign liabilities	0.5	0.5	0.3	0.3	0.3
Other liabilities	2.9	2.5	3.5	3.5	3.7

Source: Bank of the Republic of Burundi.

1/ SBF is a commercial bank since 2003.

Table 30. Burundi: Outstanding Amounts of Treasury Bills and Interest Rates, 2001–05 1/

	2001	2002	2003	2004	2005 Dec.
(In millions of Burundi francs; period average)					
Total treasury bills outstanding	32,356	32,032	31,629	29,632	28,209
One month	15,085	13780	14,350	18,218	17,323
Three months	10,071	11289	10904	6,139	5,998
Twelve months	7,200	6963	6,375	5,275	4,888
(In percent per annum, unless otherwise indicated)					
Interest rates					
One month	16.59	16.55	14.95	10.15	7.92
Three months	19.00	15.83	13.92	11.6	8.18
Twelve months	11.99	11.99	11.99	11.99	11.99
Outstanding treasury certificates (in percent of stock of broad money at beginning of period)	33.8	22.8	18.4	16.98	15.03

Source: Bank of the Republic of Burundi.

1/ These figures do not include treasury bills sold by the central bank in the open market.

Table 31. Burundi: Distribution of Credit to the Economy, 2001–05

	2001	2002	2003	2004	2005
(In millions of Burundi francs)					
Short term	113,740	146,225	147,228	143,585	139,066
Treasury credits	102,608	115,273	130,657	121,365	129,781
Export credits	8,068	28,332	14,222	19,333	6,882
Import credits (post shipping)	1,905	1,501	2,128	1,121	1,042
Commercial discounts	1,158	1,118	2,228	1,767	1,361
Medium term	18,000	23,259	28,140	31,627	30,884
Residential credits	3,561	4,422	4,528	3,942	4,533
Equipment and others	14,439	18,837	23,612	27,685	26,351
Long term	5,437	5,586	5,336	4,570	4,441
Residential credits	3,859	3,682	3,616	3,314	3,235
Equipment and others	1,578	1,904	1,720	1,256	1,206
Open credit lines	17,154	16,247	16,465	27,486	29,882
Total	154,331	191,317	197,169	207,268	204,273
(In percent of total)					
Short term	73.7	76.4	74.7	69.3	68.1
Treasury credits	66.5	60.3	66.3	58.6	63.5
Export credits	5.2	14.8	7.2	9.3	3.4
Import credits (post-shipping)	1.2	0.8	1.1	0.5	0.5
Commercial discounts	0.8	0.6	1.1	0.9	0.7
Medium term	11.7	12.2	14.3	15.3	15.1
Residential credits	2.3	2.3	2.3	1.9	2.2
Equipment and others	9.4	9.8	12.0	13.4	12.9
Long term	3.5	2.9	2.7	2.2	2.2
Residential credits	2.5	1.9	1.8	1.6	1.6
Equipment and others	1.0	1.0	0.9	0.6	0.6
Open credit lines	11.1	8.5	8.4	13.3	14.6

Source: Bank of the Republic of Burundi.

Table 32. Burundi: Structure of Interest Rates, 2001–05

(In percent per annum, end of period)

	2001	2002	2003	2004	2005
Lending rates					
Short-term loans	21.0	20.3	21.2	21.0	20.8
Export credits	13.0	12.6	12.8	13.4	13.8
Working capital	21.4	21.6	21.9	22.1	21.2
Medium-term loans	20.4	20.6	20.7	19.5	19.1
Housing construction	20.4	19.8	20.1	20.0	18.7
Other medium-term loans	20.4	20.7	20.8	19.5	19.2
Long-term loans	17.1	19.4	17.6	19.6	19.2
Housing construction	15.8	18.6	14.5	12.6	16.4
Other long-term loans	17.3	19.5	18.3	20.5	19.7
Rediscount rate of the central bank	14.0	15.5	14.5	14.5	14.5
Deposit rates					
Demand deposits	9.3	11.9	10.1	9.3	7.5
Passbook savings	8.3	8.3	8.4	8.1	7.4
Time deposits					
Less than 1 month	13.4	14.4	15.3	13.6	9.9
Up to 12 months	13.2	14.7	15.1	14.5	10.7
Up to 24 months	11.6	11.4	15.5	12.4	12.0
More than 24 months	12.3	12.8	9.3	12.2	10.8
Advance-notice deposits					
Up to 1 month	...	...	...	...	...
Up to 12 months	...	...	...	18.2	...
Savings bonds					
Up to 1 month	...	...	...	...	...
Up to 12 months	9.0	11.0	11.0	11.0	9.0

Source: Bank of the Republic of Burundi.

Table 33. Burundi: Balance of Payments, 2001-05 1/

	2001	2002	2003	2004	2005
			(In millions of U.S. dollars)		
Current account	-30.8	-22.3	-27.3	-54.0	-84.0
(excluding official transfers)	-98.8	-109.8	-125.6	-169.4	-274.3
Trade balance	-69.9	-76.2	-90.8	-101.1	-181.8
Exports, f.o.b.	38.5	31.0	37.5	47.9	57.2
<i>Of which: coffee</i>	19.7	16.7	22.9	29.4	40.5
Imports, f.o.b.	-108.4	-107.2	-128.3	-148.9	-239.0
<i>Of which: petroleum products</i>	-16.4	-15.9	-22.0	-26.5	-38.3
imports related to reconstruction effort	-45.7	-62.5	-77.5	-71.0	-90.7
Services (net)	-23.1	-25.3	-23.9	-60.6	-89.5
Credits	6.9	7.7	12.5	15.8	34.0
Debits	-30.0	-33.0	-36.4	-76.4	-123.6
Income (net)	-12.3	-13.7	-17.9	-18.1	-20.3
<i>Of which: interest on public debt (including IMF charges)</i>	-9.7	-11.7	-11.1	-9.9	-11.4
Current transfers (net)	74.6	93.0	105.2	125.9	207.6
Private (net)	6.5	5.5	7.0	10.5	17.3
Official (net)	68.1	87.5	98.2	115.4	190.3
Capital account	7.1	14.1	33.0	48.1	26.2
<i>Of which: HIPC relief</i>	0.0	0.0	0.0	0.0	7.4
Financial account	-4.0	-2.4	-12.4	6.7	66.6
Direct investment	0.0	0.0	0.0	10.0	15.0
Medium- and long-term official loans (net)	-13.1	-3.1	2.0	11.5	37.7
Disbursements	15.2	34.6	41.9	42.5	69.3
Project loans	8.8	14.6	21.0	42.5	43.1
Program loans	6.4	20.0	20.9	0.0	26.2
Amortization (excluding IMF)	-28.3	-37.7	-39.9	-31.0	-31.6
Other investment	9.1	0.7	-14.4	-14.7	13.9
Errors and omissions	-13.6	-7.2	-10.4	10.2	13.4
Overall balance	-41.3	-17.7	-17.1	11.1	22.1
Financing (- increase in assets)	41.3	17.7	17.1	-11.1	-22.1
Net change in official foreign reserves (- increase)	13.2	-5.7	-8.1	14.9	-31.0
Gross official reserves	19.5	-36.3	-7.2	0.1	-45.5
Liabilities to IMF, net	-4.6	10.7	15.5	12.4	19.3
Other, net	-1.7	20.0	-16.5	2.4	-4.9
Other reserves, net	8.8	4.3	5.4	25.5	-9.9
Change in arrears (+ increase)	28.2	23.4	-1.9	-106.1	-22.2
Exceptional financing 2/	0.0	0.0	27.1	80.1	31.1
			(In percent of GDP, unless otherwise indicated)		
Memorandum items:					
Trade balance	-10.6	-12.1	-15.3	-15.2	-22.7
Current account	-4.6	-3.5	-4.6	-8.1	-10.5
<i>Of which: excluding current official transfers</i>	-14.9	-17.5	-21.1	-25.5	-34.3
Gross official reserves					
In million of U.S. dollars	23.8	60.1	67.3	67.2	112.7
In months of imports, c.i.f.	2.3	5.8	5.4	4.8	5.2
Total external debt	162.0	181.6	224.6	208.0	189.3
In months of following period's imports of goods and services	2.0	4.4	3.6	2.2	2.9
Imports					
Growth rate	0.5	-1.1	19.7	16.1	60.5
In percent of GDP	16.4	17.1	21.6	22.4	29.9
Exports					
Growth rate	-21.2	-19.5	21.0	27.5	19.5
In percent of GDP	5.8	4.9	6.3	7.2	7.1
Debt-service ratio (in percent of exports of goods and services)					
Scheduled current maturities (including IMF)	93.4	134.1	101.8	109.2	47.1
Actual debt service (including IMF; after HIPC)	...	...	...	...	27.1
Exchange rate (Burundi francs per U.S. dollar; period average)	830.4	930.7	1,082.6	1,100.9	1,075.3
Nominal GDP (in millions of U.S. dollars)	662.3	628.1	595.0	664.5	800.5

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

1/ Revised according to the Fifth Edition of the Balance of Payments Manual.

2/ Before MDRI and Paris Club debt reduction on Cologne terms. Includes the March 2004 Paris Club rescheduling on Naples terms, and assuming rescheduling of current debt service and arrears to non-Paris Club creditors at comparable terms.

Table 34. Burundi: Composition of Exports, f.o.b., 2001–05

(Value in millions of U.S. dollars; volume and unit value in indicated units)

	2001	2002	2003	2004	2005
Coffee					
Value	19.7	16.7	22.9	29.4	40.3
Volume (tons)	18,663.0	16,956.0	27,814.0	20,911.0	21,412.0
Unit value (U.S. dollars per kilogram)	1.1	1.0	0.8	1.4	1.9
Unit value (cents per pound.)	47.8	44.8	37.4	63.7	85.9
Tea					
Value	10.6	8.8	10.3	10.2	8.8
Volume (tons)	8,454.0	6,509.0	7,023.0	7,107.0	7,600.0
Unit value (U.S. dollars per kilogram)	1.3	1.4	1.5	1.4	1.2
Hides and skins					
Value	0.1	0.1	0.1	0.3	0.4
Volume (tons)	479.0	471.0	646.0	1,182.0	1,207.0
Unit value (U.S. dollars per kilogram)	0.2	0.2	0.2	0.3	0.3
Other primary					
Value	4.2	1.4	1.0	1.7	1.1
Manufactured products					
Value	4.6	4.0	3.2	6.3	5.2
Total export value					
(percent change)	-21.6	-20.9	21.0	27.7	18.0

Sources: Burundi authorities; and Fund staff estimates.

Table 35. Burundi: Composition of Imports, c.i.f., 2001–05

(In millions of U.S. dollars; other units as indicated)

	2001	2002	2003	2004	2005
Capital goods					
Value	35.0	32.0	36.4	43.1	49.6
(percent change)	-2.9	-8.6	13.8	18.4	15.1
(percent change in volume)	0.7	-8.5	12.8	-7.5	123.6
(percent change in unit value)	-4.0	10.3	-2.6	17.5	4.4
Intermediate goods					
Value	54.8	51.2	60.8	68.8	136.0
(percent change)	-10.9	-6.6	18.8	13.2	97.7
Petroleum products	16.4	15.9	22.0	26.5	38.1
(percent change)	-11.3	-3.0	38.4	20.5	43.8
(percent change in volume)	-18.8	-1.1	32.1	-3.0	2.1
(percent change in unit value)	8.8	-1.9	4.5	24.5	41.3
Other	38.4	35.3	38.8	42.2	98.0
(percent change)	-10.7	-8.1	9.9	8.8	132.2
(percent change in volume)	16.7	-6.0	12.8	-3.2	15.8
(percent change in unit value)	-24.0	-2.1	-2.6	12.3	2.2
Consumption goods					
Value	48.9	46.8	59.6	64.0	79.6
(percent change)	-1.0	-4.3	27.4	7.4	24.4
Food	12.1	12.9	18.6	13.7	12.6
(percent change)	-8.7	6.3	44.2	-26.3	-8.0
(percent change in volume)	-10.5	5.5	46.1	-30.7	-7.5
(percent change in unit value)	2.0	0.7	-0.8	6.4	-0.4
Other	36.8	34.0	41.0	50.2	67.1
(percent change)	2.4	-7.5	20.6	22.4	33.7
(percent change in volume)	-10.0	3.6	40.4	24.6	28.7
(percent change in unit value)	13.8	-11.4	-14.0	-1.7	4.4
Total imports c.i.f.	138.8	130.0	156.8	175.9	265.2
(percent change)	-5.7	-6.3	20.6	12.2	50.8

Sources: Burundi authorities; and Fund staff estimates.

Table 36. Burundi: Services and Transfers, 2001–05

(In millions of U.S. dollars)

	2001	2002	2003	2004	2005
Services and Income	-44.3	-34.5	-41.0	-54.6	-75.1
Services (net)	-31.0	-22.9	-23.7	-25.4	-57.1
Credit	6.9	7.6	7.5	10.1	32.6
Freight	0.4	0.3	0.2	0.5	0.0
Passenger services	0.4	0.5	0.5	0.4	0.3
Travel	0.5	1.1	0.7	0.6	1.4
Revenues from government services	1.6	1.2	1.7	2.4	6.7
Foreign governments	3.0	2.6	3.5	3.6	21.0
Other	1.0	1.7	0.8	2.6	3.2
Debit	-37.9	-30.5	-31.2	-35.5	-89.7
Freight	-17.5	-18.1	-20.9	-20.1	-19.8
Travel	-11.8	-1.1	-0.7	-0.6	-54.3
Government of Burundi	-7.9	-10.3	-8.8	-11.5	-13.0
Studies	0.0	0.0	0.0	0.0	0.0
Scholarships	0.0	0.0	0.0	0.0	0.0
Technical assistance	0.0	0.0	0.0	0.0	0.0
Other	-0.7	-0.9	-0.8	-3.3	-2.7
Income (net)	-13.3	-11.6	-17.2	-29.2	-17.9
Credit		0.9	1.3	1.3	3.1
Investment income	1.9	0.9	1.3	1.3	3.1
Debit	-15.2	-12.5	-18.5	-30.5	-21.0
Dividends	-2.1	0.0	-4.7	-6.0	-2.1
Investment income	-10.7	-9.7	-10.6	-13.8	-18.8
Interest on public debt	-10.2	0.0	0.0	0.0	0.0
Labor income	-2.4	-2.8	-3.3	-10.1	-0.1
Property income	0.0	0.0	0.0	-0.6	0.0
Transfers (net)	79.2	117.3	123.8	154.6	31.1
Private (net)	6.5	5.9	7.0	11.8	17.2
Receipts	7.8	7.7	8.4	13.2	19.0
Payments	-1.3	-1.8	-1.4	-1.4	-1.9
Official (net)	72.7	111.4	116.8	142.8	13.9
Credit	74.3	112.9	118.9	144.2	15.0
Debit (contribution to international organization)	-1.6	-1.5	-2.0	-1.4	-1.1

Sources: Burundi authorities; and Fund staff estimates.

Table 37. Burundi: Structure, Volume, and Prices of International Trade, 2001–05

	2001	2002	2003	2004	2005
(In percent of total)					
Exports, f.o.b.	100.0	100.0	100.0	100.0	100.0
Coffee	58.1	54.0	61.1	61.4	71.3
Tea	27.4	28.3	27.4	21.3	15.7
Cotton	0.0	0.0	0.0	0.0	1.1
Hides and skins	0.2	0.1	0.1	0.5	0.8
Other primary products	10.8	4.6	2.8	3.6	2.0
Manufactured products	3.5	13.0	8.6	13.2	9.2
Imports, c.i.f.	100.0	100.0	100.0	100.0	100.0
Intermediate goods	39.5	39.4	38.8	39.1	51.3
Petroleum products	11.8	12.2	14.0	15.1	14.3
Other	27.7	27.2	24.8	24.0	36.9
Capital goods	25.4	24.6	23.2	24.5	18.7
Consumer goods	35.1	36.0	38.0	36.4	30.0
Foodstuffs	20.6	9.9	11.9	7.8	4.7
Nonfoodstuffs	14.5	26.1	26.1	28.6	25.3
(Index, 1995=100)					
Export volume	73.3	59.2	76.3	68.0	66.9
Export unit value (U.S. dollar terms)	45.8	46.1	43.3	61.9	75.2
Import volume	64.3	64.3	80.8	84.0	123.1
Import unit value (U.S. dollar terms)	113.3	112.0	106.7	119.2	130.4
Terms of trade	40.4	41.1	40.6	52.0	57.7
(Percent change)					
Export volume	4.9	-19.1	28.8	-10.9	-1.6
Export unit value (U.S. dollar terms)	-23.9	0.5	-6.1	43.1	21.5
Import volume	4.3	0.1	25.7	3.9	46.7
Import unit value (U.S. dollar terms)	-3.7	-1.1	-4.8	11.7	9.4
Terms of trade	-21.0	1.7	-1.4	28.1	11.0

Sources: Burundi authorities; and Fund staff estimates.

Table 38. Burundi: Direction of Trade, 2001–05
(In percent of total)

	2001	2002	2003	2004	2005
Exports, f.o.b.	100.0	100.0	100.0	100.0	100.0
European Union countries	62.8	39.0	32.0	19.5	15.8
Belgium	10.5	8.5	5.7	3.7	3.0
France	1.1	1.5	0.8	0.8	0.7
Germany	7.8	2.5	1.1	2.2	1.9
Italy	0.6	0.1	0.2	0.0	0.0
United Kingdom	31.0	18.9	16.4	12.0	9.9
Netherlands	7.3	5.2	4.5	0.7	0.3
Spain, Portugal, and Denmark	0.2	0.0	0.0	0.0	0.0
Others	4.3	2.3	3.3	0.1	0.0
Others		19.6	32.0	30.0	37.6
African countries	15.5	31.8	9.1	18.0	9.9
Democratic Republic of the Congo	0.4	0.0	0.8	0.6	0.8
Kenya	6.9	18.7	0.1	0.8	0.5
Rwanda	5.7	10.0	5.7	8.8	3.7
Uganda	2.1	0.9	2.0	1.5	1.3
Others	0.4	2.2	0.5	7.3	3.6
Finland		0.0	0.0	0.0	0.0
Japan	0.0	0.0	0.1	0.5	0.4
United States	0.1	0.2	1.6	0.5	0.4
Others	21.6	9.4	25.2	31.5	35.9
Imports, c.i.f.	100.0	100.0	100.0	100.0	100.0
European Union countries	35.2	34.9	31.8	33.1	35.3
Belgium	15.5	16.4	14.8	13.6	12.2
France	7.8	7.0	4.8	6.4	5.3
Germany	2.5	2.6	3.4	4.0	5.4
Italy	2.1	2.5	2.1	3.5	5.4
Netherlands	2.0	1.8	1.8	1.9	1.7
United Kingdom and Ireland	2.5	1.3	0.8	0.9	2.3
Others	2.8	3.3	4.1	2.8	3.0
African countries	24.1	33.7	44.0	40.8	33.2
Democratic Republic of the Congo	0.5	0.5	0.9	1.3	0.4
Kenya	6.7	12.1	14.4	15.6	12.8
South Africa	2.9	3.6	3.2	2.6	5.6
Tanzania	8.1	10.3	11.7	8.5	4.8
Zambia	0.6	3.6	5.2	3.8	3.7
Zimbabwe	2.6	0.7	0.1	0.1	0.1
Others	2.7	2.9	4.5	8.9	5.8
Saudi Arabia	10.9	2.8	0.9	0.2	3.7
Japan	5.0	5.7	4.3	6.0	6.9
Other Asian countries	16.4	17.7	13.9	15.1	14.2
United States	3.1	1.5	2.1	1.1	2.3
Others	5.2	3.7	3.0	3.7	4.4

Source: IMF, Direction of Trade Statistics.

Table 39. Burundi: Trade Flows with Common Market for Eastern and Southern Africa (COMESA) Countries, 2001–05

(In millions of Burundi francs)

	2001		2002		2003		2004		2005	
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
Comoros	0	0	0	0	0	0	0	0	0	0
Djibouti	0	68	0	0	0	0	0	0	0	0
Egypt	0	413	0	687	0	1,088	2,812	1,871	2,391	2,309
Ethiopia	0	28	0	19	0	59	0	0	0	0
Kenya	2,195	7,754	5,400	14,614	35	24,369	400	30,276	930	36,750
Lesotho	0	0	0	0	0	0	0	0	0	0
Madagascar	0	0	0	0	0	0	0	0	0	0
Malawi	0	0	0	0	0	0	0	67	0	0
Mauritius	0	421	0	579	0	1,245	0	1,611	0	220
Mozambique	6	6	0	0	0	0	0	0	0	0
Rwanda	1,829	402	2,907	746	2,316	795	4,628	806	2,922	987
Seychelles	0	0	0	0	0	0	0	0	0	0
Somalia	0	0	0	0	0	0	0	0	0	0
Sudan	0	0	0	0	0	0	0	0	0	0
Swaziland	0	978	0	0	0	31	0	0	0	0
Uganda	670	664	274	1,179	807	10,010	765	12,156	976	12,287
Zambia	7	3,037	0	4,322	0	8,776	0	7,356	15	10,743
Zimbabwe	0	420	0	810	0	184	0	272	0	178
Total	4,706	14,190	8,580	22,955	3,157	46,557	8,605	54,415	7,234	63,474

Source: Bank of the Republic of Burundi.