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Burundi: Third Review Under the Three-Year Arrangement Under the Extended Credit Facility—Staff Report and Press Release

In the context of the third review under the three-year arrangement under the Extended Credit Facility, the following document has been released and are included in this package:

- The staff report for Third Review Under the Three-Year Arrangement Under the Extended Credit Facility, prepared by a staff team of the IMF. Based on information available at the time, the staff report was completed on January 27, 2010.

- A Press Release.

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

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

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

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INTERNATIONAL MONETARY FUND

BURUNDI

Third Review Under the Three-Year Arrangement Under the Extended Credit Facility

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

Approved by Michael Atingi-Ego and Dominique Desruelle

January 26, 2010

ECF Arrangement:	On July 7, 2008, the Executive Board approved a three-year Extended Credit Facility (ECF) Arrangement with access of SDR 46.2 million (60 percent of quota). The second review of the ECF-supported program was completed on July 13, 2009.
Discussions:	A mission comprising Messrs. Akitoby (head), Ioannou, Rayner, and Thomas (all AFR) visited Bujumbura November 8–20, 2009, to conduct the third review. The staff met with President Nkurunziza, First Vice-President Sahinguvu, Second Vice-President Ntisezerana, Minister of Finance Nizigama, Central Bank Governor Sindayigaya, other senior government officials, and representatives of labor unions, the private sector, NGOs, the donor community, and the media.
Program Review:	All quantitative performance criteria for September 2009 were met, and structural reforms are on track. Staff recommends completion of the third review.
Publication:	The authorities consent to the publication of this report, the letter of intent, and the Memorandum on Economic and Financial Policies (MEFP).

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Acronyms

BRA	Burundi Revenue Authority
BRB	Banque de la République du Burundi
CET	Common External Tariff
CIRR	Commercial Interest Reference Rates
CNCA	National Assistance Coordination Committee
EAC	East African Community
ECF	Extended Credit Facility
FNL	Forces Nationales pour la Liberation
FSAP	Financial Sector Assessment Program
LOFP	Loi Organique relative aux Finances Publiques
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MED	Marché des Enchères en Devises
MEFP	Memorandum on Economic and Financial Policies
PFM	Public Financial Management
PRSP	Poverty Reduction Strategy Paper
TMU	Technical Memorandum of Understanding
UN-PCEIR	Post-Conflict Employment Creation, Income Generation and Reintegration
VAT	Value Added Tax

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Executive Summary

Though Burundi's economy was hit by the global economic crisis in 2009, lower food and fuel prices kept inflation low. Real GDP growth declined to 3½ percent because of lower private transfers and foreign direct investment. As oil and food prices fell, 12-month inflation declined from 26 percent in 2008 to below the 9 percent the program envisaged. The SDR allocation helped boost gross official reserves to 7 months of imports. The real effective exchange rate depreciated by about 2 percent.

In a difficult postconflict environment, performance on the ECF-supported program was satisfactory. All quantitative performance criteria for end-September 2009 were met and structural reforms are on track. The closing of off-budget accounts constitutes a major step toward establishment of a single treasury account. The value-added tax and the East African Community's common external tariff were introduced in July, and Parliament adopted the law establishing the Burundi Revenue Authority. Coffee sector reform received new impetus after a number of coffee washing stations were privatized.

Burundi's macroeconomic prospects for 2010 are positive, assuming the effects of the global financial crisis wane. Economic growth should accelerate to 3.9 percent, from 3½ percent in 2009, due to strong coffee production and donor support. Headline inflation is projected to remain in single digits at 7½ percent, mainly because of subdued food prices. Gross official reserves would decline to 6 months of imports.

The program for 2010 seeks to consolidate economic stability and support gradual recovery of the economy. Prudent monetary policy will help anchor inflation expectations while allowing scope for economic growth. Fiscal policy will consolidate progress on increasing domestic revenue and reallocating spending to sectors related to the Millennium Development Goals. Structural reforms will continue to focus on public financial management and central bank safeguards.

Because Burundi is a postconflict country, risks to the program remain significant. Foremost would be a worsening political, social, and security situation ahead of general elections in mid-2010. Other risks are governance slippages, an uncertain external environment, and worsening energy shortages.

Staff recommends completion of the third review based on Burundi's performance and the strength of the program.

I. Background

1. **Burundi is one of the poorest countries in the world**. GDP per capita is about US$140, and more than two-thirds of the population lives below the poverty line. While the country is making some progress toward the Millennium Development Goals (MDGs), it is unlikely that any will be achieved by 2015 (Table 1).

2. **The country is emerging from more than a decade of civil conflict**. Substantial progress has been made in implementing the power-sharing agreement signed in December 2008 by the government and the last rebel group, *Forces Nationales pour la Libération* (FNL). FNL is now recognized as a political party, and the rebels have been integrated into national institutions. However, the security situation remains fragile ahead of general elections in mid-2010.

3. **The World Bank's country assistance strategy focuses on structural reforms to further increase growth and reduce poverty**. The main priorities are to (i) promote sustainable and broad-based economic growth; and (ii) improve access to social services and consolidate social stability.

II. Recent Developments and Program Performance

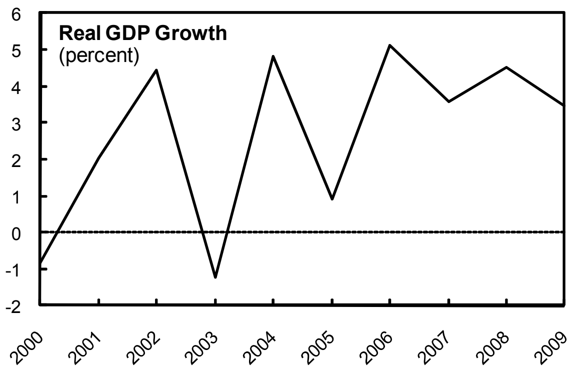
4. **The global financial crisis has slowed the Burundian economy and contributed to a dramatic decline in inflation** (Figure 1 and Table 2). Economic growth moderated to 3½ percent in 2009, from 4½ percent in 2008, mainly because of lower private transfers and foreign direct investment. Although significant, this decline is limited compared to other countries. Because of sluggish economic growth and lower international oil and food prices, headline inflation (end of period) declined from 26 percent in 2008 to below the 9 percent the program envisaged. In 2009, the nominal effective exchange rate depreciated by about 7 percent and the real effective exchange rate by about 2 percent. Supported by the SDR allocation, gross official reserves rose to 7 months of imports, from about 6½ months in 2008.

5. **To address the impact of the global financial crisis, the authorities adopted a substantial policy response**. The revised fiscal program was eased by 1.3 percentage points of GDP to accommodate the temporary crisis-induced revenue shortfall and this was largely financed domestically. The revised fiscal program also incorporated additional grant-financed spending of 1½ percent of GDP to mitigate the impact of the crisis on the poor. Monetary policy was eased slightly, without undermining the program's objective of single-digit inflation.

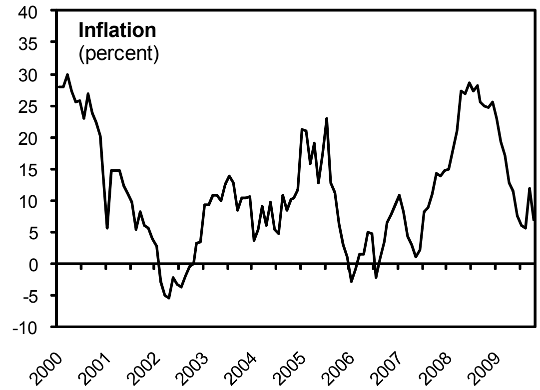
6. **Performance on the ECF-supported program has been satisfactory**. All quantitative performance criteria for September 2009 were met, and structural reforms are moving ahead (MEFP, ¶5–9). The closing of off-budget accounts constitutes a major step toward establishment of a single treasury account (structural benchmark). The government introduced a VAT and implemented the East African Community (EAC) common external tariff in July, and parliament adopted the Burundi Revenue Authority law. In the financial sector, a symmetrical foreign exchange auction market was introduced, and prudential regulation and on-site supervision were strengthened. Coffee sector reform received new impetus as bidding for the coffee washing stations advanced. However, because the bidding has attracted very few investors, only 13 of 117 washing stations have so far been privatized.

Figure 1. Recent Macroeconomic Performance, 2000–09

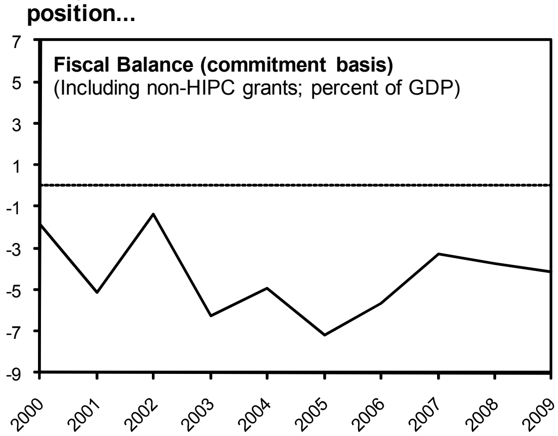
Growth was volatile but trended downward recently...



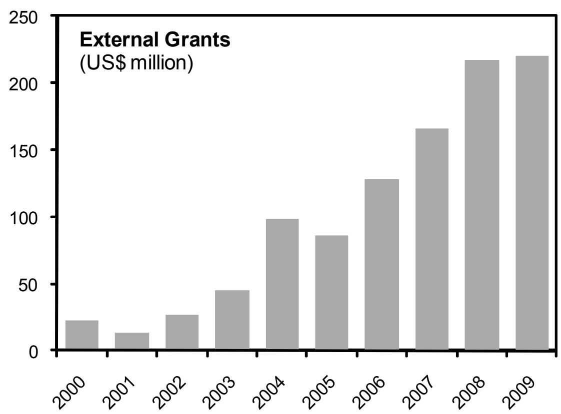
...while inflation decelerated sharply.



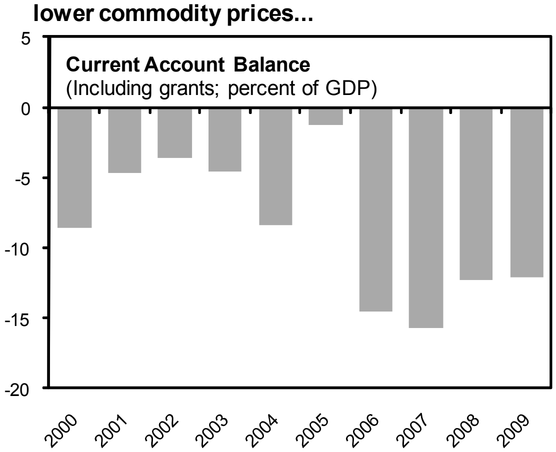
The global financial crisis has worsened the fiscal position...



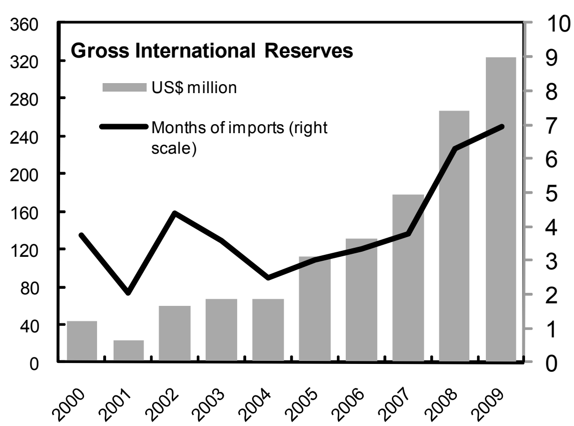
... but external grants remained steady.



The current account, however, improved because of lower commodity prices...



...and international reserves increased.



Sources: Burundi authorities; and IMF staff estimates.

III. Consolidating Economic Stability and Sustaining Growth

7. **The discussions focused on the appropriate policy mix to consolidate economic stability and support the gradual recovery of the economy from the global financial crisis**. The authorities recognized that, while the HIPC Initiative and MDRI debt relief has reduced Burundi's heavy debt burden, they should maintain prudent fiscal and monetary policies and rely mainly on grants and highly concessional loans to avoid unsustainable debt.

A. Macroeconomic Outlook

8. **The economy is expected to gradually recover from the global financial crisis**. Real GDP growth is projected to rise to 3.9 percent in 2010, from 3½ percent in 2009, mainly because of a substantial increase in coffee production and donor-financed investment. Headline inflation is projected to remain in single digits at 7½ percent because food prices are subdued. Gross official reserves would decline to 6 months of imports, as a result of sterilization.

9. **Provided the security situation continues to improve, Burundi's medium-term economic outlook looks positive** (Text Table 1). Economic growth is expected to average about 4½ percent over the medium term, driven by three main factors: (i) continued removal of major economic distortions, especially in the coffee sector, which will boost total factor productivity; (ii) a substantial increase in aid-financed investment, largely for infrastructure renovation, which will help relieve major supply bottlenecks; and (iii) with EAC membership, access to a bigger market and the possibility of attracting more investment in areas where Burundi has a comparative advantage (e.g., agriculture and tourism). The UN Policy for Post-Conflict Employment Creation, Income Generation and Reintegration (UN-PCEIR) could also drive growth by promoting stability. The authorities are aware that medium-term growth is subject to risks arising from worsening electricity shortages, which emerged in late 2009.

Text Table 1. Burundi: Medium-Term Outlook, 2008–12

	2008	2009		2010	2011	2012
	Est.	Prog.	Proj.	Prog.	Proj.	
	(Annual percentage change, unless otherwise indicated)					
National income and prices						
Real GDP growth	4.5	3.2	3.5	3.9	4.5	4.8
Consumer prices (end of period)	25.7	9.1	8.5	7.5	7.0	6.5
	(Percent of GDP, unless otherwise indicated)					
General government						
Revenue (excluding grants)	18.5	18.0	18.0	18.5	19.0	19.5
Total expenditure and net lending	44.1	46.1	46.8	48.3	47.3	46.7
Overall balance						
Commitment basis (after non-HIPC grants)	-3.7	-4.1	-4.1	-4.0	-2.3	-1.2
Cash basis (after non-HIPC grants)	-4.5	-4.3	-4.3	-4.0	-2.3	-1.2
External sector						
Current account balance	-12.2	-9.5	-12.1	-10.2	-7.6	-7.8
Overall balance of payments	7.3	-2.5	4.4	-1.5	0.8	2.3
Gross official reserves						
In US$ million	266.6	231.8	324.1	302.2	331.1	386.4
In months of imports	6.3	5.5	7.0	6.0	6.0	6.0

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

B. Fiscal Policy and Related Reforms

10. **The fiscal program for 2010 targets a fiscal deficit (on a commitment basis, including non-HIPC grants) of 4 percent of GDP**. Fiscal policy remains supportive of the economic recovery, as the fiscal stance is unchanged from 2009. Staff and authorities agreed that fiscal policy will continue to support the use of aid, with a view to allowing more spending in areas critical to meeting the MDGs. Taking into account absorptive capacity, the program will therefore accommodate a larger fiscal deficit if concessional external financing is higher than expected. The authorities are working with the World Bank to improve absorptive capacity.

11. **Fiscal policy is also geared to addressing debt sustainability concerns**. Given Burundi's debt burden, external financing of the budget will be strictly limited to grants and highly concessional loans. The fiscal reforms of the past three years will also help ensure debt sustainability. These include the new budget law and the reforms of tax policy, revenue administration, expenditure policy, treasury management, and debt management (MEFP, Table I.1).

12. **The authorities recognize that mobilizing domestic revenue is critical for fiscal sustainability and increased poverty-reducing expenditure** (MEFP, ¶11–12). The revenue target for 2010 is 18.5 percent of GDP, well above the 17.3 percent average for fragile states in Sub-Saharan Africa. To safeguard the revenue target, staff urged the authorities to

continue their efforts to broaden the revenue base by reducing exemptions and strengthening tax and customs administration. In particular, the authorities will (i) implement Fund technical assistance (TA) recommendations on the VAT; (ii) improve customs valuation and post-clearance audit; and (iii) strengthen collection of tax arrears.

13. **The 2010 budget consolidates progress on reallocating spending to priority sectors** (MEFP, ¶14). Propoor spending is expected to increase from 16.9 percent of GDP in 2009 to 18.6 percent of GDP in 2010.[1] In line with Burundi's poverty reduction strategy, MDRI resources will be spent on agriculture, water, rural infrastructure, health, and education.

14. **Controlling the wage bill is a key medium-term challenge**. The wage bill for 2010 will be kept at about BIF 212 billion, as planned during the second review. With the 2010 wage bill now at 11.6 percent of GDP, staff advised the authorities to work toward their medium-term objective of bringing it below 11 percent of GDP. It is currently projected at 11.3 percent of GDP in 2012. Achieving the medium-term objective, while continuing to recruit in priority sectors, will hinge on reducing the security forces (Text Table 2).[2] The authorities and donors are of the view that, given the political and social implications, this issue can only be tackled after the 2010 general elections.

Text Table 2. Burundi: Government Wage Bill, 2007-12

	2007	2008	2009	2010	2011	2012
		Est.	Proj.			
	(Percent of GDP)					
Salaries	10.8	11.4	11.8	11.6	11.4	11.3
Priority sectors [1]	5.3	6.1	7.1	7.4	7.6	7.7
Police, Army	4.4	3.6	3.4	3.1	2.8	2.6
Others	1.0	1.8	1.3	1.1	1.0	1.0

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

[1] Priority sectors are health, education, agriculture and justice.

[1] In consultation with the World Bank, the authorities have adopted a broader definition of propoor spending, based on their PRSP.

[2] The average wage bill for security forces is about 1.2 percent of GDP in postconflict countries like Sierra Leone and Liberia.

15. **The authorities are committed to public financial management (PFM) reform** (MEFP, ¶24–25). The council of ministers has adopted a PFM strategy and action plan, and the government intends to move to a single treasury account in 2010. The authorities will also continue to phase in the new budget organic law.

C. Monetary Policy and Financial Sector Issues

16. **Monetary policy will continue to be geared toward stabilizing prices while supporting economic recovery**. After the rapid decline in inflation in 2009, a key policy challenge for 2010 is to anchor inflation expectations despite rising international oil prices. To secure the single-digit inflation objective, broad money will continue to rise more slowly than nominal GDP. At the same time, monetary policy will allow sufficient credit to the private sector to support economic recovery. The program foresees that in 2010 reserve money will grow by 11½ percent and broad money by 12 percent.

17. **Close collaboration between the Bank of the Republic of Burundi (BRB) and the Ministry of Finance is essential for achieving the inflation target** (MEFP, ¶21). They share the view that cooperation is needed to improve central bank liquidity forecasts and ensure that aid-financed expenditures are adequately absorbed through sales of foreign exchange. Regular meetings between officials of both institutions would focus on how government cash outlays affect reserve money and foreign exchange market operations.

18. **Consequent to the global financial crisis, the BRB is enhancing banking supervision** (MEFP, ¶26). It will undertake to align prudential regulation with EAC rules. It will also proceed with the planned increase in minimum capital requirements from BIF 5 billion to BIF 10 billion (about 12 percent of bank assets) by the end of 2010.

19. **The Financial Sector Assessment Program (FSAP) report is expected to guide reform of the financial sector** (MEFP, ¶27). The report identified concentration risk as a key vulnerability of the banking system.[3] To mitigate this risk, the BRB will continue to scrutinize closely bank risk management practices and lending standards and start conducting stress tests, with the help of Central AFRITAC TA.

20. **The BRB will continue to firm up its internal controls and safeguards** (MEFP, ¶28). It will recruit an international auditor to (i) monitor full implementation of all the recommendations made by the 2008 special audits, and (ii) carry out special audits of the controls on significant domestic transfers and disbursements on behalf of the government or its creditors during the first half of 2010.

D. External Sector Policies

21. **Staff emphasized that improved foreign exchange markets will help the economy adjust to exogenous shocks** (MEFP, ¶22). Building on recent progress in launching symmetrical foreign exchange auctions, the authorities will reinforce the auction system

[3] The Financial Sector Stability Assessment report was issued to the Executive Board in October 2009.

while preparing the groundwork for an interbank foreign exchange market in the medium term.

22. **The recent SDR allocation will boost gross official reserves**. As planned, the SDR allocation (SDR 60.2 million) has been added to international reserves. Given debt sustainability concerns and the comfortable level of reserves, the BRB has in turn offered a credit line to the government to help it reduce expensive debt. This will have only modest impact on international reserves. Reserves are projected to decline to 6 months of imports in 2010, because foreign exchange will be used to sterilize the resultant liquidity injection.

23. **The authorities should continue to firm up debt management**. According to the Fund's new policy on debt limits, Burundi is considered a low-capacity country with high debt vulnerability. The latest low-income country debt sustainability analysis found Burundi to be at high risk of debt distress. This underscores the importance of the government continuing to seek only highly concessional loans and grants. The authorities have committed to draw on MCM and other donor recommendations to strengthen debt management.

24. **The government has established an interministerial committee to coordinate EAC integration efforts and facilitate decision-making**. A national strategy and action plan, prepared with the assistance of development partners, will soon be adopted. Though accession to the EAC opens up opportunities, Burundi must undertake significant reforms if it is to derive the expected benefits.

E. Structural Reforms

25. **In addition to the structural reforms discussed (above and MEFP, ¶23–29), the government is making steady progress on reforming the coffee sector**. It is expected that the recent privatization of 13 coffee washing stations will have positive spillover effects on the entire sector. Because interest from foreign investors was limited, the government is weighing its options for relaunching the bidding, in consultation with the World Bank.

26. **The authorities are committed to using a monthly price adjustment mechanism for petroleum products** (MEFP, ¶29). The government will continue to implement the mechanism, which has been in place since May 2009.

F. Program Monitoring

27. **Semiannual quantitative performance criteria focus on net foreign assets and net domestic assets of the central bank and net domestic financing of the government, with adjusters to deal with aid volatility**. There are also three continuous performance criteria: zero ceilings for (i) new nonconcessional external debt contracted or guaranteed; (ii) short-term external debt; and (iii) accumulation of external arrears. Indicative targets have been established for domestic arrears accumulation and reserve money (MEFP, Table I.2). An indicative target on propoor spending is also being proposed (MEFP, Table I.3), in accordance with the ECF.

28. **The proposed structural conditionality (MEFP, Table I.5) is linked to the first strategic axis of the Poverty Reduction Strategy Paper**, strengthening economic governance, especially by bringing transparency to financial management.

G. Risks

29. **Although the authorities have reiterated their firm commitment to the program, there are two main risks**. First, a worsening political and social situation ahead of the 2010 elections would be a major setback. Progress in implementing the power-sharing agreement between the government and the last rebel group will help mitigate this risk. Second, governance slippages ahead of the elections might disrupt donor support; the program emphasizes prudent management of public finances and firmer controls at the BRB. Other risks relate to the uncertain external environment and worsening electricity shortages.

IV. Staff Appraisal

30. **In a difficult postconflict environment, Burundi has made steady, though uneven, progress**. Real GDP decelerated in 2009, though lower food and fuel prices kept inflation low. Most monetary and fiscal reforms have progressed well. The economic outlook is generally positive, though there are risks.

31. **The 2010 program further consolidates economic stability and reduces poverty while supporting gradual recovery of the economy from the global financial crisis**. Staff agrees that fiscal and monetary policies should remain supportive of economic recovery in the near term. Spending on MDG-related sectors will be boosted significantly with donor support.

32. **The authorities should continue to rely mainly on grants and highly concessional loans to avoid unsustainable debt**. Improvements in governance will be critical for donor support. The authorities should therefore continue to reinforce PFM. Staff urges donors to accelerate their grant and other concessional support to facilitate Burundi's cash management and mitigate the risk of debt distress.

33. **The authorities should accelerate financial sector reforms** by improving banking supervision, addressing concentration risk in the banking system, and enhancing central bank internal controls. The FSAP report should help guide these efforts.

34. **Sustained growth depends on accelerating structural reforms**. Fiscal governance reforms are essential, but the authorities should also continue to reform the coffee sector. EAC membership should spur structural reforms that improve the business environment.

35. **As a postconflict country Burundi must deal with significant risks, particularly related to the 2010 elections**, but so far the authorities have demonstrated their ability to manage economic and social pressures. Staff fully endorses their efforts.

36. **Staff recommends completion of the third ECF review, based on Burundi's performance and the strength of the program**.

Table 1. Burundi: Millennium Development Goals

	1990	1995	2000	2005	2008	Target
Goal 1: Eradicate extreme poverty and hunger						
Employment to population ratio, 15+, total (%)	84	85	85	83	83	..
Employment to population ratio, ages 15-24, total (%)	73	74	75	72	72	..
GDP per person employed (annual % growth)	-1	-9	-3	-4	0	..
Income share held by lowest 20%	7.9	..	5.1	9	9	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	38.9	..	..	..
Poverty gap at $1.25 a day (PPP) (%)	40	..	47	36	36	..
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	84	..	86	81	81	..
Prevalence of undernourishment (% of population)	44	57	..	63	..	..
Vulnerable employment, total (% of total employment)	..	..	..	..	..	..
Goal 2: Achieve universal primary education						
Literacy rate, youth female (% of females ages 15-24)	48	..	70	..	..	100
Literacy rate, youth male (% of males ages 15-24)	59	..	77	..	..	100
Persistence to last grade of primary, total (% of cohort)	..	..	50	58	58	..
Primary completion rate, total (% of relevant age group)	41	..	25	35	39	..
Total enrollment, primary (% net)	..	..	43	58	81	100
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliaments (%)	..	..	6	31	31	..
Ratio of female to male enrollments in tertiary education	36	..	35	38	46	..
Ratio of female to male primary enrollment	80	80	80	86	93	..
Ratio of female to male secondary enrollment	58	..	..	74	72	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	14.3	..	..	..	..	..
Goal 4: Reduce child mortality						
Immunization, measles (% of children ages 12-23 months)	74	80	75	75	75	24.7
Mortality rate, infant (per 1,000 live births)	113	112	110	109	108	37.7
Mortality rate, under-5 (per 1,000)	189	186	184	181	180	63.1
Goal 5: Improve maternal health						
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	40	33	23	19	..
Births attended by skilled health staff (% of total)	..	..	25	34	..	..
Contraceptive prevalence (% of women ages 15-49)	..	..	16	9	..	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	1100	..	..
Pregnant women receiving prenatal care (%)	..	..	78	92	..	..
Unmet need for contraception (% of married women ages 15-49)	..	..	..	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	31	30	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	154	223	321	387	367	..
Prevalence of HIV, female (% ages 15-24)	..	..	..	1.3	1.3	..
Prevalence of HIV, male (% ages 15-24)	..	..	..	0	0	..
Prevalence of HIV, total (% of population ages 15-49)	1.7	5.2	3.8	2.4	2	..
Tuberculosis cases detected under DOTS (%)	..	20	30	25	27	..
Goal 7: Ensure environmental sustainability						
CO2 emissions (kg per PPP $ of GDP)	0.1	0.1	0.1	0.1	..	..
CO2 emissions (metric tons per capita)	0	0	0	0	..	..
Forest area (% of land area)	11	9	8	6	..	..
Improved sanitation facilities (% of population with access)	44	43	42	41	41	..
Improved water source (% of population with access)	70	70	71	71	71	..
Marine protected areas, (% of surface area)	..	..	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	6	6	..
Goal 8: Develop a global partnership for development						
Aid per capita (current US$)	46	47	14	49	59	..
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	42	27	38	34	7	..
Internet users (per 100 people)	0	0	0.1	0.5	0.8	..
Mobile cellular subscriptions (per 100 people)	0	0	0	2	6	..
Telephone lines (per 100 people)	0	0	0	0	0	..
Other						..
Fertility rate, total (births per woman)	6.6	6.2	5.7	5	4.7	..
GNI per capita, Atlas method (current US$)	200	150	120	100	140	..
GNI, Atlas method (current US$) (billions)	1.1	0.9	0.8	0.7	1.1	..
Gross capital formation (% of GDP)	14.5	6.4	6.1	10.8	16.4	..
Life expectancy at birth, total (years)	46	45	47	49	51	..
Literacy rate, adult total (% of people ages 15 and above)	37	..	59	..	..	..
Population, total (millions)	5.7	6.2	6.5	7.4	8.1	..
Trade (% of GDP)	35.6	40.2	27.7	56.7	57.7	..

Source: World Development Indicators database, 2009

Table 2. Burundi: Selected Economic and Financial Indicators, 2007–12

	2007	2008	2009		2010	2011	2012
		Est.	Prog.	Proj.	Prog.	Proj.	
			(Annual percentage change)				
National income and prices							
Real GDP growth	3.6	4.5	3.2	3.5	3.9	4.5	4.8
GDP deflator	8.2	25.1	20.3	13.6	8.5	8.7	8.0
Consumer prices (period average)	8.3	24.4	12.9	11.3	8.0	7.3	6.8
Consumer prices (end of period)	14.7	25.7	9.1	8.5	7.5	7.0	6.5
External sector							
Exports, f.o.b. (US$)	-9.7	15.1	-0.4	11.9	16.8	-3.8	18.8
Imports, f.o.b. (US$)	20.6	16.0	-32.3	-19.5	17.8	8.9	6.1
Export volume	-1.7	5.2	35.5	17.4	20.6	6.4	20.1
Import volume	6.0	4.1	6.0	9.0	8.5	3.9	5.9
Terms of trade (deterioration = –)	-23.4	3.4	15.0	29.1	-10.9	-13.7	-1.3
			(Change in percent of beginning of period M2, unless otherwise indicated)				
Money and credit							
Net foreign assets	11.5	21.9	0.3	1.7	0.5	...	...
Domestic credit	6.6	18.8	15.7	17.2	11.9	...	...
Government	-0.2	5.8	4.9	4.9	4.1	...	...
Private sector	7.6	8.5	6.2	7.7	7.9	...	...
Money and quasi-money (M2)	10.1	34.2	14.4	17.7	12.0	...	...
Reserve money (12–month growth rate)	17.4	25.1	13.5	15.5	11.5	...	...
			(Percent of GDP)				
General government							
Revenue (excluding grants)	18.6	18.5	18.0	18.0	18.5	19.0	19.5
Total expenditure and net lending	38.5	44.1	46.1	46.8	48.3	47.3	46.7
Overall balance (commitment basis)							
Excluding grants	-19.8	-25.6	-28.1	-28.8	-29.8	-28.3	-27.2
Including grants (excl. HIPC)	-3.3	-3.7	-4.1	-4.1	-4.0	-2.3	-1.2
External sector							
Current account balance	-15.7	-12.2	-9.5	-12.1	-10.2	-7.6	-7.8
Overall balance of payments	3.0	7.3	-2.5	4.4	-1.5	0.8	2.3
Savings-investment balance	-15.7	-12.2	-9.5	-12.1	-10.2	-7.6	-7.8
Private	-12.4	-8.5	-5.4	-8.0	-6.2	-5.4	-6.6
Public	-3.3	-3.7	-4.1	-4.1	-4.0	-2.3	-1.2
			(US$ million, unless otherwise indicated)				
External sector							
Gross official reserves							
US$ million	177.3	266.6	231.8	324.1	302.2	331.1	386.4
Months of imports	3.8	6.3	5.5	7.0	6.0	6.0	6.0
Debt-service to exports ratio (percent)	6.8	3.5	2.3	2.1	3.2	3.8	5.9
Memorandum item:							
GDP at current market prices (BIF billion)	1060	1386	1711	1630	1836	2085	2360

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

Table 3. Burundi: General Government Operations, 2007–12

	2007	2008	2009		2010	FY 2011[1]	FY 2012
		Est.	Prog.	Proj.	Prog.	Proj.	
			(Percent of GDP)				
Revenue	18.6	18.5	18.0	18.0	18.5	19.0	19.5
Tax revenue	17.2	16.6	16.3	16.2	17.0	17.4	17.9
Income tax	5.0	4.7	4.5	4.5	4.6	4.8	4.8
Taxes on goods and services	8.7	8.8	8.4	8.4	8.8	8.9	9.0
Taxes on international trade	3.2	2.9	3.1	3.1	3.3	3.3	3.5
Other tax revenue	0.3	0.2	0.3	0.3	0.3	0.4	0.5
Nontax revenue	1.4	1.9	1.7	1.8	1.5	1.6	1.6
Expenditure and net lending	38.5	44.1	46.1	46.8	48.3	47.3	46.7
Current expenditure[2]	24.6	25.8	24.6	24.9	25.6	25.8	25.7
Salaries	10.8	11.4	11.2	11.8	11.6	11.4	11.3
Of which: priority sectors	5.3	6.1	6.7	7.1	7.4	7.6	7.7
Of which: security related	4.4	3.6	3.3	3.4	3.1	2.8	2.6
Of which: others	1.0	1.8	1.2	1.3	1.1	1.0	1.0
Other current expenditures	13.9	14.4	13.4	13.1	14.1	14.4	14.4
Externally financed special programs[3]	1.2	3.2	5.3	5.6	5.6	3.5	3.0
Capital expenditure & Net lending	12.7	15.1	16.3	16.3	17.1	18.0	18.0
Of which: MDRI-related			2.3	1.8	1.3	0.0	0.0
Overall balance (commitment basis)	-19.8	-25.6	-28.1	-28.8	-29.8	-28.3	-27.2
Overall balance (after grants, excl. HIPC)	-3.3	-3.7	-4.1	-4.1	-4.0	-2.3	-1.2
Change in arrears (reduction = –)	-2.1	-0.8	-0.2	-0.2	0.0	0.0	0.0
Overall balance (cash basis)	-21.9	-26.4	-28.3	-29.0	-29.8	-28.3	-27.2
Overall balance (after grants, excl. HIPC)	-5.4	-4.5	-4.3	-4.3	-4.0	-2.3	-1.2
Financing	22.4	26.5	28.3	29.0	29.8	27.3	26.1
External grants	20.9	24.9	86.5	90.3	25.8	25.0	25.0
Of which: HIPC relief	3.8	3.0	62.5	65.6	0.0	0.0	0.0
Of which: MDRI grant from IMF	0.0	0.0	2.3	1.8	2.1	0.0	0.0
External borrowing, net	0.0	0.0	-59.6	-62.7	2.7	2.0	2.0
Privatization proceeds	1.7	0.0	0.1	0.1	0.1	0.2	0.2
Domestic	0.0	0.0	1.3	1.3	1.2	0.0	-1.0
Financing gap and errors and omissions[4]	0.0	0.0	0.0	0.0	0.0	1.1	1.1
			(BIF billion)				
Total revenue	197.6	256.7	308.1	293.5	339.3	395.5	460.0
Total expenditure and net lending	407.9	611.7	789.6	763.1	886.6	986.3	1102.2
Of which: salaries	114.0	158.4	192.2	192.2	212.4	238.5	266.7
Financing gap and errors and omissions[4]	0.0	0.0	0.0	0.0	0.0	21.9	25.2
Total financing	237.7	366.8	485.1	473.1	547.3	568.9	617.1
			(US$ million, unless otherwise indicated)				
Memorandum items:							
MDRI stock relief from IDA and AfDB			84.8	84.8	0.0	0.0	0.0
MDRI savings from IDA and AfDB:							
Amortization			2.3	2.3	3.0	3.2	3.3
Annual interest payments			0.5	0.5	0.6	0.6	0.6
Propoor expenditure (percent of GDP)	12.0	15.1	9.9	16.9	18.6	19.0	19.4
Public debt (percent of GDP)	178	154	49	52	51	49	45
GDP at current market prices (BIF billion)	1060	1386	1711	1630	1836	2085	2360

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

[1] The authorities plan to move from a calendar year to a fiscal year in line with the EAC requirement.

[2] The medium-term current spending projections are mostly driven by health, education, food security, and agriculture expenditures.

[3] These are externally financed expenditures, which include spending on elections (in 2010), demobilization, and one-off temporary social safety net programs.

[4] Expected to be financed by additional donor support.

Table 4. Burundi: Monetary Survey, 2006–10

	2006	2007	2008	2009		2010
			Est.	Prog.	Proj.	Prog.
			(BIF billion)			
Net foreign assets	74.6	109.1	181.5	182.9	189.2	192.0
Central bank	41.5	75.6	139.4	87.3	115.6	113.3
Deposit money banks	33.1	33.5	42.0	95.6	73.5	78.7
Net domestic assets	277.7	298.7	368.9	438.9	447.6	516.4
Domestic credit	354.3	374.1	436.1	505.5	512.2	574.4
Net claims on the government	158.1	157.4	176.5	198.1	198.2	219.4
Credit to the economy	196.2	216.6	259.7	307.4	314.0	355.0
Other items, net (assets = +)	-76.6	-75.4	-67.2	-66.6	-64.6	-58.0
M3	352.2	407.8	550.4	621.9	636.7	708.3
Foreign currency deposits	52.3	77.7	107.3	115.0	115.0	124.0
M2	299.9	330.1	443.1	506.9	521.7	584.3
Currency in circulation	68.4	84.2	112.6	135.2	121.9	137.9
Local currency deposits	231.5	245.9	330.5	371.7	399.8	446.4
Demand deposits	147.5	151.2	223.3	244.7	273.1	304.9
Quasi-money	84.0	94.7	107.2	127.0	126.7	141.5
			(Change as percent of beginning of period M2)			
Net foreign assets	1.7	11.5	21.9	0.3	1.7	0.5
Central bank	-2.8	11.4	19.3	-11.7	-5.4	-0.4
Deposit money banks	4.5	0.1	2.6	12.1	7.1	1.0
Net domestic assets	19.4	7.0	21.3	15.8	17.7	13.2
Domestic credit	29.6	6.6	18.8	15.7	17.2	11.9
Net claims on the government	14.4	-0.2	5.8	4.9	4.9	4.1
Credit to the economy	15.3	6.8	13.0	10.8	12.3	7.9
Of which : private sector	13.7	7.6	8.5	6.2	7.7	7.9
Other items, net (assets = +)	-10.2	0.4	2.5	0.1	0.6	1.3
M3	21.1	18.5	43.2	16.1	19.5	13.7
Foreign currency deposits	4.7	8.5	9.0	1.7	1.7	1.7
M2	16.4	10.1	34.2	14.4	17.7	12.0
Currency in circulation	0.2	5.2	8.6	5.1	2.1	3.1
Local currency deposits	16.2	4.8	25.6	9.3	15.6	8.9
Demand deposits	12.4	1.2	21.8	4.8	11.2	6.1
Quasi-money	3.8	3.6	3.8	4.5	4.4	2.8
Memorandum items:						
Reserve money (12–month percent change)	5.9	17.4	25.1	13.5	15.5	11.5
Velocity (GDP/M2; end of period)	4.6	4.2	3.1	3.4	3.1	3.1

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

Table 5. Burundi: Central Bank Accounts, 2006–10

	2006	2007	2008				2009				2010			
	Dec.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
								Est.		Proj.	Prog.			
	(BIF billion)													
Net foreign assets	41.5	75.6	68.1	63.4	75.1	139.4	105.1	148.8	113.0	115.6	76.2	68.1	87.7	113.3
Net domestic assets	65.0	49.4	50.2	71.6	71.4	17.0	33.6	13.9	44.8	65.0	74.8	87.6	90.5	88.1
Domestic credit	165.3	138.8	127.5	149.0	146.9	114.1	108.0	119.4	122.5	138.6	149.8	161.6	161.9	159.1
Net claims on the government	161.4	134.7	124.0	143.3	141.4	120.8	110.3	113.3	116.4	132.6	142.6	153.8	153.8	153.8
Other credit	3.9	3.2	3.4	5.6	5.4	-6.6	-2.3	6.2	6.1	6.0	7.2	7.8	8.1	5.3
Other items, net (assets = +)	-100.2	-89.4	-77.3	-77.3	-75.6	-97.2	-74.4	-105.5	-77.7	-73.6	-75.0	-73.9	-71.4	-70.9
Reserve money	106.5	125.0	118.3	135.1	146.5	156.4	138.7	162.7	157.9	180.6	150.9	155.8	178.2	201.4
Currency in circulation	68.4	84.2	80.6	99.3	110.4	112.6	99.9	108.0	104.5	121.9	93.7	94.7	118.7	137.9
Bank reserves	28.2	24.9	23.5	18.9	17.3	25.0	22.2	37.2	35.9	41.2	39.7	43.6	42.0	46.0
Cash in vault	8.4	8.8	9.1	9.9	12.6	11.6	12.7	12.6	13.4	13.4	13.4	13.4	13.4	13.4
Other nonbank deposits	1.4	7.1	5.1	7.1	6.2	7.2	3.8	4.9	4.1	4.1	4.1	4.1	4.1	4.1
Memorandum items:														
Net foreign assets of BRB (US$ million)	41.4	67.5	57.8	53.1	63.1	112.9	85.1	120.9	91.8	91.3	59.6	52.8	67.4	86.1

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

Table 6. Burundi: Balance of Payments, 2007–12

	2007	2008	2009	2010	2011	2012
		Est.	Proj.		Proj.	
			(US$ million)			
Current account	-153.4	-142.7	-159.6	-144.7	-117.9	-129.1
(excluding official transfers)	-364.4	-379.6	-356.7	-402.8	-400.8	-387.6
Trade balance	-242.0	-281.2	-207.2	-244.9	-276.8	-284.0
Exports, f.o.b.	52.9	60.9	68.2	79.6	76.6	91.0
Of which: coffee	32.6	40.1	44.2	53.9	54.7	68.1
Imports, f.o.b.	-295.0	-342.2	-275.4	-324.5	-353.3	-374.9
Of which: petroleum products	-58.4	-105.2	-73.4	-100.3	-112.6	-121.6
Services (net)	-145.6	-186.3	-219.3	-220.5	-189.5	-181.2
Income (net)	-5.9	-4.3	6.3	-7.3	-7.7	-9.1
Current transfers (net)	240.1	329.3	260.6	328.1	356.1	345.1
Of which : official (net)	211.0	237.0	197.0	258.1	283.0	258.5
Capital account	127.4	143.9	1224.6	140.8	147.8	165.1
Of which: HIPC relief	39.4	39.7	0.0	0.0	0.0	0.0
Of which: debt forgiveness			1057.1			
Of which: other transfers (MDRI grant)	0.0	0.0	51.0	0.0	0.0	0.0
Financial account	84.6	175.7	-1007.5	-18.1	-17.1	1.6
Direct investment	0.5	13.6	9.9	14.1	14.0	13.9
Other investment	84.1	162.1	-1017.4	-32.1	-31.1	-12.2
Assets	-45.0	-30.8	-35.0	-34.3	-28.6	-29.5
Liabilities	129.1	35.1	-982.4	2.1	-2.5	17.2
Of which: SDR allocation			95.1			
Errors and omissions	-29.6	-91.6	0.0	0.0	0.0	0.0
Overall balance	29.0	85.4	57.5	-22.0	12.8	37.6
Financing (increase in assets = –)	-29.0	-85.4	-57.5	22.0	-29.0	-55.3
Of which: net change in official reserves	-46.2	-89.3	-57.5	22.0	-29.0	-55.3
Of which: SDR allocation			-95.1			
Financing gap[1]	0.0	0.0	0.0	0.0	16.2	17.7
			(Percent of GDP, unless otherwise indicated)			
Memorandum items:						
Current account	-15.7	-12.2	-12.1	-10.2	-7.6	-7.8
Gross official reserves						
US$ million	177.3	266.6	324.1	302.2	331.1	386.4
Months of imports	3.8	6.3	7.0	6.0	6.0	6.0
Total external debt	151	133	33	33	33	32
Nominal GDP (US$ million)	975	1165	1321	1423	1543	1659

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

[1] Expected to be financed by additional donor support.

Table 7. Burundi: Banking System Soundness Indicators, 2005–09

(percent, unless otherwise indicated)

	2005	2006	2007	2008	2009								
	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.
Capital Requirement													
Capital requirement over weighted assets (solvency ratio)	18.3	13.5	13.5	15.2	15.4	15.6	16.4	16.4	16.4	17.4	17.1	17.4	18.6
Core capital (Tier 1 capital) over weighted assets [1]	16.6	7.5	10.9	12.7	12.7	13.0	13.6	13.7	13.8	14.7	14.5	15.3	16.4
Quality of assets													
Nonperforming loans (percent of total gross loans granted)	20.6	18.6	18.8	14.6	16.2	16.1	15.4	15.9	14.9	15.4	14.6	14.4	13.6
Provisions (percent of nonperforming loans)	83.0	92.4	91.4	90.2	89.7	88.9	90.0	92.2	92.3	91.4	92.6	90.4	89.6
Nonperforming loans net of provisions (percent of capital)	20.4	7.5	7.4	7.4	7.9	8.1	6.9	5.1	5.0	5.4	4.4	5.1	5.5
Large exposures (percent of capital)	34.3	48.6	41.6	39.3	37.0	39.5	23.8	21.2	27.4	30.9	22.5	35.3	27.8
Profitability rates													
Return on assets	1.9	1.7	2.3	2.3	0.2	0.7	1.1	1.4	1.7	2.1	3.3	2.4	2.6
Return on equity capital	14.1	17.5	26.4	29.7	2.5	7.0	10.5	14.2	17.1	19.8	20.9	21.8	22.6
Net interest (percent of gross results)	172.7	177.4	167.6	171.8	187.4	193.5	209.2	197.1	197.3	192.6	202.2	199.9	200.9
Costs excluding interest (percent of gross outturn)	193.6	188.9	156.6	155.8	140.8	169.6	192.0	160.6	157.8	152.5	177.6	161.9	158.4
Liquidity													
Liquid assets (percent of all loans granted)	75.6	68.1	83.5	86.9	92.2	92.7	89.7	93.8	91.6	91.0	90.2	90.4	89.0
Liquid assets (percent of short-term commitments)	118.1	106.8	135.2	137.9	157.3	161.2	153.9	161.8	158.9	160.2	155.7	157.4	157.0

Sources: Burundi authorities; and IMF staff estimates.

[1] The decrease is due to the revision of Article 2 in Directive No. 2/06 of November 24, 2006. It is related to the calculation of basic equity capital, which no longer includes general provisions for risks.

Table 8. Burundi: Actual and Projected Schedule of ECF Disbursements and Reviews, 2008–11

Date	Disbursement (SDR million)	Conditions
July 15, 2008	6.6	Executive Board approval.
February 9, 2009	6.6	Completion of first review, based on observance of performance criteria at end-September 2008.
July 13, 2009	6.6	Completion of second review, based on observance of performance criteria at end-March 2009.
February 1, 2010	6.6	Completion of third review, based on observance of performance criteria at end-September 2009.
July 6, 2010	6.6	Completion of fourth review, based on observance of performance criteria at end-March 2010.
January 15, 2011	6.6	Completion of fifth review, based on observance of performance criteria at end-September 2010.
July 6, 2011	6.6	Completion of sixth review, based on observance of performance criteria at end-March 2011.
Total for the ECF arrangement	46.2	

Source: IMF staff.

APPENDIX I
TRANSLATED FROM FRENCH

BURUNDI
LETTER OF INTENT

Bujumbura, January 21, 2010

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

Dear Mr. Strauss-Kahn:

1. The Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) for the Republic of Burundi on July 7, 2008. This arrangement supports the medium-term program (April 1, 2008 to March 31, 2011) aimed at continuing the process of macroeconomic stabilization, reducing poverty, promoting structural reforms, and improving governance. In accordance with the terms of this arrangement, the government of Burundi discussed program implementation for the third review under the arrangement with a mission from the IMF. The discussions focused on implementation of the program between April 1, 2009 and September 30, 2009, as well as the outlook and economic and financial measures to be implemented in 2010.

2. On the political front, the government of Burundi continues to make every effort to consolidate the peace process by implementing the agreements signed between Burundi and the warring parties. Moreover, the government is taking the necessary steps to organize the elections in 2010.

3. On the economic and social front, the government of Burundi is pleased to report that implementation of the program has been satisfactory, despite the difficult international situation resulting from the global financial crisis. In particular, all the quantitative performance criteria and structural benchmarks for end-September 2009 have been met.

4. The government is resolved to continue implementing the policies and measures described in the Poverty Reduction Strategy Paper (PRSP). The Memorandum on Economic and Financial Policies (MEFP) attached to this letter completes previous memorandums since June 24, 2008.

5. The government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its program. It will take any further measures that may become appropriate for this purpose. The Burundian authorities will consult with the IMF on the adoption of such measures in advance of revisions to the policies contained in the MEFP, in accordance with IMF policies on such consultations.

6. The government of Burundi will provide the IMF with such information as it may request to monitor progress in economic and financial policy implementation. Burundi will also carry out reviews of the ECF-supported program with the IMF every six months. The fourth review should be completed no later than July 2010 and the fifth review no later than January 2011.

7. In view of the considerable progress made in implementing the program supported by the ECF, the government is requesting completion of the third review and the fourth ECF disbursement in an amount equivalent to SDR 6.6 million.

8. As in the past, the Burundian authorities wish to make this letter available to the public, along with the attached MEFP and Technical Memorandum of Understanding (TMU), as well as the IMF staff report on the third ECF 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 Burundian government.

Sincerely yours,

________/s/________
Clotilde NIZIGAMA
Minister of Finance

________/s/________
Gaspard SINDAYIGAYA
Governor, Bank of the Republic of Burundi

________/s/________
Gabriel NTISEZERANA
Second Vice President, Republic of Burundi

Attachments: Memorandum on Economic and Financial Policies
Technical Memorandum of Understanding

APPENDIX I
ATTACHMENT I
TRANSLATED FROM FRENCH

BURUNDI
MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES

Bujumbura, January 21, 2010

I. INTRODUCTION

1. This Memorandum on Economic and Financial Policies (MEFP) completes the preceding MEFPs since June 24, 2008. It reviews program implementation and updates the medium-term outlook and economic and financial policies that will be implemented in 2010 within the framework of the program covering the period from April 1, 2008 to March 31, 2011. The measures and objectives contained in this MEFP are compatible with the Poverty Reduction Strategy Paper (PRSP) published in September 2006 and the findings of the annual PRSP implementation report sent to the IMF and the World Bank in November 2008.

2. Economic policy will continue to be guided by the following objectives: (1) maintain single-digit inflation; (2) improve the composition of public spending to the benefit of priority sectors, while preserving fiscal sustainability; (3) strengthen public financial management (PFM) and good governance; and (4) strengthen the internal control systems of the Bank of the Republic of Burundi (BRB).

3. With the continued improvement in the security situation, the macroeconomic objectives are as follows for the period of the ECF: (1) GDP growth should average about 4.5 percent over the medium term, compared to the 2004–07 average of about 3.5 percent; (2) inflation should slow to about 6.5 percent in 2012; and (3) gross official reserves should stabilize at 6 months of imports coverage in the medium term.

II. PROGRAM IMPLEMENTATION

4. The global financial crisis had significant repercussions on Burundi's economy in 2009. GDP growth slowed from 4.5 percent in 2008 to approximately 3.5 percent in 2009, reflecting the impact of (1) reduced demand for nontraditional exports; (2) the decline in coffee prices in the first half of the year; and (3) the decrease in remittances and foreign direct investment. End-of-period inflation is expected to fall below the program target of 9 percent on account of lower commodity prices. Supported by SDR allocations, gross official reserves are expected to be at 7 months of imports coverage, well above the target set in the program.

5. All quantitative performance criteria for end-September 2009 have been met. The ceilings on cumulative domestic arrears and the ceiling on the reserve money were also observed. The wage bill in 2009 will also be kept within the envisaged budget allocation.

6. In close collaboration with development partners, the government is strongly pursuing structural reforms, notably the promotion of transparency and good fiscal management, financial sector reform, coffee sector reform, oil sector reform, and regional integration. In addition to the achievements described in the preceding MEFPs, significant progress has been achieved in all these areas in 2009.

7. In the PFM area, the gradual implementation of the PFM strategy and its action plan will give new impetus to fiscal reform. The rationalization of government accounts is making steady progress, without interfering with the smooth operation of the units concerned. In this context, over 254 accounts have already been closed. To modernize the tax system, the value-added tax (VAT) and the common external tariff (CET) came into effect on July 1, 2009, in accordance with the commitments made in the context of the East African Community (EAC). The law on the Burundi Revenue Authority (BRA) was promulgated on July 14, 2009, and the BRA will become operational in the first half of 2010.

8. In the financial sector, the process of reforming the BRB is moving forward and the BRB has made significant progress in implementing its 2009–11 action plan. In the area of foreign exchange, the symmetrical foreign exchange auction market (*marché des enchères en devises (MED) symétrique*), introduced earlier in the year, is being reinforced. In the monetary sector, the system of liquidity auctions was reformed with the removal of the ceiling on interest rates, and the marginal lending facility was reorganized. In the area of banking supervision, the prudential ratios for the exchange position and liquidity were strengthened. Procedures aimed at strengthening on-site supervision were implemented. A Memorandum of Understanding was signed with supervisors of countries in the EAC. Finally, the BRB and the Ministry of Finance designed an action plan to implement the recommendations of the special audits of the controls on large domestic transfers and disbursements on behalf of the government or its creditors during 2008. All of these results enabled the BRB to further strengthen its operational capacity.

9. With respect to the reform of the coffee sector, invitations to bid for the sale of 117 coffee washing stations, grouped into 29 lots, were published on June 5, 2009, and bids were opened on August 6, 2009. Investors expressed limited interest, and only 13 washing stations were sold upon completion of this process. With regard to oil sector reform, a mechanism for the monthly adjustment of retail prices for petroleum products is currently in place.

III. Economic Prospects and Policies for 2010

A. Fiscal Policy

10. The macroeconomic framework for the 2010 budget is as follows: (1) GDP growth is expected to pick up slightly to 3.9 percent; (2) end-of-period inflation is anticipated at 7.5 percent; and (3) gross official reserves are expected to stabilize at 6 months of imports coverage.

11. It is essential to raise sufficient domestic revenue to ensure fiscal sustainability and to increase poverty-reducing expenditures. The government projects that government revenues in 2010 will be approximately 18.5 percent of GDP, well above the average of 17.3 percent of GDP for fragile states in Sub-Saharan Africa.

12. To ensure that the revenue target is met, significant tax and administrative policy measures will be adopted. In particular, the government will increase the taxable base of the VAT on petroleum products to bring it in line with the VAT law. The tax base will also be enhanced through (1) rigorous monitoring of exemptions; (2) establishment of the investigation and research squad; (3) strengthening of cross-checking between the customs and government procurement; and (4) recovery of arrears and rigorous monitoring of the tax filing obligations of enterprises. The government will also expedite the implementation of IMF technical assistance recommendations on the VAT, following a review of VAT implementation during the first six months. In the area of customs, the ex ante controls of customs valuations and post-declaration audits will be strengthened with assistance from an import verification firm.

13. The global financial crisis will continue to have repercussions on government finances. It is expected to reduce government revenues by about 1 percentage point of GDP compared to the projected pre-crisis level of 19.4 percent of GDP (IMF staff report for the first review, dated January 9, 2009). To offset the impact of the crisis on the poor, the program envisages emergency spending on targeted social safety nets (approximately 1.5 percent of GDP) financed by additional budgetary assistance. Such spending will be used to finance food security and school meal programs and for targeted assistance to the most vulnerable members of the population and farmers.

14. The primary objective of expenditure policy in 2010 is to significantly improve the composition of public spending in favor of priority sectors so as to accelerate progress toward the Millennium Development Goals (MDGs). Accordingly, the goal is to raise propoor spending by 1.7 percent of GDP. The reform of the government's car fleet, which yields a saving of 0.5 percent of GDP, will create more fiscal space for increasing propoor spending. In the health sector, the necessary funds are in place to ensure free health care for children under 5 and women during childbirth. There are also plans to recruit 186 health personnel, including 40 doctors. In order to increase health care coverage in Burundi, the policy of building health care centers in the most disadvantaged regions will continue with the creation of 27 new centers.

15. In the field of education, increased financial resources will be allocated for school facilities, recruitment of teachers, and educational materials in order to address the demand for school enrollment fostered by free tuition at the primary level. Furthermore, the government plans to build 3,634 primary classrooms and 920 secondary classrooms. The government also intends to recruit 6,794 teachers, including 3,500 at the primary level, which will help keep down the student-teacher ratio. To ensure that students are properly supervised in their education, 1,416 teaching assistants and monitors will also be hired.

16. In the agriculture sector, efforts will be made to step up the production of food crops to ensure food security. In this respect, debt relief from the Multilateral Debt Relief Initiative (MDRI) will be allocated to improving irrigation infrastructure—in particular, rehabilitating and extending the irrigation system in the Imbo Plain. A wide-ranging program of reforestation with fruit trees will be continued in light of the significant results already achieved. Over and above its direct impact on the environment, such a program will have a beneficial impact on poverty, in particular by generating substantial income in rural areas by helping demobilized individuals take their place in society.

17. The government wage bill will be kept within the allocation planned for 2010 at the time of the second review in July 2009 (about BIF 212 billion). The 2010 wage bill now stands at 11.6 percent of GDP. In 2010 the government will pursue implementation of the law on the new civil service regulations that began in 2009. Implementation of these regulations, promulgated in 2007, has been delayed in an effort to reach agreement with teachers' unions on grade reclassification. In accordance with the spirit and the letter of this law, the regulations will be applied retroactively to 2007. The government will sign an agreement with the unions regarding payment of amounts due.

18. The government will continue to pursue its goal of lowering the wage bill-to-GDP ratio below 11 percent over the medium term. According to IMF projections, the ratio will be about 11.3 percent in 2012. Because the wage bill in the education and health sectors, which are key for achieving progress toward the MDGs, will continue to grow, reflecting high demand for teachers and health care personnel, the extent to which our medium-term target for the wage bill-to-GDP ratio can be achieved will depend upon continuation of the demobilization process. In light of the political and social implications of that operation, it may not be possible to address these issues until after the 2010 elections.

19. In support of its fiscal policy, the government will strengthen implementation of its sliding quarterly cash flow plan. Expenditure commitment and cash flow plans will be harmonized at the beginning of each quarter and submitted to the Minister of Finance for approval. In this context, all budget spending will require the prior authorization of the Minister of Finance and will be executed strictly on the basis of financing availability. A monthly budget allocation will be defined, with strict expenditure prioritization.

B. Monetary and Foreign Exchange Policy

20. The government plans to pursue a prudent monetary policy, which is necessary to control inflationary expectations. To secure the objective of single-digit inflation, the BRB will set broad money growth below nominal GDP growth.

21. Better fiscal and monetary policy coordination will be essential. Accordingly, the BRB and Ministry of Finance will hold monthly meetings. In addition, the role of the Cash Flow Management Committee will be greatly enhanced with the preparation of monetary and fiscal policy recommendations to the BRB and Ministry of Finance.

22. Proactive management of the BRB's foreign exchange reserves and sterilization of foreign exchange operations will continue within a flexible exchange rate regime for the Burundi franc. With technical assistance from the IMF, the BRB will continue to implement the recommendations of IMF experts for improving the operation of the foreign exchange market. In particular, in consultation with the local banks, the BRB will prepare and adopt a market convention (*convention de place*) with a code of conduct for market dealers. It will also strengthen its communication with banks in regard to the functioning of the symmetrical MED and its intervention policy, in particular by holding monthly meetings.

C. Structural Reforms

23. In close collaboration with development partners, the government will continue to pursue its ongoing structural reforms: promotion of transparency and good public financial management, financial sector reform, coffee sector reform, and oil sector reform.

24. In the field of government finance, the government will continue to capitalize on the major reforms that have been initiated in recent years (Table I.1). Thus, the government will continue with the gradual implementation of the new Organic Law on Government Finance (*Loi Organique relative aux Finances Publiques, LOFP*) as well as the PFM strategy and its action plan, with assistance from technical and financial partners, especially the IMF, the World Bank, and the European Union.

25. A new agreement between the central government and the BRB redefining the role of the BRB in PFM will be adopted by March 31 2010 (structural benchmark). The new 2008 chart of accounts will be introduced with the 2010 budget, which will further enhance transparency and ensure more effective monitoring of budgetary operations. The government will also prepare a presidential decree notifying all members of government that under the LOFP (1) any draft law or decree having an expenditure impact—as well as any public announcement of such a bill—must henceforth be submitted to the Minister of Finance for prior approval; and (2) henceforth no draft law can have fiscal provisions. As part of the gradual move toward the single Treasury account, rationalization of the ministerial accounts will be completed in 2010. By September 2010, the Minister of Finance will prepare a final report on the closure of the government accounts (structural benchmark for end-September 2010).

26. In the financial sector, although there are no signs of systemic risk resulting from the global financial crisis, the BRB will step up banking supervision on a preventive basis. In particular, it will move ahead with the planned increase in bank minimum capital requirements to BIF 10 billion (averaging 12 percent of bank assets) by December 31, 2010, and will take appropriate measures against banks that do not meet this requirement. Moreover, the BRB will undertake reforms to align prudential standards and ratios with the rules currently in force within the EAC. It will also strengthen cross-border supervision by signing memoranda of understanding with foreign supervisory authorities other than those in the EAC subregion.

27. Furthermore, the BRB will use the final recommendations of the joint IMF-World Bank study on the financial sector to guide its strategy and action plan for reform of the sector. Credit concentration is the most important risk facing the banking sector. To mitigate this risk, the BRB will scrutinize bank risk management practices and lending standards. The BRB will also (1) begin conducting stress tests on a regular basis and incorporate these into its microprudential rules, and (2) engage in dialogue with banks regarding the results of these tests. Technical assistance for this purpose has been requested from Central AFRITAC.

28. In the context of the safeguards assessment report prepared by Fund staff, the BRB undertakes to recruit an international auditor to (1) monitor full implementation of all the recommendations made by the 2008 special audits on the basis of the September 2009 action plan prepared by the BRB and the Ministry of Finance; and (2) carry out special audits of the controls on significant domestic transfers and disbursements on behalf of the government or its creditors during the first half of 2010 (structural benchmark for end-June 2010). As a structural benchmark for end-December 2010, the BRB will submit to the General Council, the Audit Committee, and the Minister of Finance a report on the special audits of the controls on significant domestic transfers and disbursements on behalf of the government or its creditors during the first half of 2010.

29. With respect to reform of the coffee sector, the government expects that privatizing the 13 coffee washing stations will have positive spillover effects on the entire sector. In view of the limited interest expressed by foreign investors, the government will study its options for relaunching the invitations to bid, in consultation with the World Bank. As for reform of the oil sector, the government will press ahead with implementation of the monthly price adjustment mechanism that has been in place since May 2009.

D. External Financing

30. The government will ensure that all its external obligations are settled when due. The authorities will also draw on key recommendations of MCM and other donors' technical assistance to strengthen public debt management. In line with these recommendations, a joint Ministry of Finance-BRB committee has been set up. Moreover, the Ministry of Finance prepares monthly public debt position reports that give a detailed account of obligations falling due. Regular publication of these reports is critical for strengthening Burundi's debt management.

31. Burundi will seek only concessional external financing or grants. The government will not contract any nonconcessional foreign debt and will ensure that all loans contracted have a grant element of at least 50 percent. To make certain that the concessionality threshold is respected, the government will ensure compliance with the provision that the Ministry of Finance has the exclusive right to negotiate and sign external loans.

E. Technical Assistance and Coordination of Development Partners

32. Burundi has vast technical assistance needs. The authorities plan to remain in close collaboration with bilateral and multilateral partners to build up the administrative capacity of the country's institutions. Technical assistance from development partners is key in the

areas of tax policy and administration, public expenditure and debt management, monetary and foreign exchange policy, banking supervision, and economic statistics.

33. It is essential to coordinate relations with development partners, considering that they finance a major portion of budget expenditure. The government has stepped up its efforts to set up an institutional framework for coordination of assistance, namely the National Assistance Coordination Committee (CNCA). This initiative is supported financially by development partners. The CNCA can help:

- Organize the work between the government and development partners at the sectoral level, relying on the lead donor among the development partners for each sector. A high priority should be the creation of sectoral groups, as described in the CNCA organization chart.
- Centralize coordination of assistance within a single agency, which would facilitate coordination and decision-making by the government.
- Monitor aid disbursement and project implementation, in close collaboration with the Minister of Finance, to ensure that all financial assistance from development partners is included in the budget.

F. Program Monitoring

34. Program implementation will continue to be monitored on the basis of half-yearly reviews of performance criteria, indicative targets, and structural benchmarks, as shown in Tables I.2 to I.5. The information to be reported to the IMF and the definition of the pertinent variables can be found in the attached Technical Memorandum of Understanding. Program implementation, achievement of the related objectives, and compliance with the performance criteria will be the subject of half-yearly reviews. The authorities also stand ready to adopt, in consultation with IMF staff, any further financial or structural measures that may prove necessary for the success of the program.

Table I.1. Burundi: Public Financial Management Measures, 2006–09

Area/measures	Date	Impact
Legislative and regulatory		
Promulgation of the new budget Organic Law	December 2008	Transparency, accountability, and spending efficiency
Adoption of the PFM strategy and action plan	May 2009	
Decree establishing a steering committee for PFM reforms	May 2009	
Customs		
Promulgation of the Customs Code	January 2007	Transparency of rules
Signing of the Ministerial Decree for the application of the Code	January 2008	
Introduction of the ASYCUDA ++ information technology system	2006	Clarity and transparency of taxpayer information
Effective use of the tax identification number	2006	
Taxes		
Establishment of a reliable and computerized tax identification number system	2006	Modernization of the tax system
Introduction of a VAT and implementation of the EAC's common external tariff	July 2009	
Procurement		
Promulgation of the procurement code	February 2008	Transparency, spending efficiency, and improved governance
Establishment of the Regulatory National Authority and a National Directorate of procurement control	July 2008—February 2009	
Budget classifications		
Decree on accounting and budgeting plan (administrative classification, economic classification, functional classification)	2005	Improved fiscal reporting and expenditure tracking
Preparation and presentation of the budget		
Decree on the content of the budget guideline letter – indicative ceiling and fiscal calendar	May 2008	Improved budget preparation
Establishment of a new unit in charge of budget preparation within the budget directorate	April 2009	Improved budget preparation
Consolidated presentation of the regular budget and the special investment budget by ministry	Budget 2008	Improved budget preparation
Budget execution and tracking of budget execution		
Signing of the decree establishing the list of expenditures not requiring prior authorization	2007	Transparency
Establishment of an independent national committee to monitor HIPC funds	June 2007	Improved budget execution

Table I.1. Burundi: Public Financial Management Measures, 2006–09 (concluded)

Introduction of an integrated public expenditure management system	2006	Improved budget execution and fiscal reporting
Payroll management		
Census of government civil employees	September 2008	Improved wage bill management and elimination of ghost employees
Census of the police and army	2009 Q1	
Transfer of payroll management to the Ministry of Finance	March 2009	
Debt management	2007	Improved debt management
Installation of a computerized foreign debt management system)		
Cash management	2007	
Transferring the management of the HIPC account to the Government Cashier	October 2007	Improved treasury management
Closing of off-budget accounts and more than 254 ministry accounts	2007–09	Improved treasury management and move toward single treasury account
Establishment of a Cash Management Office	October – December 2007	Improved treasury management
Government accounting		
Adoption of a new manual on accounting procedures	April 2007	Improved accounting and monitoring
Establishment of an Accounting Quality Office	May 2008	
Control and audit		
Independent audit of the use of HIPC funds for 2005–07	May 2008	Transparency and accountability
Creation of the Inspectorate General of State; and creation of an internal inspection and control unit in the Ministry of Finance;	2007	Transparency and accountability
Creation of the General Accounting Office authorized by a law of 2004	2006	Transparency and accountability

Source: Burundi authorities.

Table I.2. Burundi: Performance Criteria and Indicative Targets for 2009

(BIF billion, unless otherwise indicated)

	2008	2009										
	Dec.	Mar.			Jun.[1]			Sep.			Dec.[1]	
	Act.	Prog.	Prog. Adj.	Act.	Prog.	Prog. Adj.	Act.	Prog.	Prog. Adj.	Act.	Prog.	Proj.
Performance Criterion												
Net foreign assets of the BRB (floor; US$ million) [2]	112.9	15.4	-17.9	85.1	35.0	4.1	120.9	40.0	-2.2	91.8	69.0	91.3
Net domestic assets of the BRB (ceiling)[2]	17.0	126.7	166.3	33.6	122.6	159.8	13.9	127.4	178.5	44.8	90.2	65.0
Net domestic financing of the government (ceiling) [2]	19.0	36.5	76.1	-4.7	46.9	84.1	0.2	61.2	112.3	9.5	21.7	21.7
External payments arrears of the government (ceiling; US$ million) [3]	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0
Short-term external debt of the government (ceiling; US$ million) [3]	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; US$ million; cumulative from beginning of calendar year; US$ million) [3]	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0
Indicative targets												
Accumulation of domestic arrears (ceiling; cumulative from beginning of calendar year)	2.3	0.0		1.2	0.0		0.0	0.0		0.0	0.0	0.0
Reserve money (ceiling)	…	145.0		138.7	164.7		162.7	175.8		157.9	177.5	180.6
Memorandum item:												
External nonproject financial assistance (US$ million; cumulative from beginning of calendar year)	113.3	33.3		0.0	33.7		2.8	64.2		22.0	105.8	103.8

[1] Indicative targets.
[2] The ceiling or the floor will be adjusted as indicated in the TMU.
[3] Continuous performance criterion.

Table I.3. Burundi: Performance Criteria and Indicative Targets for 2010

(BIF billion, unless otherwise indicated)

	2009	2010			
	Dec.	Mar.	Jun.[1]	Sep.	Dec.[1]
	Proj.	Prog.			
Performance Criterion					
Net foreign assets of the BRB (floor; US$ million) [2]	91.3	59.6	52.8	67.4	86.1
Net domestic assets of the BRB (ceiling) [2]	65.0	74.8	87.6	90.5	88.1
Net domestic financing of the government (ceiling) [2]	21.7	58.0	89.6	80.7	21.2
External payments arrears of the government (ceiling; US$ million) [3]	0.0	0.0	0.0	0.0	0.0
Short-term external debt of the government (ceiling; US$ million) [3]	0.0	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 calendar year) [3]	0.0	0.0	0.0	0.0	0.0
Indicative targets					
Accumulation of domestic arrears (ceiling; cumulative from beginning of calendar year)	0.0	0.0	0.0	0.0	0.0
Reserve money (ceiling)	180.6	150.9	155.8	178.2	201.4
Propoor spending (floor; cumulative from beginning of calendar year)	274.8	50.1	105.4	200.7	342.2
Memorandum item:					
External nonproject financial assistance (US$ million; cumulative from beginning of calendar year)	103.8	11.2	11.2	72.2	151.0

[1] Indicative targets.

[2] The ceiling or the floor will be adjusted as indicated in the TMU.

[3] Continuous performance criterion.

Table I.4. Burundi: Performance Criteria and Structural Benchmarks for 2009

Measures	Condition type and date	Status	Macroeconomic Rationale
Fiscal management			
Resumption of payroll management by the Ministry of Finance by taking charge of the payroll database.	Performance criterion (March 31, 2009)	Completed	Efficient wage bill management is essential for focusing spending in priority areas, while enhancing fiscal sustainability. Wage bill management is being reinforced through the creation of a single wage data management and elimination of ghost employees.
Close and transform into subaccounts for special allocation from the general treasury account the off-budget accounts mentioned in the Finance Minister's letter No. 540/4904/2008 of November 12, 2008.	Structural benchmark (September 30, 2009)	Completed	Implementation of a single treasury account is key to sound public financial management.
Close the accounts mentioned in the Finance Minister's letter No. 540/4768/2008 of October 31, 2008.	Structural benchmark (September 30, 2009)	Completed	Implementation of a single treasury account is key to sound public financial management.
Prepare and implement a sliding quarterly cash-flow plan.	Structural benchmark (June 30, 2009)	Completed with delay	Enhance budget execution and ensure coordination of monetary and budget policies.
Revenue administration and tax policy			
Introduce VAT and the common external tariff.	Structural benchmark (July 31, 2009)	Completed	To raise the efficiency of tax collection, and offset potential losses on customs revenue due to the accession to EAC.
Fiscal governance			
In accordance with the laws of Burundi, the BIF 6 billion and the deeds for 25 properties belonging to INTERPETROL that have been placed under seal will remain in place until a court decision has been reached on the INTERPETROL case.	Structural benchmark (continuous)	Completed	Enhance fiscal governance to ensure continuation of budget support.

Source: Burundi authorities.

Table I.5. Burundi: Structural Benchmarks for 2010

Proposed Measures	Dates	Rationale
Public Financial Management		
Adopt a new "convention" between the Ministry of Finance and the BRB redefining the role of the central bank in public financial management, as stipulated under the new budget Organic Law.	March 31, 2010	Key to implementing the new budget organic law.
Prepare a final report on the closing of government accounts.	September 30, 2010	Implementation of a single treasury account is key to sound public financial management.
Central Bank and Treasury Safeguard measures		
Recruit an international auditor to: (i) monitor the full implementation of all the recommendations formulated in Deloitte's 2008 special audit reports (consistent with the September 2009 agreed-upon action plan between Burundi's central bank and the Ministry of Finance); and (ii) verify on a test basis the controls on significant domestic disbursements and transfers executed by the central bank on behalf of the government or its creditors during the first half of 2010.	June 30, 2010	To enhance the safeguard measures in force at the central bank and the Treasury.
Submit to the General Council, the audit committee, and the Minister of Finance the report on special audits of the controls on important domestic disbursements and transfers—on behalf of the government or its creditors— that took place in the first half of 2010.	December 31, 2010	To enhance the safeguard measures in force at the central bank and the Treasury.
Fiscal Governance		
In accordance with the laws of Burundi, the BIF 6 billion and the deeds for 25 properties belonging to INTERPETROL that have been placed under seal will remain in place until a court decision has been reached on the INTERPETROL case.	Continuous	Enhance fiscal governance to ensure the continuation of budget support.

Source: Burundi authorities.

APPENDIX I
ATTACHMENT II
TRANSLATED FROM FRENCH

BURUNDI
TECHNICAL MEMORANDUM OF UNDERSTANDING

Bujumbura, January 21, 2010

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 adjusters.

A. Quantitative Program Targets

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 and the BRB (ceiling, continuous); and
- new nonconcessional medium- and long-term 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**:

- accumulation of domestic arrears (ceiling);
- propoor spending (floor); and
- reserve money (ceiling).

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.

Adjuster for changes in the compulsory reserves coefficients

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

7. **Net domestic financing of the government** is defined as the change in (i) outstanding loans, advances, and other credit to the government from the BRB and all of Burundi’s commercial banks; (ii) 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.

8. The stock of **external payment arrears** 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 has not been paid.

9. The program includes a ceiling on **new nonconcessional external debt** contracted or guaranteed by the government and the BRB. This performance criterion applies to the contracting or guaranteeing by the central government, local governments, or the BRB of new nonconcessional external debt (as specified below) with an original maturity of one year or more, including commitments contracted or guaranteed for which value has not been received. The term “debt” shall be understood as defined in the Executive Board Decision No. 12274-(00/85) adopted August 24, 2000. Debt rescheduling and restructuring are excluded from the criterion. Included are financial leases and other instruments giving rise to

external liabilities, contingent or otherwise, on nonconcessional terms. In determining the level of concessionality of these obligations, the definition of concessional borrowing shall apply. Concessional debt is defined as having a grant element of 50 percent or more. Management fees would also be taken into account when determining a loan's grant element. For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates (CIRRs) published by the OECD should be used as the discount rate for assessing the level of concessionality, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and the 6-month average CIRRs, the following margins should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–29 years; and 1.25 percent for 30 years or more. The performance criterion is defined to exclude the use of Fund resources and any Burundi franc-denominated treasury securities held by nonresidents.

10. **The stock of short-term external debt** with a maturity of less than one year owed by the central government is to remain at zero under the program. Normal import credits are excluded from this ceiling. Loans with an initial maturity, as recorded in the original loan agreement, of 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 Fund, and any Burundi franc-denominated treasury securities held by nonresidents. As of September 2007, the stock of short-term debt outstanding was nil.

11. Consistent with the PRSP, the authorities' definition of propoor 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) propoor investment spending, financed by donors.

12. **The accumulation of domestic arrear**s is measured by the accumulation of non-executed payment orders older than 60 days.

External financial assistance adjustor

13. 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).

14. Any financing excess up to US$60 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$60 million.

15. 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$60 million. External financial assistance will be converted to Burundi francs using the program-specified BIF/US$ exchange rate. The average program exchange rate in 2010 is 1290.

16. 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.

B. Provision of Information to IMF Staff

17. 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

18. The following weekly data:

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

19. 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 propoor 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).

20. 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).

21. 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.

INTERNATIONAL MONETARY FUND

BURUNDI

Third Review Under the Three-Year Arrangement
Under the Extended Credit Facility

Informational Annex

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

January 26, 2010

- **Relations with the Fund**. Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 57.99 million (75.31 percent of quota) at end-November 2009.
- **Relations with the World Bank**. Describes the joint World Bank–IMF program.
- **Relations with the African Development Bank**. Describes the AfDB Group's operations and portfolio.
- **Statistical Issues**. Assesses the quality of statistical data. Shortcomings in economic statistics are hampering surveillance.

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APPENDIX I

BURUNDI
RELATIONS WITH THE FUND

(as of November 30, 2009)

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

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

III. SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	73.85	100.00
Holdings	66.79	90.44

IV. Outstanding Purchases and Loans:	**SDR Million**	**% Quota**
PRGF arrangements	57.99	75.31

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
PRGF	Jul. 07, 2008	Jul. 06, 2011	46.20	19.80
PRGF	Jan. 23, 2004	Jan. 22, 2008	69.30	69.30
PRGF	Nov. 13, 1991	Nov. 12, 1994	42.70	17.21

VI. Projected Payments to Fund [1]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2009	2010	2011	2012	2013
Principal			1.43	5.01	6.73
Charges/Interest	0.14	0.31	0.31	0.29	0.26
Total	0.14	0.31	1.74	5.30	6.99

[1] When a member has financial obligations overdue for more than three months, the amount of such arrears will be shown in this section.

VII. Safeguards Assessments

An update assessment of the Banque de la République du Burundi (BRB) was completed in June 2008 and found that since the previous assessment, certain safeguards had been strengthened (e.g., external audits have been completed on a timelier basis and audited financial statements comply with IFRS and are published). However, the 2008 assessment also identified significant control weaknesses and recommended more robust controls over domestic disbursements to the government and its creditors, including contracting an external auditor to review such controls (Prior Actions for the approval of the arrangement). Other key safeguards recommendations include a system to monitor the status of audit and safeguards recommendations, conduct of semi-annual audits of significant disbursements and transfers to the government or its creditors, and issuing guidelines for investment operations.

VIII. Exchange Arrangements

Burundi maintains a floating exchange regime. The U.S. dollar is the intervention currency. On December 31, 2009, the exchange rate was BIF 1,230.5 to the dollar. In 2003 the central bank eliminated most remaining exchange restrictions on current international transactions and delegated authority to commercial banks to approve standard transactions. In early 2004, the surrender requirement was lowered to 50 percent and in early 2005 it was eliminated. The central bank has admitted foreign exchange bureaus to the weekly auctions. Most external arrears to bilateral and multilateral creditors were cleared by the end of 2005. In December 2006 the government published a new foreign exchange regulation that liberalized foreign exchange for current transactions and removed one multiple currency practice.

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

IX. Article IV Consultation

In accordance with Decision 12794-(02/76), as amended by Decision 12854-(02/96), Burundi is on the 24-month Article IV cycle. The 2008 Article IV consultation was completed by the Executive Board on July 7, 2008 (IMF Country Report 08/282), along with the request of a new PRGF arrangement.

In concluding the 2008 consultation, Executive Directors acknowledged the commendable progress that Burundi made in implementing its first PRGF-supported program in a difficult postconflict environment. They agreed that fiscal sustainability in the face of a heavy debt burden will depend on broadening the revenue base and improving the composition of spending while financing the budget though grants and highly concessional external resources. Recognizing the recent acceleration of inflation deriving from rising international food and oil prices, Directors encouraged the monetary authorities to act to anchor inflation expectations and contain second-round effects of food and oil price shocks. Directors also saw the need to accelerate structural reforms, especially in the coffee sector, and welcomed Burundi's membership in the East African Community.

X. Technical Assistance

November 2009	AFRITAC mission on VAT implementation.
September 2009	MCM mission on BRB capacity building and public debt management
June 2009	MCM multitopic mission
April 2009	FAD mission on implementing the organic budget law
March 2009	MCM mission on monetary operations
March 2009	MCM mission on foreign exchange
March 2009	MCM mission on internal audit
March 2009	MCM mission on reserve management
February 2009	AFRITAC mission on banking regulation and supervision
February 2009	FAD PSIA mission on fuel pricing policy and social protection
January 2009	MCM FSAP mission
December 2008	AFRITAC mission on fiscal administration
December 2008	MCM multitopic mission
December 2008	MCM mission on internal audit
August 2008	MCM mission on organizational, human resources, and communication reforms
July 2008	MCM mission on foreign exchange
June 2008	AFRITAC mission on banking regulation and supervision
May 2008	FAD mission for installation of a PFM resident advisor

January 2008	FIN safeguards assessment mission
December 2007	AFRITAC statistics mission on national accounts and consumer price index
November/December 2007	STA monetary and financial statistics mission
November 2007	AFRITAC mission on building capacity in banking supervision
November 2007	FAD Tax policy mission
November 2007	STA monetary statistics mission
September 2007	MCM multitopic mission
September 2007	AFRITAC mission on tax revenue administration
September 2007	AFRITAC mission on building the capacity of the central bank
September 2007	FAD public financial management mission
July 2007	AFRITAC PFM mission on payroll control
June 2007	AFRITAC PFM mission on treasury operation and control
June 2007	MCM technical assistance mission
June 2007	AFRITAC mission on building debt management capacity
March 2007	FAD resident expert on public accounting
December 2006	FAD public expenditure management mission
November 2006	MCM banking supervision mission
September 2006	FAD customs and tax administration mission
April 2006	MCM foreign exchange reserve management mission
March 2006	STA mission to prepare the metadata and medium-term action plan
March 2006	MCM/LEG joint Article VIII mission
January 2006	LEG AML/CFT legislative drafting mission

XI. Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	Aug 2005
Assistance committed by all creditors (US$ million) [1]	832.6
of which: IMF assistance (US$ million)	27.87
(SDR equivalent in millions)	19.28
Completion point date	Jan. 2009
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	19.28
Interim assistance	0.26
Completion point balance	19.02
Additional disbursement of interest income [2]	3.07
Total disbursements	22.35

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

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

XII. Resident Representative:

A part-time resident representative took up the post in May 2005 and an office with an administrative assistant opened in January 2006 in Bujumbura. Mr. Israel de la Piedra was the IMF's resident representative to Burundi from May 2007 to May 2009. Mr. Koffi Yao, the newly appointed resident representative, assumes his duties in late January 2010.

APPENDIX II
BURUNDI

JOINT WORLD BANK–IMF WORK PROGRAM, 2008–10

Title	Products	Provisional Timing of Mission	Expected Delivery Date
	A. Mutual Information on Relevant Work Programs		
Bank work program	1. Public Expenditure Management and Financial Accountability Review (PEMFAR)	July 2008	August 2008
	2. Public Expenditure Review	Sept. 09	April 2010
	3. ERSG-2 (Budget support)	March 17–28 (appraisal)	August 2008
	4. ERSG-3 (Budget support)	Sept. 08, Dec. 08 (identification) March–April 09 (pre- appraisal) June 09 (appraisal) Dec. 09 (effectiveness)	October 2009
	5. ERSG-4 (Budget support)	December 09 (identification)	August 2010
	6. Country Economic Memorandum (CEM)	July 09 (main mission)	March-May 2010
IMF work program	1. Article IV consultation, negotiations for new PRGF arrangement	April 30–May 14 and May 25–31, 2008	July 2008
	2. First PRGF review	November 2008	January 2009
	3. Second PRGF review	May 2009	July 2009
	4. Third PRGF review	November 2009	February 2010
	5. Fourth PRGF review	May 2010	July 2010
	B. Requests for Work Program Inputs		
Fund request to Bank	1. Policy note on domestic petroleum sector		December 2008 (detailed background report) and May 2009 (synthesis report)
Bank request to Fund	1. Study of exchange rate misalignment and competitiveness		July 2008
	2. Study on the sources of inflation in Burundi		December 2009
	C. Agreement on Joint Products and Missions		
Joint products	FSAP		December 2008
	DSA		December 2008
	JSAN on APR		December 2008
	HIPC CP documents		December 2008

APPENDIX III

BURUNDI
RELATIONS WITH THE AFRICAN DEVELOPMENT BANK GROUP
(as of January, 2010)

Burundi has been a member of the African Development Bank (AfDB) Group since the group was founded in 1964. AfDB grant and loan operations with the country were interrupted by the outbreak of civil strife in 1993. On July 19, 2004, the AfDB Boards approved general policy guidelines to help postconflict countries clear their arrears and created a facility, the PCCF, initially funded with about SDR 100 million in AfDB funds, to provide financial assistance to qualifying countries. The policy guidelines call for a three-way burden-sharing formula among the country, donors, and the PCCF. On October 27, 2004, the AfDB Boards endorsed an arrears clearance proposal for Burundi whereby the balance of arrears was settled with the help of donors and the PCCF before the decision point for the enhanced HIPC Initiative.

On April 21, 2009, under the enhanced framework of the Heavily Indebted Poor Countries (HIPC) Initiative, the Board of Directors approved AfDB's share of the HIPC debt relief, equivalent to US$150,200,000 in Net Present Value (NPV) terms, as of the end of 2004. The Board of Directors also approved Burundi's qualification for debt relief under the Multilateral Debt Relief Initiative (MDRI) for US$15.38 million (UA 10.48 million), in nominal terms. The following table provides an overview of AfDB's current operations and pipeline in Burundi.

Sector	**Name**	**Status**	**Amount**
			UA millions
Rural development	Watershed management	ongoing	9.00
Water and sanitation	Rehabilitation and extension project	ongoing	12.00
Energy	Rehabilitation and extension project	ongoing	7.30
Social	Multisectoral reinsertion project	ongoing	9.80
Transport	Kirundo-Gasenyi road	ongoing	14.90
Governance	Institutional capacity building project	ongoing	2.10
Governance	Extension of the Institutional capacity building proj.	preparation	0.83
Governance	Governance structures support program	ongoing	1.50
Governance	Economic reforms support program (PARE II)	ongoing	14.00
Governance	Addition to the Economic reforms support program (PARE II)	preparation	10.00
Rural development	Multinational : Rural development in Bugesera	preparation	15.00
Transport	Gitega-Ngozi road	preparation	33.84
Transport	Multinational : Mugina-Bujumbura-Ruhwa-Ntendezi-Gisenyi road	ongoing	49.50
Transport	Multinational : Phase II of railway project Dar Es Salaam-Isaka-Kigali/Keza-Musongati	ongoing	0.80
Job creation	Ngozi road pavement, education infrastructures and watershed management	ongoing	10.00
Energy	Multinational : power interconnection BI-NELSAP	ongoing	15.00
	Total		**205.57**

Appendix IV

BURUNDI

Statistical Issues

(as of January 6, 2010)

I. Assessment of Data Adequacy for Surveillance
General: Data provision has serious shortcomings that significantly hamper surveillance. The most serious shortcomings affect national accounts, government finance, and balance of payments statistics. Insufficient funding, staffing shortages and lack of equipment, along with coordination difficulties among responsible institutions, impede the timely production and dissemination of macroeconomic statistics. Burundi could benefit from participation in the General Data Dissemination System (GDDS), as a framework to improve its macroeconomic statistics and coordination between institutions.
Real sector statistics: Serious deficiencies in real sector data compilation hamper economic analysis and management. **National accounts** statistics are compiled infrequently by ISTEEBU, the national statistical office. Source data on agriculture, the most important economic activity, is inadequate. Consequently, there is a high degree of uncertainty regarding estimates of the level and the growth rate of GDP, components of expenditure, and all ratios to GDP. Annual national accounts estimates provided to the Fund, are not compiled, but rather, are derived from a macroeconomic projection model and certain base year estimates for 1998 and 2005. The monthly **consumer price index**, features expenditure weights derived from a dated 1991 household expenditure survey and covers only the capital city, leading to inaccurate measurement of inflationary pressure. No producer price indices are compiled. Limited **labor market statistics** are available, thus hampering surveillance.
Government finance statistics: Burundi has benefitted from technical assistance provided by the World Bank and FAD in the areas of public financial management information systems and public expenditure management, as well as STA training in the compilation of government finance statistics. Nevertheless, government finance statistics continue to suffer from weaknesses in coverage, accuracy, consistency, and timeliness.

Monetary and financial statistics: A 2007 STA technical assistance mission helped the Bank of the Republic of Burundi (BRB) improve its monetary and financial statistics. As a result, they are now compiled following the recommended methodologies of the IMF's *Monetary and Financial Statistics Manual (2000)*, and, are adequate for both surveillance and harmonization with the monetary statistics of other East African Community member countries.	
External sector statistics: Annual balance of payments and international investment position statistics are compiled by the BRB according to the fifth edition of the *Balance of Payments Manual (BPM5)*. However, severe coverage and measurement difficulties impart a high degree of uncertainty to external sector statistics and surveillance. For example, there are significant unrecorded imports and exports (particularly coffee and tea) of merchandise and services, and while adjustments are made, the uncertainty remains. For both services and income, the accuracy of the source data is not routinely assessed against other data sources. Similarly, measurement of capital and financial account transactions relies on Burundi's International Transaction Reporting System, which is known to have incomplete coverage. Further actions are required to improve the accuracy and reliability of external sector data.	
II. Data Standards and Quality	
Burundi does not participate in the GDDS.	No data ROSC is available.
III. Reporting to STA	
Summary government finance transactions data are reported for publication in *International Finance Statistics (IFS)*. The BRB has completed migration to the Standardized Report Forms for the submission of its monetary statistics to the Fund; detailed monetary statistics are published in the *IFS.* Balance of payments and international investment position data are published in *IFS* and in the *Balance of Payments Yearbook.*	

Burundi: Table of Common Indicators Required for Surveillance
(as of January 6, 2010)

	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Oct. 2009	Nov. 2009	M	M	M
Reserve/Base Money	Oct. 2009	Nov. 2009	M	M	M
Broad Money	Oct. 2009	Nov. 2009	M	M	M
Central Bank Balance Sheet	Oct. 2009	Nov. 2009	M	M	M
Consolidated Balance Sheet of the Banking System	Oct. 2009	Nov. 2009	M	M	M
Interest Rates[2]	Oct. 2009	Nov. 2009	M	M	M
Consumer Price Index	Oct. 2009	Nov. 2009	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]—General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]—Central Government	Oct. 2009	Nov. 2009	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt[5]	NA	NA	NA	NA	NA
External Current Account Balance	2008	Nov. 2009	A	A	A
Exports and Imports of Goods and Services	Dec. 2008	Nov. 2009	M	M	M
GDP/GNP	2008	Nov. 2009	A	A	A
Gross External Debt	Dec. 2008	Nov. 2009	M	M	A
International Investment Position[6]	2008	Nov. 2009	A	A	A

[1] Any reserve assets that are pledged of otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means, as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds), and state and local governments.

[5] Including currency and maturity composition.

[6] Includes external gross financial asset and liability positions vis a vis nonresidents.

[7] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No. 10/40
FOR IMMEDIATE RELEASE
February 16, 2010

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Third Review Under ECF Arrangement for Burundi and Approves Disbursement of US$10 Million

The Executive Board of the International Monetary Fund (IMF) has completed the third review of Burundi's economic performance under the Extended Credit Facility (ECF) arrangement.[1] The completion of the review was on a lapse of time basis,[2] effective February 10, 2010, and enabled the immediate disbursement of an amount equivalent to SDR 6.6 million (about US$10.1 million) under the arrangement. This will bring total disbursements under the arrangement to SDR 26.4 million (about US$40.5 million).

In a difficult postconflict environment, performance under the ECF-supported program was satisfactory. Burundi met all of its quantitative performance criteria and structural reforms are on track. Most monetary and fiscal reforms have progressed well, and steady progress has been made in implementing key structural reforms.

The PRGF arrangement was approved on July 7, 2008 (see Press Release No. 08/167) for an amount equivalent to SDR 46.2 million (about US$71 million).

ECF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in the Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that ECF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty.

Burundi, which became a member of the IMF on September 28, 1963, has a Fund quota of SDR 77million (about US$118 million).

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[1] The Extended Credit Facility (ECF) has replaced the Poverty Reduction and Growth Facility (PRGF) as the Fund's main tool for medium-term financial support to low-income countries by providing a higher level of access to financing, more concessional terms, enhanced flexibility in program design features, and more focused streamlined conditionality. Financing under the ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years. The Fund reviews the level of interest rates for all concessional facilities every two years.

[2] The Executive Board takes decisions under its lapse of time procedures when it is agreed by the Board that a proposal can be considered without convening formal discussions.