

## International Monetary Fund

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March 23, 2015

**Burundi:** Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

March 4, 2015

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The following item is a Letter of Intent of the government of Burundi, which describes the policies that Burundi intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Burundi, is being made available on the IMF website by agreement with the member as a service to users of the [IMF](#) website.

## Letter of Intent

Bujumbura, March 4, 2015

Ms. Christine Lagarde  
Managing Director  
International Monetary Fund  
Washington, D.C., 20431

Dear Ms. Lagarde:

The Executive Board of the International Monetary Fund (IMF) approved on January 27, 2012 a three-year arrangement under the Extended Credit Facility (ECF) for the Republic of Burundi. This arrangement supports our medium-term program and aims to consolidate the process of macroeconomic stability, accelerate growth, and reduce poverty. In accordance with this arrangement, the government of Burundi, with the help of an IMF mission, has examined the implementation of the program for the sixth review under the arrangement, as well as the prospects and economic and financial measures to be implemented in 2015.

Burundi remains vulnerable to the persistent effects of external shocks from commodity prices and the decrease in the tax efforts which has been ongoing for more than two years. Moreover, while the country is preparing for general elections in May–July 2015, social and political tensions may develop that, coupled with external shocks, could undermine the significant progress made toward macroeconomic stabilization. For this reason, we have stepped up efforts to mobilize additional revenues, including exceptional revenue measures, which could help in responding to potential contingencies related to the upcoming elections.

The strengthening of tax administration will supplement the measures included in the July 2014 supplementary budget to compensate for revenue losses arising in part from harmonization of the tax regime within the East African Community. Increased efforts to control expenditures starting in the second half of 2014 helped mitigate the effects of these shortfalls and contributed to satisfactory execution of the program during the period under review. All quantitative performance criteria related to the sixth review were met. The end-September and end-December indicative quantitative targets were also met, except for the ceiling for reserve money, which was exceeded at both test dates due to a larger than expected accumulation of net foreign assets, and the end-December ceiling for net domestic financing of the government that was exceeded by a very small margin (less than 0.1 percent of GDP). The indicative target for pro-poor spending was observed at end-September, but the end-December target was missed because of the reallocation of funds in the supplementary 2014 budget toward other priority spending. For the most part, the structural benchmarks under the sixth review were also met. The government is firmly committed to pursuing implementation of the program in order to preserve the viability of public finances and debt, and to restore economic growth over the medium term. To this end, it will maintain prudent fiscal and monetary policies to anchor inflation expectations at levels generally compatible with price stability.

With regard to progress made in implementing the program supported by the ECF arrangement, the Government is seeking the completion of the sixth review of the program, and the disbursement of SDR 5 million, thereby raising the cumulative disbursements under the current ECF arrangement to SDR 30 million. To consolidate progress made and continue the implementation of reforms, particularly strengthening the management of public finances, the Government is seeking extension of the current ECF arrangement to March 31, 2016 and augmentation of the resources available under this arrangement by SDR 10 million.

The Government believes that the policies set forth in the attached Memorandum of Economic and Financial Policies (MEFP) are adequate to achieve the objectives of the program, but will take any further measures that may become appropriate for this purpose. The Government will consult with the IMF on the adoption of these measures and in advance to the revisions to the policies contained in the MEFP in accordance with the IMF's policies on such consultation.

The Government will communicate to the IMF all the information necessary to ensure the implementation and regular monitoring of the program. This information, as well as the follow-up modalities related to the implementation of the program and the performance criteria, quantitative targets, and structural benchmarks are specified in the Technical Memorandum of Understanding (TMU), also attached to this letter. The seventh review will focus on the performance criteria of March 31, 2015 and the eighth review will focus on the performance criteria of September 30, 2015.

The Burundian authorities wish to make this letter available to the public along with the attached MEFP and TMU as well as the IMF staff report on the sixth review. We therefore authorize their publication and posting on the IMF website, subject to Executive Board approval. These documents will also be posted on the official websites of the government of Burundi.

Sincerely yours,

/s/

Tabu Abdallah MANIRAKIZA  
Minister of Finance and  
Economic Development Planning

/s/

Jean CIZA  
Governor, Bank of the Republic of Burundi

/s/

Gervais RUFYIKIRI  
Second Vice-President, Republic of Burundi

Attachments: Memorandum of Economic and Financial Policies (MEFP)  
Technical Memorandum of Understanding (TMU)

# Attachment I. Amendments to the Memorandum of Economic and Financial Policies

March 4, 2015

## I. INTRODUCTION

**1.** Burundi adopted an economic and financial program supported by an arrangement with the International Monetary Fund (IMF) under the Extended Credit Facility (ECF) to consolidate economic and political gains, promote inclusive economic growth, curb inflation, and strengthen policies designed to combat poverty. This Memorandum supplements the December 2011, July 2012, January 2013, August 2013, December 2013, and July 2014 versions. It reports on the implementation of the program's quantitative targets for the period under review and the structural benchmarks for the sixth review and defines the Government's economic policies and reforms to achieve the 2015 targets of its economic and financial program. The program's measures and objectives go hand in hand with the reforms articulated in the Poverty Reduction and Growth Strategy Paper (PRSP-II).

**2.** The combined effects of the external shocks to which Burundi remains vulnerable and the risk of social and political tensions during the pre-election period call for particular vigilance to preserve the significant progress made toward macroeconomic stabilization. Moreover, the negative effects on public finances and the external position resulting from the drop in direct budget support are compounded by insufficient mobilization of domestic resources, particularly due to the narrow tax base. Thus, Burundi still needs to seek support from technical and financial partners for its efforts to transform its economy and strengthen its political institutions.

**3.** During the Burundi development partners' conference held in Geneva in October 2012, the government presented the considerable progress made, particularly in the areas of good governance, peace consolidation, and improved public access to basic social services. In the wake of the Geneva conference, the government organized two sectoral conferences in July and October 2013 and a roundtable in December 2014 for mid-term evaluation of progress made in implementing the PRSP-II. The targeted sectors are in line with the main pillars of the PRSP-II and pertain to: (i) transport infrastructures and information and communication technologies (ICT); (ii) energy; (iii) private sector and tourism development; (iv) governance, the rule of law, and gender; (v) education; (vi) health; and (vii) the environment, water, and sanitation. The Government is aware of how much remains to be done in these areas. This is why the authorities have sought continued political support and additional financial assistance to promote sustainable economic growth, and reduce unemployment and poverty.

## II. ECONOMIC DEVELOPMENTS AND IMPLEMENTATION OF THE ECONOMIC PROGRAM IN 2014

4. Macroeconomic developments remained broadly in line with program objectives. GDP growth continued its trajectory, increasing from 4.5 percent in 2013 to an estimated 4.7 percent in 2014, a trend that is expected to continue in 2015 owing to investments in infrastructure, particularly the new technologies supported by fiber optics, transport, and hydroelectric dams. Inflation fell sharply, from an average of 9 percent in 2013 to 4.4 percent in 2014, driven by favorable developments in international petroleum and food product prices and, the resumption of agricultural production.
5. The external position improved slightly with the external current account deficit (including transfers) falling from 18.4 percent of GDP in 2013 to an estimated 17.6 percent of GDP in 2014. This improvement was driven by favorable developments in the terms of trade. Imports as a percentage of GDP fell by about two points while exports increased by one percentage point of GDP, in large part reflecting renewed coffee exports. Official foreign exchange reserves remained stable at the equivalent of 3.5 months of imports at end-2014.
6. Monetary policy in 2014 continued to be guided by the two-fold objective of price stability and strengthening of the external position. Improved liquidity conditions allowed the Central Bank of Burundi (BRB) to reduce its intervention rate from 10.95 percent in June 2014 to 8 percent in December 2014. Growth in broad money and credit to the private sector reached, each, about 9 percent (y-o-y) at end-December. The Monetary Policy Committee has continued to publish its quarterly reports since 2013, each of which is accompanied by a monetary policy statement publicly announcing the monetary authority's intentions for the future. This innovation enhances the transparency and credibility of the monetary policy. Following the BRB's interventions to dampen exchange rate volatility in 2013, the Burundian franc has remained relatively stable against the U.S. dollar.
7. Budget execution during the first half of 2014 was affected by significant losses in the mobilization of revenue, leading to the adoption of a revised (supplementary) budget to reverse the downward trend in the tax effort and strengthen expenditure controls. On the whole these measures made it possible to achieve the program objectives, despite the delay in adoption of the revised 2014 Budget and the delayed effect (until 2015) of some tax revenue recovery measures. Thus, domestic resources reached FBu 411.9 billion at end-September and FBu 655.6 billion at end-December 2014, or an increase of 16.8 percent over 2013. However, the tax effort fell by 0.4 percentage point of GDP, which grew by 9.5 percent in nominal terms. In sum, the increase in revenues was the result of the combined effect of redoubled efforts to mobilize revenues undertaken by the Burundi Revenue Authority (OBR), non-tax revenue from the sale of a telephone license, and corrective measures intended to offset the revenue losses recorded during the first half of the year. However, the delayed adoption of these measures and administrative difficulties in their

implementation meant that their impact on revenues (about 0.3 percent of GDP) was no more than half the amount anticipated in the July 2014 supplementary budget.

**8.** During the fourth quarter, the government made an effort to benefit from the decline in international oil prices. The average international price (FOT) of petroleum products began to fall in August for Burundian importers.<sup>1</sup> The government used this decline to increase taxes on petroleum products, thus reducing subsidies, while allowing for a slight reduction in fuel prices at the pump. Thus, these measures allowed for increasing revenues to the public treasury due to reduced subsidies, while allowing lower fuel prices for consumers. Moreover, the average price at the pump is now nearly equal to the average unsubsidized price.

**9.** The government continued its policy of expenditure restraint, as evidenced by the continued decline in the wage bill relative to GDP. This fell to 6.6 percent of GDP in 2014 or a decline of 0.4 percentage points of GDP compared to 2013. The roll-out of the payroll software (OPEN PRH) and the adoption of a unified registration procedure for civil servants cleared up the civil service database and payroll system by virtually eliminating duplicates and ghost records. The new OPEN PRH system also considerably reduced payroll processing times. The system made it possible to unify the current database with the database drawn from the 2008 biometric census; extending database access to include Ministry of Finance staff will guarantee better management of the payroll, which is one of the largest items in the government's budget. To the same end, training was provided to the Ministry of Civil Service and Ministry of Finance staff on modern wage bill forecasting methods.

**10.** In sum, program execution during the period under review was satisfactory overall. In particular, all the quantitative performance criteria at end-September 2014 were met. All the end-September and end-December indicative targets were also met, except for the reserve money target and the end-December ceiling on domestic bank financing of the government, which was exceeded by a margin less than 0.1 percent of GDP. The reserve money ceiling was exceeded due to the accumulation of net foreign assets, which exceeded their targets (floors) with no counterpart in the development of net domestic assets. The end-September indicative target on pro-poor expenditures was met despite cash flow problems, demonstrating the government's determination to continue its efforts to protect vulnerable sectors of the population; however, the end-December target was missed as spending reallocations in the supplementary budget, while mostly oriented to meeting social goals, were not aligned with the program definition of pro-poor spending.

**11.** As indicated in table Table I.2, key structural measures related to the sixth review were implemented as agreed. Delays in some areas have been primarily due to delays in obtaining the required technical assistance.

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<sup>1</sup>All the averages in this text refer to unweighted averages for petroleum products, including gas, oil, and diesel.

**12.** Lastly, significant progress was made in strengthening the management of public finances. Thus, as part of efforts to put in place the government's rationalized expenditure chain (chaîne rationalisée de la dépense), the Minister of Finance issued an ordinance delegating expenditure commitment authority to ministries and other institutions with expenditures controllers. The Council of Ministers discussed the decree defining the place of administrative and financial divisions in the ministries' organizational charts. It is expected that the expenditure chain and the production of financial data will be made more effective and reliable with the deployment as of January 1, 2015 of an integrated public financial management software package accessible in all the ministries. This system is expected to enable secure, on-line monitoring of all budgetary transactions, the introduction of credits, up to the issuance of Treasury payment balances, and the automated production of financial reports such as the government flow-of-funds table (TOFE). The new software package should also be a "living" tool and be interconnected with other expenditure chains, particularly civil service wages and salaries, as well as the OBR's computer system. However, the interface between the new IT system at the MoF and the IT system at the OBR can only be achieved once both systems become operational. In the meantime, modules are being developed allowing the MoF to have online access to revenues collected by OBR and OBR to access the MoF's IT system to assess taxes on government transactions with domestic suppliers.

**13.** The BRB continued to implement a prudent monetary policy during 2014, in a macroeconomic environment characterized by fairly comfortable liquidity, moderate economic growth, weak external inflation, and declining domestic inflation. The BRB continued to implement projects to modernize the financial sector, one of the components of the financial sector development project (PSD). In this context, it is working on: (i) strengthening the supervision of banks, nonbank financial institutions, and microfinance institutions; (ii) modernizing payment systems (ACH/RTGS, e-money, and central securities depository) through a more robust IT infrastructure; and (iii) making use of new information and communications technologies (NTIC) by the banking system more widespread, modernizing the national payments system, and introducing the associated legal and institutional framework. Much headway has been made in these areas. The law on the National Payment System was finalized and introduced in the legislative agenda while the interbank electronic payment agreement protocol is currently being reviewed for signature by the parties involved.

**14.** The bank supervision department has carried on its mission to ensure the stability and soundness of the banking sector through off-site and on-site audits, regulations, and approvals, and monitoring of exchange regulations. It has also continued to update its legal and regulatory mechanism to align it with best practices and international standards. The unit has developed the risk-based supervision methodology, which was approved by the management of the BRB in January 2014, and improved its bank rating system. The manual of procedures, including risk-based supervision, was also validated.

**15.** The draft banking law, on which the IMF and the National Bank of Belgium had made comments, was finalized, approved by the Council of Ministers, and submitted to the Parliament for adoption. In accordance with the provisions of this draft law, four circulars were revised and issued

as follows: (i) the circular on capital to conform with Basel; (ii) the circular on the solvency ratio to align it with Basel II and III; (iii) the circular on the distribution of risks, introducing the concept of large exposures as well as the limit on assistance to staff and related parties; and (iv) the circular on the adequacy of resources for their use, which has been revised. Three other laws were also discussed by the Council of Ministers; they relate to the credit information bureau, leasing, and the personal property securities registry.

**16.** Notable progress was made regarding implementation of the recommendations from the internal audit of the BRB and safeguards. In line with the 2012 safeguards recommendations, the BRB continues to submit a quarterly report to its Board of Directors on reserves management. A comprehensive process is underway to identify articles in the BRB charter to be amended, including through an explicit provision specifying that the BRB is the sole holder of official foreign reserves of the country. Pursuant to current law, the BRB also issued instructions to all banks urging them to apply the ministerial ordinance forbidding them to open accounts for government entities and projects. Pursuant to the agreement on consolidation of BRB advances to the Public Treasury, the Ministry of Finance (MoF) regularly makes interest payments as they become due. The BRB also scrutinizes all payments in foreign currency (particularly amounts exceeding the threshold of US\$50,000) made in the name of the Public Treasury in order to limit the risk of fraud.

**17.** Several sizeable investments now being implemented are expected to stimulate exports. In the coffee sector, the government relies on support from the World Bank to boost productivity, while pursuing the program to privatize washing stations. The government recognizes the preponderant role the private sector should play in the coffee sector as part of its strategy to boost production and minimize the cyclical nature of coffee production. In the extractive industries sector, the Burundi Musongati Mining company, in which the government holds a 15 percent share, has begun a pilot phase on operations to extract nickel. At full capacity, which will require significant investments to develop the mine as well as investments in energy and transport, nickel mining is expected to provide significant benefits for the Burundian economy within five to seven years.

**18.** The government is continuing reforms to make the business climate more attractive to private investors. To this end, it adopted a draft revised investment code consistent with community provisions within the East African Community (EAC) and sent it to Parliament for adoption. Substantial progress has been made in eliminating constraints related to: (i) business start-ups; (ii) the issuance of building permits; (iii) property transfers; and (iv) regional trade, which no longer pose an obstacle to entrepreneurship. Owing to the government's efforts to improve the business climate, Burundi is ranked among the 29 most reform-oriented countries in the World Bank's 2015 Doing Business report. While the country has dropped two spots on the ranking, from 150th in 2014 to 152nd in 2015, this resulted more from a change in the methodology that had put the African countries at a disadvantage than to an actual deterioration in the business climate.

### III. ECONOMIC AND FINANCIAL OUTLOOK AND POLICIES FOR 2015

#### A. Macroeconomic Framework

**19.** The economic outlook for Burundi remains challenging. The GDP growth rate is expected to rise gradually over the medium term, driven by a recovery in agricultural activity, investments in mining sector development and in the new information and telecommunications technologies, construction, and execution of hydroelectric projects. Integration within the EAC should spur investment in the tourism, wholesale and retail, financial, and telecommunications sectors.

**20.** GDP growth should thus rise slightly to 4.8 percent in 2015 compared to 4.7 percent in 2014, driven by infrastructure works, particularly the rehabilitation of roads damaged by rains in 2014 and the construction of hydroelectric dams. Inflation, measured by the household consumer price index, should not exceed 5.5 percent in 2015 and should stabilize at about 5 percent as an annual average in the medium term, helped by a prudent monetary policy and a drop in international food and petroleum product prices. Despite the anticipated reduction in coffee exports, the current account deficit of the balance of payments should fall below 15 percent of GDP, reflecting the decline in the oil bill, and should continue to fall over the medium term owing to higher exports and a weaker expansion of imports against the backdrop of a slowdown in the flow of humanitarian aid. A slight improvement in official foreign exchange reserves is expected and should reach the equivalent of 3.6 months of imports in 2015, aided in part by reduced BRB interventions on the foreign exchange market, and should continue to improve over the medium term.

#### B. Fiscal Policy

**21.** The prudent fiscal policy followed in recent years was marked by good control of expenditures, which helped offset reductions in domestic revenues and budget grants. However, budget execution was affected by lower-than-expected budget support in 2014. As a result, the recourse to domestic financing increased from 1.8 percent of GDP in 2012 to 2.2 percent in 2014 at a time when the overall deficit narrowed from 3.7 percent of GDP to 3.4 percent. The effort to contain expenditures too often called for budget adjustments at the expense of investment spending using the country's own resources. Capital expenditure is primarily financed by project grants and is executed according to the pace of their disbursements.

**22.** The government's policy as reflected in the budget for 2015 adopted this past December is on the whole consistent with the program. Compared to the program, the aggregate budget balance shows a slight deterioration (a deficit of 2.3 percent of GDP compared to only 2.1 percent in the original program) to allow the government to finance its portion of costs associated with the upcoming elections. This slight increase in the aggregate budget deficit will be reversed in 2016 due in part to the improvement in the tax effort. The structural revenue measures adopted in the 2014 supplemental budget act will benefit the budget in later years. However, budget execution could be compromised by the uncertainty of foreign aid and pressure to finance the Medical Assistance Program (CAM). The government's efforts to lock in gains resulting from reduced oil prices,

including by delaying adjustments in domestic prices, could help to minimize the negative impact of these uncertainties.

**23.** Total (non-grant) budget revenue is projected to reach FBu 713.7 billion (or 13.4 percent of GDP) compared to FBu 655.6 billion (or 13.7 percent of GDP) in 2014. To reach this target, the full effect of tax measures introduced by the supplemental budget act of August 2014 should make it possible to generate additional revenues equal to about one percentage point of GDP and to reverse the continued downward trend in the tax effort since 2012. These measures, coupled with the expected outcome of efforts to strengthen tax administration, excise duties on petroleum products, and the elimination of subsidies on these products, will make it possible to protect priority expenditures and to place government finances in a less precarious position in this election year.

**24.** Total expenditure could reach FBu 1567 billion (or 29.3 percent of GDP) in 2015. The wage bill is expected to be FBu 339.5 billion, or 6.4 percent of GDP, making it possible to respond to human resource needs in the key sectors of education, health, and agriculture. The reduced wage bill is basically due to limits on hiring in the priority sectors and to salary increases being kept at a level clearly below the nominal GDP growth rate. Electoral expenses financed with own resources should be kept to about FBu 15 billion (or 0.3 percent of GDP), representing about one-third of electoral expenses, which will be primarily financed with support from the external partners. Investment spending financed with own resources should amount to FBu 97.1 billion, or about 2 percent of GDP, close to the level reached in 2014.

**25.** In the health sector, the government will continue to provide free healthcare for children under five years of age and to cover the cost of childbirth. The rate of assisted childbirth was assessed at 73 percent in 2013 against 70 percent in 2012. The health insurance program, which gives vulnerable segments of the population access to health services, is increasingly successful. To ensure long-term viability, the government has embarked on reforms of the program to better target beneficiaries and enhance complementarity with other medical insurance plans, particularly the care for indigents provided by the Ministry of Solidarity, community-based mutual health insurance plans, medical coverage for civil servants, and private medical insurance. The 2015 budget takes into account the efforts undertaken by the government to protect the country against Ebola.

**26.** In the education sector, the government will continue its successful program of providing free primary school education, which includes free meals for students served by school cafeterias. Between 2013 and 2014, the completion rate of the primary education thus improved from 70 percent to 74 percent for girls and from 66 percent to 68 for boys.

**27.** In the agricultural sector, the government, in close collaboration with technical and financial partners, seeks to improve productivity in order to: (i) combat the high cost of living; (ii) eliminate food insecurity; and (iii) increase coffee production while improving its quality so as to promote the label "Burundi coffee" on international markets. In the same context, the government developed and implemented a program encouraging the use of fertilizer by rural producers. The purpose of this program is to achieve significant increases in agricultural productivity, thereby contributing to the

fulfillment of objectives under the National Agricultural and Livestock Investment Plan (Plan National d'Investissement Agricole et de l'Élevage).

**28.** Aware of the fragility of the country's external position, the government will continue with a prudent debt policy to avoid over-indebtedness and therefore intends to seek funds in the form of grants or highly concessional loans with a grant element of at least 50 percent, sufficient to cover its financing requirements. The new law on debt, prepared with IMF technical assistance, [recently transmitted to the Parliament for adoption] will provide an effective framework to guide the debt policy. The government plans to continue strengthening its debt management capacity, including introducing a debt sustainability analysis framework with technical support from AFRITAC Central.

### C. Monetary and Exchange Rate Policies

**29.** The BRB continues to modernize the conduct of monetary policy, which will continue to be guided by the pursuit of price stability. To enhance the effectiveness of this policy, the BRB continues to build its capacity to forecast inflation and analyze the autonomous factors influencing bank liquidity. The decline in the inflation rate enabled the BRB to reduce its interest rates to lower borrowing costs. The BRB will continue to closely monitor the development of the macroeconomic indicators, including inflation, liquidity, and interest rates so as to conduct operations ensuring a rate of growth in the money supply necessary to finance the economy. To this end, the BRB has requested technical assistance from the IMF to build its capacities in macroeconomic forecasting and in the definition and conduct of monetary policy, with a particular focus on identifying instruments to increase the effectiveness of interest rates and other monetary policy signals. In order to promote access to financial services while ensuring the stability and soundness of the financial system, the BRB plans to introduce a regulatory framework to protect consumers of financial services and to join credit institutions in introducing a credit bureau. The BRB will also continue, in the context of coordinating monetary and fiscal policies, to ensure compliance with the ceiling on advances to the government in accordance with the legal limits, the objective being to reduce them to zero in 2016.

**30.** The exchange rate policy is conducted in a context of weak foreign exchange inflows and a steadily rising demand for imports. To ensure the effectiveness of the exchange rate policy, the BRB is pursuing its active market-making policy for the foreign exchange interbank market so as to minimize, with the required flexibility, the risks of excessive volatility in the exchange rate and to ensure that it remains consistent with the fundamentals of the economy in order to maintain external stability.

**31.** The BRB is aware of the great importance of monitoring the financial system to bolster its soundness. To that end, it requested technical assistance from the IMF's Monetary and Capital Markets Department. Fund support came in the form of short-term missions. This assistance should significantly reinforce the financial system monitoring mechanism, particularly the BRB's bank supervision unit. The BRB is also receiving technical assistance from the U.S. Department of the Treasury in the area of financial stability.

## D. Structural Measures

**32.** Some progress has been made in strengthening public financial management but the government still faces major challenges, which it is striving to overcome with support from technical and financial partners. To permanently reverse the decline in the mobilization of revenues relative to GDP, the government decided to make available to the OBR the resources it needs to strengthen its capacity to carry out its mission and to give greater impetus to the Tax Policy Department at the MoF. Both units have already undertaken to implement the key recommendations made by the IMF technical assistance mission in terms of tax policy and administration. To this end, each month the OBR sends revenue data to the Tax Policy Department, which has been strengthened with qualified staff in the area of financial programming and estimating the impact of tax measures and tax revenue projections. The World Bank is also developing a support program with a large component devoted to enhancing the capacity of the Tax Policy Department. To enhance fiscal policy formulation and implementation, a formal joint committee for collaboration between the MoF and the OBR, with a secretariat, meets quarterly and the minutes of its meetings are distributed to key stakeholders. The OBR will continue to work on the reliability of the taxpayer database and will aim to increase the number of the registered taxpayers by at least 15 percent by end-September 2015 relative to their number at end-2014.

**33.** The government adopted the first texts defining the renewed framework for the implementation of the organic law on public finances. To that end: (i) the Minister of Finance signed the ordinance in July 2014 establishing the terms of reference for auditing the fiscal management capacity of ministries and other institutions; (ii) this audit, which is already completed on a preliminary basis, will be finalized, in accordance with best practices, in the first quarter of 2015 once comments from the pilot ministries (education, health, and agriculture) have been considered; (iii) expenditure commitment authority will be delegated to the pilot ministries as of the 2015 budget year once the State Audit Court concludes the audit of their capacity. To support the modernization of public finance management, a new computerized system has been established at the MoF and spending ministries have been connected to the system for the purpose of budget execution. For the use of the new computerized system, the Minister of Finance will issue, by end-April 2015, an instruction harmonizing the modalities of delegating expenditure management authority to associate budget managers designated in line ministries and in other institutions with expenditure controllers appointed by the MoF to conduct all a priori financial controls over budgetary operations. These associate budget managers will be direct contacts of expenditure controllers as legal actors of the expenditure chain and will provide their signature specimen for that purpose.

**34.** The report on the audit of extrabudgetary domestic arrears conducted by the State Audit Court was completed at the end of September 2014. This provisional report was the subject of confirmation between the MoF and other Ministries and institutions which had arrears, which will allow the State Audit Court to produce a final report. A ministerial ordinance designating the members who will have to work out the plan for the settlement of these arrears was signed on

December 24, 2014. The plan for the settlement of arrears will be elaborated and approved by the MoF by April 30, 2015 and will be incorporated in the 2016 budget.

**35.** The government is aware of the importance of strict monitoring of the mobilization of financial support from the development partners, which is coordinated by The National Committee for Aid Coordination (CNCA). The CNCA appears to have human resources with considerable qualifications for coordinating aid. The coverage and consistency of information on external aid could be strengthened to allow for better understanding of macroeconomic developments. To this end, the government supports the efforts of the CNCA to develop quality data. To achieve this, starting in June 2015, the CNCA will prepare a biannual report on assistance provided by the five technical and financial partners whose assistance represents at least 90 percent of the resources mobilized (World Bank, African Development Bank, European Union, Belgium, and China). Furthermore, to enhance fiscal transparency, the budget execution report for 2014 will include full data related to revenues and costs incurred on account of Burundi's participation in peacekeeping operations abroad (e.g., AMISOM and MINUSCA).

**36.** The ISTEERU has made remarkable progress in compiling the national accounts and in the transition to the 2008 System of National Accounts. Between now and end-September 2015, it will publish the final 2012 accounts and the provisional 2013 accounts. With support from AFRITAC Central, it is developing a new base year for the national accounts while undertaking the preparation of quarterly accounts.

**37.** To modernize the legal framework of the central bank and reinforce its governance arrangements, draft amendments to the BRB charter, to bring the charter in line with leading practices, will be submitted to the Council of Ministers by September 30, 2015 after consultation with IMF staff. At the same time, the government will continue to reimburse the BCB claims on the Treasury that were rescheduled to January 2015. In particular, the BRB will exercise the required controls over payments (particularly payments of high foreign currency amounts); the BRB will thus be able to meet the formal requirements associated with these operations (to prevent fraud and avoid payment delays in case the BRB application is rejected). The MoF is also committed to involving the BRB in negotiations with the foreign partners, *inter alia*, in order to be sure that the BRB's foreign exchange reserves are not encumbered (through any forms of guarantees of government commitments or obligations).

**38.** The BRB continues its efforts to improve the quality of balance of payments data. Thus, in January 2015 it hired three staff members to strengthen personnel in the balance of payments division. To enhance the production of balance of payments data, the BRB, in collaboration with the ISTEERU and the Investment Promotion Agency (API), updated the foreign direct investment survey conducted in 2013. The BRB has also conducted, in collaboration with the ISTEERU, an annual survey of cross-border trade. The collection of data on transport fees on goods at the OBR became effective before year-end 2014. Moreover, two projects are being studied on training commercial banks on the geographic distribution of international transactions, which would allow compilation of regional balance of payments of the EAC and the collection of data on insurance premiums from

insurance companies. Since mid-2014, the BRB has also started the production of quarterly balance of payments estimates according to the BOP sixth edition.

#### **IV. POVERTY REDUCTION AND GROWTH STRATEGY**

**39.** The first review of implementation of the PRSP-II, published in December 2013, reflects the key areas of progress made and highlights the persistent challenges that marked the year 2012. It stresses that the transformation of the Burundian economy is slower than anticipated due to weak performance in the sectors driving growth and delays recorded in putting supporting infrastructures in place. For this purpose, it is recommended that reforms be expedited aiming at: (i) improving the productivity of cash crops, particularly coffee; (ii) rational exploitation of mining resources; (iii) enhancing the business climate and the competitiveness of companies operating in Burundi; and (iv) continuing programs related to energy, transport, and ICTs.

**40.** The second report on implementation of the PRSP-II covering 2013 was disseminated in November 2014. Thanks to the support of the World Bank, the Minimum Basket of Care (MBC) Survey provided new data, which will allow analysis of the vulnerability profile, which constitutes one of the key indicators of the evolution of the socio-economic indicators of the PRSP. In addition, it is expected that the poverty line will be updated based on new information from the survey of household living conditions, which includes modules relating to employment, the informal sector, social protection, and the labor force. The next step will be to measure the evolution of the related indicators whose estimates date back to 2006.

**41.** To improve the production of statistics, the ISTEERU established a system for compiling provisional national accounts, with support from AFRITAC Central, and finalized this activity in 2014. In addition, with support from AFRITAC Central, it began work to set up a system of quarterly national accounts, to improve the production of its national accounts and to meet the users' needs. The update of the base year is one of the activities contributing to this improvement. Moreover, the ISTEERU has just conducted a national survey on household living conditions. The survey will make it possible to update a number of indicators needed for the compilation of the national accounts. An agricultural survey is also ongoing.

#### **V. PROGRAM MONITORING**

**42.** Semiannual monitoring of the program by the IMF Executive Board will continue, based on the quantitative monitoring indicators and structural benchmarks set out in Tables I.1 and I.3. These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The semiannual reviews will be based on the data at end-March and end-September. The seventh program review will be based on the performance criteria for end-March 2015 and the eighth program review will be based on the performance criteria for end-September 2015. To ensure the success of the program, the authorities agree to take all the steps necessary to meet the quantitative targets and structural benchmarks on which understandings were reached with the IMF.

Table I.1. Burundi: Performance Criteria and Indicative Targets, 2014–15  
(BIF billion, unless otherwise indicated)

|  | 2014  |       |         |                   |       |         |       |       |         |                   |            |       | 2015    |                   |       |                   |       |
|--|-------|-------|---------|-------------------|-------|---------|-------|-------|---------|-------------------|------------|-------|---------|-------------------|-------|-------------------|-------|
|  | Mar.  |       |         | Jun. <sup>1</sup> |       |         | Sep.  |       |         | Dec. <sup>1</sup> |            |       | Mar.    | Jun. <sup>1</sup> | Sep.  | Dec. <sup>1</sup> |       |
|  | Prog. | Act.  | Status  | Prog.             | Prel. | Status  | Prog. | Prel. | Status  | Prog.             | Prog. Adj. | Prel. | Status  | Proj.             | Proj. | Proj.             | Proj. |
| Performance criteria   |       |       |         |                   |       |         |       |       |         |                   |            |       |         |                   |       |                   |       |
| Net foreign assets of the BRB (floor; US\$ million) <sup>2</sup>   | 25.0  | 60.7  | Met     | 33.1              | 52.9  | Met     | 19.7  | 91.5  | Met     | 49.0              | 13.5       | 82.2  | Met     | 51.4              | 31.9  | 31.9              | 55.8  |
| Net domestic assets of the BRB (ceiling) <sup>2</sup>  | 216.6 | 182.4 | Met     | 229.7             | 308.4 | Not met | 270.4 | 168.0 | Met     | 262.7             | 318.1      | 227.1 | Met     | 318.4             | 331.5 | 360.1             | 324.4 |
| Net domestic financing of the government (ceiling) <sup>2</sup>  | 10.7  | 2.2   | Met     | 21.3              | 33.3  | Not met | 39.0  | 38.4  | Met     | 42.7              | 98.0       | 104.0 | Not met | 13.5              | 30.0  | 44.4              | 49.9  |
| External payments arrears of the government (ceiling; US\$ million) <sup>3</sup>   | 0.0   | 0.0   | Met     | 0.0               | 0.0   | Met     | 0.0   | 0.0   | Met     | 0.0               |            | 0.0   | Met     | 0.0               | 0.0   | 0.0               | 0.0   |
| Short-term external debt of the government (ceiling; US\$ million) <sup>3,4</sup>  | 0.0   | 0.0   | Met     | 0.0               | 0.0   | Met     | 0.0   | 0.0   | Met     | 0.0               |            | 0.0   | Met     | 0.0               | 0.0   | 0.0               | 0.0   |
| Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; US\$ million, cumulative from beginning of the program) <sup>3,4,5</sup> | 28.0  | 0.0   | Met     | 28.0              | 28.0  | Met     | 28.0  | 28.0  | Met     | 28.0              |            | 28.0  | Met     | 28.0              | 28.0  | 28.0              | 28.0  |
| Indicative targets   |       |       |         |                   |       |         |       |       |         |                   |            |       |         |                   |       |                   |       |
| Gross fiscal revenue (excluding grants, floor, cumulative from beginning of calendar year)   | 151.8 | 137.3 | Not met | 267.6             | 297.4 | Met     | 450.2 | 463.4 | Met     | 636.6             |            | 655.6 | Met     | 157.8             | 324.0 | 514.1             | 706.7 |
| Accumulation of domestic arrears (ceiling; cumulative from beginning of calendar year)   | 0.0   | 0.0   | Met     | 0.0               | 0.0   | Met     | 0.0   | 0.0   | Met     | 0.0               |            | 0.0   | Met     | 0.0               | 0.0   | 0.0               | 0.0   |
| Reserve money (ceiling)  | 257.3 | 276.2 | Not met | 282.8             | 334.9 | Not met | 302.2 | 309.7 | Not met | 339.1             |            | 355.0 | Not met | 398.3             | 381.4 | 410.9             | 415.0 |
| Pro-poor spending (floor; cumulative from beginning of calendar year)  | 34.5  | 61.3  | Met     | 118.7             | 119   | Met     | 189.2 | 196.3 | Met     | 303.6             |            | 252.0 | Not met | 50.4              | 130.0 | 207.2             | 286.1 |

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

<sup>1</sup> Indicative targets.

<sup>2</sup> The ceiling or the floor will be adjusted as indicated in the TMU.

<sup>3</sup> Continuous performance criterion.

<sup>4</sup> See definitions in TMU.

**Table I.2. Burundi: Structural Benchmarks: Sixth Review Under the ECF Arrangement**

| Measures   | Implementation Date | Status  | Objective  |
|--|---------------------|---|--|
| <b>Public financial management</b>   |                     |   |  |
| Adopt the ministerial ordinance on the referential of budget management capacity audit.  | Sep. 15, 2014       | Met,<br>Ordinance adopted in July 2014  | Implement the regulatory framework necessary for the payment orders de-concentration.  |
| Implement a program to unify the current data base of civil servants with that from the 2008 census.   | Sep. 30, 2014       | Met,<br>Databases unified in September 2014   | Reinforce the Ministry of Finance's management of salaries.  |
| Adopt the decree settling the organization chart of the administrative and financial directorate (DAF) within ministries and other institutions.   | Dec. 30, 2014       | Not met,<br>The issuance of an MoF instruction to harmonize the modalities of expenditure management function in ministries by April 30, 2015 is proposed as a structural benchmark for the seventh review.   | Normalize and empower the budget management bodies within ministries and other institutions in order to improve the overall fiscal discipline. |
| Prepare an audit of arrears on extra-budgetary expenditure (not committed and without payment order) in prior years (to be performed by an independent auditor, for example the State Audit Court or State Inspectorate General; and adopt a payment plan. | Nov. 30, 2014       | Not met,<br>Action partially implemented.<br>Audit by the State Audit Court was completed in September 2014.<br>Adoption of a plan to settle arrears that were validated in the audit is proposed as a structural benchmark for the seventh review. | Identify and verify the amounts actually due and disputed invoices.  |

**Table I.2. Burundi: Structural Benchmarks: Sixth Review Under the ECF Arrangement (concluded)**

| <b>Measures</b>  | <b>Implementation Date</b> | <b>Status</b>  | <b>Objective</b>   |
|--|----------------------------|--|--|
| Put in place an interface between the revenue authority (OBR) and the Ministry of Finance. | Dec. 30, 2014              | Not met,<br>A new IT system has been installed in MoF and is being tested. OBR will adopt a new system under a WB-supported project. This will take several years. Creation of a software module within the new IT system at the MoF to enable the visibility of the revenue flow at the OBR by June 30, 2015 is proposed as a structural benchmark for the eighth review. | Improve budget execution.  |
| <b>Tax policy/revenue administration</b>   |                            |  |  |
| Submit a law on excise taxes in line with IMF Technical Assistance.                        | Dec. 30, 2014              | Met<br>Law on excises submitted to the Council of Ministers in December, 2014. Its main provisions are included in the 2015 budget law. It is expected to be approved and submitted to Parliament by June 30, 2015   | Provide an umbrella legal framework clearly spelling out the purpose and scope of the law. |
| <b>Debt management</b>   |                            |  |  |
| Submit a new law on debt management to parliament.   | Sep. 30, 2014              | Not met,<br>Action implemented with delay<br>Law submitted to parliament in November 2014  | Establish a legal framework governing public debt.   |
| Sources: IMF staff, and Burundi authorities.   |                            |  |  |

| <b>Table I.3. Structural Measures: Seventh and Eight Reviews Under ECF Arrangement</b>   |                            |   |  |
|--|----------------------------|---|--|
| <b>Measures</b>  | <b>Implementation Date</b> | <b>Proposed Structural Benchmark for Review</b> | <b>Target</b>  |
| <b>Measures re-phased from the sixth review</b> (re-formulated to ensure their feasibility)  |                            |   |  |
| MoF to issue an instruction to harmonize the modalities of delegating the expenditure management within ministries and other institutions.   | April 30, 2015             | Seventh   | Normalize and empower the budget management bodies within ministries and other institutions in order to improve the overall fiscal discipline. |
| Adopt a plan to settle arrears on extra-budgetary expenditure (not committed and without payment order) in prior years, which have been validated in the audit performed by the State Audit Court in September 2014. | April 30, 2015             | Seventh   | The clearance plan should be incorporated in the 2016 budget.  |
| Create a software module within the new IT system at the MoF to enable the visibility of the revenue flow at the OBR.  | June 30, 2015              | Eighth  | Improve budget execution.  |
| <b>Tax Policy and Administration</b>   |                            |   |  |
| Increase by at least 15 percent the number of registered taxpayers relative to their number registered at end-December 2014.   | September 30, 2015         | Eighth  | Create a reliable central taxpayer database and expand the tax base.   |
| <b>Public Finance Management</b>   |                            |   |  |
| Finalize the audit on budget management capacity in three pilot ministries (education, health, agriculture); the final version should include observations by audited ministries.                                    | March 31, 2015             | Seventh   | Adopt the regulatory framework necessary for decentralizing expenditure commitment.  |

| <b>Table I.3. Structural Measures: Seventh and Eight Reviews Under ECF Arrangement (concluded)</b>  |                            |   |  |
|---|----------------------------|---|--|
| <b>Measures</b>   | <b>Implementation Date</b> | <b>Proposed Structural Benchmark for Review</b> | <b>Target</b>  |
| <b>Central Bank and Safeguards</b>  |                            |   |  |
| Adopt the draft law on establishing a credit bureau.  | March 31, 2015             | Seventh   | Facilitate financial intermediation. Modernize the regulatory banking framework.                         |
| Submit to the Council of Ministers legislative amendments to the BRB charter (after consultation with IMF staff).   | September 30, 2015         | Eighth  | Modernize the BRB's legal framework and reinforce the BRB's governance.                                  |
| <b>Macroeconomic data</b>   |                            |   |  |
| The National Committee for Aid Coordination (CNCA) will provide users, including the IMF, complete data on external assistance in 2014.   | June 30, 2015              | Eighth  | Strengthen the provision of data on aid and the implementation of projects involving external financing. |
| Finalize and publish the final accounts for 2012 and provisional accounts for 2013 following the recommendations from the technical assistance provided by AFRITAC Central and develop a plan for changing the GDP base and preparing quarterly accounts. | September 30, 2015         | Eighth  | Improve the annual national accounts data and short-term economic indicators.                            |

## Attachment II. Amendments to the Technical Memorandum of Understanding

March 4, 2015

1. This technical memorandum of understanding covers the agreements on monitoring implementation of the program supported by the Extended Credit Facility (ECF) Arrangement. It sets out the definitions of program variables to monitor implementation of the program and the reporting requirements for the government of Burundi and the Bank of the Republic of Burundi (BRB). It defines quantitative performance criteria, indicative targets, and applicable adjustors.

### QUANTITATIVE PROGRAM TARGETS

#### A. Quantitative performance criteria and indicative targets

2. The quantitative performance criteria for the program as shown in the MEFP are as follows:

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

3. The quantitative indicative targets for the program, shown in the MEFP, are as follows:

- gross fiscal revenue (floor);
- accumulation of domestic arrears (ceiling);
- reserve money (ceiling), and
- pro-poor spending (floor).

#### B. Definitions and measurement

4. The net foreign assets of the BRB are defined as the difference between (i) gross official reserves (valued at market prices) and other claims; and (ii) foreign exchange liabilities to

nonresident entities (including the use of Fund resources, and liabilities arising from the use of any SDR allocation). The gross official reserves of the BRB are defined as those foreign assets that are liquid and freely available to the BRB.

5. The net domestic assets of the BRB are defined as the difference between (i) reserve money, comprising currency in circulation, reserves of commercial banks, and other deposits held at the BRB; and (ii) net foreign assets of the BRB.
6. The government's gross fiscal revenue is defined as the revenue appearing in the TOFE and includes all tax and non-tax revenue in the national budget, before deduction of tax refunds generated during the year, particularly accumulated VAT credits.

### C. Adjustor for changes in the compulsory reserves coefficients

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

8. Net domestic financing of the government is defined as the change in (i) outstanding loans, advances, and other credit to the government from the BRB and all of Burundi's commercial banks; (ii) plus the stock of all government securities held by the nonbank public denominated in Burundi francs, including that held by nonresidents; (iii) less government deposits held in the BRB or in Burundi's commercial banks. The coverage of government is defined as central government and any other special funds or operations that are part of the budgetary process or have a direct impact on the government's financial position.

9. The stock of external payment arrears of the government for program monitoring purposes is defined as the end-of-period amount of external debt service due and not paid within the grace period defined by a creditor, including contractual and late interest, for which a clearance agreement is not in place or for which arrears are not reschedulable. For arrears to exist, a creditor must claim payment of amounts due and not paid. Amounts in dispute are not considered arrears. Arrears for which a clearance framework has been agreed with the creditor or which are subject to rescheduling or restructuring are not considered arrears for program monitoring purposes. Program arrears would include any debt service due under such agreements that have not been paid.

### D. Definition of debt

10. The program includes a ceiling on new nonconcessional external debt contracted or guaranteed by the government or the BRB. For the purpose of this program, external debt is defined as all debt contracted in a currency other than the Burundian Franc. This performance criterion applies to the contracting or guaranteeing by the government, local governments, the BRB and REGIDESO of new nonconcessional external debt (as specified below) with an original maturity of one year or more, including commitments contracted or guaranteed for which value has not been received (including

leases). The coverage of government is defined as central government and any other special funds or operations that are part of the budgetary process or have a direct impact on the government's financial position. Debt contracted by state-owned enterprises is included in the overall ceiling, if guaranteed by the government.

**11.** For program purposes, the definition of debt is set out in Executive Board Decision No. 12274, Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91)).

a) For the purpose of this guideline, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

**12.** (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

**13.** (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

**14.** (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property.

b) Under the definition of debt set out in point 9 (a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

**15.** The grant element of debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of contracting is calculated by discounting the future stream of payments of debt service due on this debt. The calculation of concessionality will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees. The discount rate used for this purpose is 5 percent.

**16.** The stock of short-term external debt with a maturity of less than one year owed by the government is to remain at zero under the program. The coverage of government is defined as central government and any other special funds or operations that are part of the budgetary process or have a direct impact on the government's financial position. Normal import credits are excluded from this ceiling. Loans with an initial maturity, as recorded in the original loan agreement, of one year or more are considered medium-term or long-term loans. This performance criterion applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received (including leases). Excluded from this performance criterion are rescheduling arrangements, borrowing from the IMF, and any Burundi franc-denominated treasury securities held by nonresidents. As of December 31, 2014, the stock of short-term external debt outstanding was nil.

**17.** Consistent with the PRSP, the authorities' definition of pro-poor spending is based on three criteria: (i) social character of spending, based on the administrative classification of spending (this includes "social services" spending and part of "general services" and "economic services" spending if it has a social character component); (ii) consistency with one of the four PRSP pillars; and (iii) pro-poor investment spending, financed by donors.

**18.** The accumulation of domestic arrears is measured by the accumulation of non-executed payment orders older than 60 days.

External Financial assistance adjustor

**19.** The program provides for adjusters to allow higher than expected external assistance to be spent (with a cap) and shortfall of external assistance to be financed domestically (with a cap).

**20.** Any financing excess up to US\$40 million will be spent on expenditure priorities defined in the PRSP. The floor on the stock of net foreign assets of the BRB will be adjusted upward, and the ceilings on the net domestic assets of the BRB and on net domestic financing to the government will be adjusted downward to accommodate 100 percent of any financing excess above US\$40 million.

**21.** The floor on the stock of net foreign assets of the BRB will be adjusted downward, and the ceilings on the net domestic assets of the BRB and on net domestic financing to the government will be adjusted upward to accommodate a financing shortfall up to a maximum of US\$40 million. External financial assistance will be converted to Burundi francs using the program-specified BIF/US\$ exchange rate. The program exchange rate for end-March 2015 is 1,555.02.

**22.** External financial assistance (measured in US\$) is defined to include the following: (i) nonproject loans and grants to the budget (including payments made through the multi-donor trust fund managed by the World Bank for current debt service to multilaterals); plus (ii) debt relief on current maturities; minus (iii) any cash payments for external arrears clearance operations. Donor disbursements into blocked accounts for the purpose of clearing arrears will not be considered foreign assistance for program monitoring purposes.

## E. Provision of information to IMF Staff

**23.** To facilitate the monitoring of program implementation, the authorities will prepare and forward to the IMF African Department a monthly progress report on the program, within six weeks of the end of each month, containing the following weekly data:

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

**24.** The following monthly data, with a maximum lag of six weeks:

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

**25.** The following quarterly data, with a maximum lag of six weeks:

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

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