

Burundi: Poverty Reduction Strategy Paper—Preparation Status Report

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REPUBLIC OF BURUNDI

FULL POVERTY REDUCTION STRATEGY PAPER

PROGRESS REPORT

April 2005

I. INTRODUCTION

1. In November 2003, the government of Burundi finalized its Interim Poverty Reduction Strategy Paper (I-PRSP). The Boards of Executive Directors of the World Bank and the International Monetary Fund (IMF) reviewed the document on January 24, 2004. Adoption of the I-PRSP allowed the government of Burundi to obtain a loan under the IMF's Poverty Reduction and Growth Facility (PRGF).
2. The purpose of this progress report is to update information on (i) implementation of the I-PRSP, (ii) progress made in drawing up the full PRSP and (iii) the revised schedule and budget for drawing up the full PRSP.

II. CONTEXT AND IMPLEMENTATION OF THE INTERIM PRSP

1. The Interim PRSP describes the process and time frame for drawing up the full PRSP. The Interim PRSP is structured around six strategic lines of action: (1) the promotion of peace and good governance; (2) the revival of a strong economy in order to reduce poverty; (3) access to basic social services; (4) the reinsertion and reintegration of ex-combatants and vulnerable groups into the economy; (5) the fight against HIV/AIDS; and (6) the participation of women in Burundi's social and economic development.
2. Overall, the implementation of the Interim PRSP has been undertaken in a relatively difficult social and political context, since Burundi is still involved in a process of normalizing and democratizing its political life. In effect, the government's priority has been to seek an enduring peace and to establish good governance so as to give concrete reality to the Arusha Agreements. Somewhat strenuous negotiations have resulted in relative peace with the establishment of the transitional government, and the organization of the referendum on the post-transition constitution on February 28, 2005, which will be followed by municipal and legislative elections.
3. Despite a difficult political environment, considerable progress has been made in restoring macroeconomic and financial stability, reviving the economy and resuming international trade. Economic recovery has been strengthened by good prospects for coffee production, estimated at 37,000 tons in the 2004-2005 crop year. Economic growth came in slightly below 5 percent in 2004. The cost of living was affected by inflationary pressures related to the increase in the prices of petroleum products and the drought in the north of the country. The rate of inflation remained slightly higher than 10 percent at end-2004. Regarding public expenditures and efforts to mobilize revenues, it should be noted that tax receipts continue to fall short of expectations, and that measures taken by the government to enhance receipts continue to encounter stiff resistance (service tax of 6 percent, and the application of Article 26 of the 2005 Budget Law regarding implementation of a withholding tax on the oil sector). Increasing the tax burden tends to strengthen the informal sector. For 2005 the primary budget deficit is forecast at Fbu105 billion (10.2 percent of GDP).

4. Despite the government's efforts to improve tax receipts and control expenditures, the general government budget remained in deficit, notably because of outlays for programs implementing the Arusha Peace and Reconciliation Agreement and external debt service. This deficit was allowed for within the budget framework of 2004.

Within the framework of the government's goals to promote private sector driven growth, the following sectors were liberalized:

- **Coffee sector:** the sector was liberalized (Decree 100/12 signed on January 14, 2005). Private investments are authorized at all levels of the production chain, restrictions on exports and sales of coffee are eliminated, and the OCIBU will be restructured in ongoing fashion.
- **Sugar sector:** the controls on marketing and prices in the sector were liberalized, and are now completely unrestricted (Decree 100/89, signed on March 3, 2005).

5. **By contrast**, as regards the fight against poverty, social indicators show an overall trend towards the deterioration of peoples' living conditions. Access to basic social services continues to be inadequate, while vulnerable populations have seen their situation stagnate even more. To reverse this trend, the government has reallocated budget resources for current expenditures to the social sector, and to the health sector in particular.

III. PREPARATION OF THE FULL PRSP

Progress made and constraints encountered

1. The preparation of the full Poverty Reduction Strategy Paper (DPRSP) for Burundi is based on a continuation of the interim strategy and respects the spirit and letter of the Arusha Peace and Reconciliation Agreement. The participatory approach to the drawing up of the full PRSP mirrors the will and the priority of the post-transition government to meet the challenges of establishing durable post-conflict development.

2. The preparation of the full PRSP takes into account the experience and shortcomings encountered in the formulation of the Interim PRSP. The lack of security prevalent at the time did not allow undertaking either participatory consultations and an in-depth analysis of the causes of poverty in Burundi's 17 provinces, or a thorough evaluation of the development sectors and a rigorous choice of priority actions for reducing poverty.

3. The official launch of the preparatory process for the full PRSP by the Head of State, members of the government, Parliament and representatives of civil society, NGOs and foreign assistance agencies **took place on May 21 2004**. An action plan was drawn up in **November 2004** to guide the process of preparing the full PRSP, with a target date of **end-June 2005** for the final document.

A. The Institutional Framework for the Formulation of the PRSP

1. **At the national level, an Interministerial Committee to Monitor Economic and Social Policies, consisting of 13 members, is chaired by the Vice-President of the Republic.** The Minister of Finance is the vice-chairman of the committee. The Interministerial Committee formulates the overall orientation and defines the general principles to be used in the preparation of the PRSP. It promotes awareness and encourages participation by all the development partners in the preparation of the PRSP. It ensures the smooth progress of the process. The Committee is assisted in its task by the **Permanent Secretariat for Monitoring Economic and Social Reforms (SP/REFES)**, which coordinates the various activities.
2. The Permanent Secretariat, the mainspring of the PRSP design process, is assisted by a **Technical Oversight Committee** composed of 15 members, including representatives of civil society, NGOs, technical ministries, womens' and private sector associations. The Technical Oversight Committee set out the major stages of the process; guides activities and monitor the preparation of studies; analyzes and adopts the reports from participating community and sectoral consultations and other PRSP preparation activities. The Technical Committee also ensures the participation of bilateral and multilateral partners in the process of drawing up the PRSP, as well as the harmonization of the sectoral strategies and policies, with the long-term vision of national development and the Millennium Development Goals.
3. **The preparation of the PRSP is decentralized** at the town level through Communal Development and Poverty Reduction Committees (CCDLP) and at the provincial level through Provincial Development and Poverty Reduction Committees (CPDLP).
4. These two committees ensure the organized involvement of rural communities, the private sector, and peasant organizations in participatory consultations concerning the causes of poverty, strategic choices and priority actions in the fight against poverty.

B. Progress to Date

The participatory process

1. The execution of the community consultative component in the preparation of the full PRSP was entrusted to a local NGO, Twitezimbere, which is recognized and respected by all development partners in Burundi. Twitezimbere has long-standing experience in the field of participatory consultation. It has prepared a methodology document on **The Accelerated Methodology for Participatory Research (MARF)** and on **Participatory Poverty Assessment (PPA)** which were approved on June 4, 2004. Regional and provincial information, awareness, and preparation workshops for the participatory consultations were organized for rural communities, decentralized government agencies, local NGOs, religious communities and the private sector **in the 17 provinces and 129 towns or zones of Burundi, from July 20 to December 28, 2004.**

2. The goal of this information, education and communication campaign was to prepare all the stakeholders in the process of drawing up the full PRSP, and to encourage their contribution to the analysis of the causes of poverty, the elaboration of sectoral policies, and the identification and implementation of priority actions.

3. Within the same time frame, workshops aimed at strengthening the abilities of **leaders and facilitators of the participatory process were held at the provincial level**, while at the level of the towns, awareness workshops were organized. **These awareness and organizational activities culminated in the establishment** of Provincial Development and Poverty Reduction Committees (CPDLP) and Communal Development and Poverty Reduction Committees (CCDLP) in August, 2004. These committees, assisted by their leaders and facilitators, are charged with organizing the community consultations involving all municipal and provincial socio-economic perspectives.

4. Participatory consultations will end **in all the provinces in the month of April, 2005**. The report on the conclusions of the community consultations is in process and is expected to be completed by **April 30, 2005**. **The study of the incidence and perception of poverty** has been completed and its results are available.

Ongoing actions and actions to be undertaken

1. Community participatory consultations have already started in the four provinces in which problems had been identified earlier on, namely Kirundo, Muyinga, Mwaro and rural Bujumbura; these consultations will conclude on **April 30, 2005**. Drawing together and summarizing community conclusions at the town and province levels **will continue until May 30, 2005**. **Reports** on consultations in the provinces are expected on **June 15, 2005**, and the national summary of community consultations, along with copies, are scheduled for **June 30, 2005**.

C. Sectoral and Thematic Consultations

1. Sectoral and thematic consultations will be held in 16 sectoral and thematic groups.

Cross-cutting thematic groups: HIV/AIDS, Gender, Governance, Security and Peace, Employment.

Sectoral groups: Macro-economy, Financing, Agriculture, Rural Development and Livestock Production, Environment, Health, Education, Reinsertion, Reintegration and Reception, Commerce, Industry, Private Sector, Housing, Civil Society and NGOs, Parliament.

2. For each sector and theme, **a technical subcommittee has been established**. The sectoral and thematic technical subcommittee brings together the **focal points** of the sectors

involved in the PRSP process: the State, development and cooperation agencies, international NGOs, local NGOs, and civil society. The focal points represent the stakeholders in the sector. The responsibilities of the technical subcommittee are to (1) take stock of the situation in each sector; (2) organize sectoral and thematic consultations on the basis of the stock-taking document; (3) integrate the conclusions from the community consultations in the sectoral and thematic reports so as to synthesize the entire range of consultations. The overall summary synthesizing these consultations will form the basis for the first draft of the PRSP; (4) state the conclusions to be drawn from the consultations in terms of: sectoral policy, strategic axes, and priority actions to be taken, taking into account the millennium development goals; quantifying the selected actions to be taken; methods of execution, taking into account the parties involved in development, like civil society, NGOs, rural communities and gender groups.

3. An additional role of the technical subcommittees undertaking the sectoral and thematic analysis is to choose sectoral policies suited to Burundi's new situation and in line with strategic approaches designed to revive the economy and fight against poverty. The committees' work also includes the establishment of a coherent macroeconomic framework, together with a quantification of the actions which enter into the framework for elaborating the PRSP pro-poor budget.

In addition, the technical subcommittees will map out a comprehensive monitoring/evaluation system for the PRSP process based on the Millennium Development Goals (MDGs) and Vision Burundi 2025.

4. Given their role, the technical subcommittees, like the steering committee, need the support of technical assistance and human and financial resources in order to succeed in implementing this important program. In particular, a specialist in cost estimation and a specialist in macroeconomic policy are needed.

The technical subcommittee works under the direction of the Permanent Secretariat coordinating the PRSP process. The Secretariat is assisted by the Institute for Economic Development (IDEC), which provides advice and quality control for the sectoral and thematic consultations and the final reports.

5. As part of the effort to produce reliable statistics for the analysis and planning in the area of poverty, activities are undertaken at several levels, notably including:

- an inquiry on the incidence and perception of poverty, funded by the World Bank;
- A unified questionnaire on development indicators (QUID) for the Burundi Social Action Project (BURSAP);
- A study by the French cooperation entitled “enquête1/2/3”;

- “The Analysis of the institutional system for monitoring and evaluating poverty in Burundi” (March 24-April 8, 2004), a report prepared by the World Bank;
- Support from UNDP for AFRISTAT, which is assisting the government of Burundi in establishing expertise and analytical mechanisms to profile poverty. These programs also aim at strengthening the institutional capacity of the Institute of Statistics and Economic Studies of Burundi (ISTEEBU), which is the principal contractor.

6. Furthermore, a **Program of Reforms of Public Financial Management and Management of Government Personnel** was drawn up by the Minister of Finance in 2002, and will notably help to facilitate the monitoring of social expenditures and other outlays aimed at poverty reduction. The program was immediately launched, using either the Government’s own funds: the Treasury audit in 2002, the start of ASYCUDA++, and the census of government agents in 2003, and the preparation of new budget and accounting nomenclatures in 2003, or with external assistance: preparation of the PAGE project in 2002-2003 supported by the World Bank, settlement of overdue teachers’ wages in 2003-2004, and an analysis of the bill regarding the *Cour des Comptes*, supported by Belgium, and the program supported by the IMF in 2002. Lastly, several projects have been initiated following the completion of the foregoing work (the World Bank PAGE project in 2004 and PARAFE undertaken by France in 2004).

Other specific reform actions have been, or are currently being supported, either within the framework of the projects cited above or by ad-hoc funding in the form of grants: the improvement in the statistics system and the reform of public markets (PARAFE project, PAGE, UNDP and IDA grants). Lastly, other development partners stand ready to support the program, particularly in the areas of training (ADB) and personnel management (Belgium).

As regards social expenditures, it is expected that these will be increased in the government budget, rising from 5.4 percent of GDP in 2003 to 6.7 percent in 2004 and 7 percent in 2005.

In the area of rural development, the government has implemented the Project for Rehabilitation of the Agricultural Sector in Burundi (PRASAB), with the support of the World Bank (\$35 million credit). PRASAB expenditures are spread out over 3 years (2005-2008) and are designed to promote agricultural development and the protection of the environment.

Activities completed so far

1. In **December, 2004**, an orientation workshop involving the focal points was organized to help them understand the PRSP process as well as the challenges to be met in the course of its formulation and implementation. The terms of reference for the sectoral and thematic consultations as well as the overall budget for the preparation of the PRSP were finalized in **March 2005**. Joint meetings with IDEC were organized in March 2005 on the

important role IDEC will play in the organization and oversight of sectoral and thematic consultations.

Activities in progress or to be undertaken

1. In the area of macroeconomics, the terms of reference of the study on the sources of growth have been prepared and the study, undertaken by two Burundi consultants, is already underway.

The Permanent Secretariat, with the assistance of IDEC, is organizing and planning sectoral consultations from March to mid-April. Its task is to identify the focal points in the government sectors, bilateral and multilateral foreign aid agencies, international and national NGOs, and civil society. Ideally, these focal points will be the Directors of research and of planning in the ministries involved in the process, as well as the parties responsible for sectoral programs in other institutions. The focal points are brought together in the technical subcommittees for the sectoral and thematic consultations.

2. **From April 15 to May 15, 2005**, the technical subcommittees will take stock of the situation in their sectors. Sector consultations based on the stock-takings prepared by the sectoral technical subcommittees will begin on **May 15, 2005** and will be concluded on **June 15, 2005**.

The next step will be the synthesis of the community and sectoral consultations, with the aim of providing a coherent document which would serve as the basis for elaborating the full PRSP. This base document will be presented to all parties involved with the preparation of the **PRSP on June 30, 2005**.

3. The first, preliminary draft of the PRSP is expected on **July 30, 2005**. A second draft is expected on **August 15, 2005**, and the final document on **August 30, 2005**.

D. Strengthening Capacity

1. The experience acquired in the process of formulating the I-PRSP showed gaps in the dissemination of information to the public at large, as well as gaps in the understanding of the PRSP process on the part of all the social and economic development players in Burundi. In the process of preparing the full PRSP, it will be necessary to give institutional support to the Permanent Secretariat in the form of human, material and financial resources, to enable it to play the central role in the formulation of the PRSP and the promotion of an enduring, long-term development strategy. To this end, studies and training workshops will also be initiated. As regards the needs for assistance from the international community to strengthen capacity, these are in the process of being evaluated.

E. National and International Partnerships

1. One of the priorities set by the government of Burundi for the preparation of the PRSP is the participation of national NGOs, civil society and basic community organizations. To that end, the association of Burundian NGOs is involved in the process of organizing and undertaking community consultations. This partnership is also active with the international NGOs, some of which are contributing to the funding of the community consultations. In **December 2004**, the Permanent Secretariat, with the assistance of the World Bank, established the terms of reference for the implementation of **a framework for cooperation and support by development partners** involved in the PRSP process. The government hopes that with the creation of this partnership with development agencies there will result a more dynamic interaction between the two parties, not only in the context of the PRSP, but also in the periodic encounters between states and foreign aid agencies at the international level. The Secretariat now has a web site: www.cslpburundi.org.

F. Estimated Budget

The expenses required for the execution of all the planned actions are as follows:

I	Community consultations	Cost per category (USD)
	Support of decentralized organizations	20,000
	Awareness and information workshops for provincial officials	1,120
	Provincial awareness and information workshops on the PRSP aimed at provincial stakeholders	17,000
	Conduct of town community consultations	289,000
	Conduct of provincial community consultations	71,765
	Redaction of the national synthesis and follow-up seminar	26,000
	Total needed for community consultations	424,885
II	Sectoral and thematic consultations	118,586
III	Private sector consultations	29,687
IV	Civil society consultations	8,619
V	Overall synthesis/first draft of full PRSP	30,000
VI	Study on the sources of growth	4,000
VII	Publicity	6,000
VIII	Institutional support of REFES	200,000
	Total	396,892
	Grand total	821,777

Major constraints, challenges and risks

1. The two greatest constraints in the preparation of the full PRSP are institutional weaknesses and the normalization process of political life in Burundi. Details of the constraints, challenges and risks can be summed up as follows:

