



BURUNDI

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BURUNDI

November 2021

In the context of the Request for Disbursement Under the Rapid Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on October 25, 2021, following discussions that took place during June 23–July 26, 2021 with the officials of Burundi on economic developments and policies underpinning the IMF arrangement under the Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on October 6, 2021.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- An **Informational Annex** prepared by the IMF Staff.
- A **Statement by the Executive Director** for Burundi.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: <http://www.imf.org>
Price: \$18.00 per printed copy

International Monetary Fund
Washington, D.C.



IMF Executive Board Approves a US\$76 Million Disbursement under the Rapid Credit Facility to Burundi to Address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- The COVID-19 pandemic and associated border closures resulted in a slowdown of Burundi's economy, which threatens to deteriorate living standards.
- To address Burundi's urgent balance of payments and fiscal needs, the IMF approved emergency financial assistance equivalent to about US\$76.2 million under the Rapid Credit Facility.
- The financial assistance will support the implementation of Burundi's COVID-19 response plan aimed at limiting the disease spread and cushioning its macroeconomic and social impacts.

Washington, DC – October 25, 2021: The Executive Board of the International Monetary Fund (IMF) approved a disbursement of SDR 53.9 million (35 percent of quota, about US\$76.2 million) under the [Rapid Credit Facility](#) (RCF). This emergency financial assistance will support the implementation of Burundi's COVID-19 response plan and contribute to financing the country's urgent balance of payment and fiscal needs stemming from the pandemic.

The COVID-19 pandemic and associated border closure led to a sharp economic slowdown, notably in services. Real GDP is estimated to have contracted by 1 percent in 2020 and growth is expected to remain subdued in 2021. The pandemic has put Burundi's fragile health system under pressure and the economic slowdown threatens to lower living standards and reverse the hard-won recent improvements.

The authorities prepared a COVID-19 response plan to limit the disease spread and mitigate the macroeconomic and social impacts of the pandemic. The disbursement under the RCF will support the COVID-19 response and is expected to help catalyze donor support. The authorities are committed to pursuing economic and financial policies appropriate for addressing the impact of the pandemic. They have also committed to preparing and publishing audited reports on COVID-19 spending and collecting information on the ultimate beneficiary ownership of companies awarded COVID-related contracts.

Following the Executive Board's discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, issued the following statement:

"The COVID-19 pandemic and associated border closures have led to an economic slowdown and created urgent balance of payments and fiscal needs. The authorities have prepared a COVID-19 response plan to limit the spread of the virus, mitigate its macroeconomic impact, and support the vulnerable population.

“The IMF emergency assistance under the Rapid Credit Facility would help to support the response plan, replenish reserves, and catalyze donor support. Further re-engagement with the Fund and the broader international community would help to alleviate residual financing gaps and support longer-term reforms and objectives.

“Ensuring strong transparency and governance of the COVID-19 spending is important. Measures to strengthen domestic revenue mobilization would help to create fiscal space for priority spending and preserve debt sustainability. Donor support in the form of grants and concessional financing remains essential.

“Accommodative monetary and regulatory policies are helping to support the economy. The authorities have provided liquidity to the financial sector and continued to monitor financial sector vulnerabilities. They stand ready to recalibrate policies contingent on macroeconomic and financial sector conditions. The authorities are committed to undergoing a safeguards assessment.

“Strengthening external sustainability is an important policy priority. This requires a multi-pronged policy package focused on improving exchange rate management and alleviating distortions in the foreign exchange market.”

More information

IMF Lending Tracker (emergency financing request approved by the IMF Executive Board)
<https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

[Burundi and the IMF](#)



BURUNDI

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

October 6, 2021

EXECUTIVE SUMMARY

Context. Burundi is a fragile state with a history of political tensions and weak institutions. Before the Covid-19 pandemic, Burundi was recovering from an economic recession triggered by the 2015 political crisis stemming from the late President Nkurunziza's decision to run for a third term. Real GDP growth was positive, at 1.8 percent in 2019, but difficult policy challenges persisted.

COVID impact and response. The pandemic and associated border closures resulted in a sharp economic slowdown in 2020; an intensifying COVID-19 spread is yet to be curbed. Testing capacity and access to vaccines remain among the lowest in the world. The authorities have prepared a COVID-19 response plan to limit the disease spread and cushion its macroeconomic and social impacts; however, its implementation has been constrained by limited financing. Additional sanitary and social spending needs to support the vulnerable population, combined with the expected vaccine costs, have created a fiscal financing gap in 2021/22. Burundi's balance of payments financing needs are urgent and large, estimated at 4.4 percent of GDP, reflecting imports needs, including vaccines and other COVID-related imports and replenishment of reserves to cover three months of imports. Although the SDR allocation provided much-needed relief, the external financing gap could result in economic disruption if not addressed.

Request. The authorities are seeking financial assistance under the exogenous shock window of the Rapid Credit Facility, requesting a disbursement of SDR 53.9 million (equivalent to 35 percent of quota) to address their immediate and urgent balance of payments and fiscal financing needs arising from the impact of the COVID-19 pandemic. Staff supports the request and that the disbursement be on-lent for budget support to provide space for the interventions needed to mitigate the severe socio-economic impact of the pandemic and support a gradual policy adjustment. Burundi has benefitted from debt relief under the Catastrophe Containment and Relief Trust (CCRT) for a total of SDR 17.96 million (four tranches).

Macroeconomic policies. The authorities are committed to balancing important development, social, and COVID-19 spending needs with debt and external sustainability. They plan to scale up implementation of their response plan to decisively curb the virus spread, further deploying sanitary measures and strengthening social protection to support the vulnerable. The authorities remain committed to prudent borrowing and preserving debt sustainability and have taken measures to continue strengthening domestic revenue mobilization and improving spending efficiency and prioritization. They have already taken steps to further strengthen the governance and transparency of COVID spending, including by preparing audited reports on COVID spending, and have committed to collecting information on the ultimate beneficiary ownership of companies awarded COVID-related contracts. The authorities plan to continue supporting the financial sector health with liquidity injections while monitoring financial sector vulnerabilities and macroeconomic conditions. They remain committed to efforts towards balancing external sustainability and protecting reserves coverage against the countries' other macroeconomic policy challenges.

Approved By

Dhaneshwar Ghura
(AFR) and **Anna Ilyina**
(SPR)

The IMF team comprised of Ms. M. A. Diouf (head); Messrs. J. Bouhga-Hagbe; M. M. Ly; S. J. Koussere (all AFR); R. J. Wild (STA), with assistance from Ms. B. Kwizera (Resident Representative office), M. B. Ould Abdallah and Ms. S. Ourigou (all AFR). Virtual discussions were held with the Burundian Authorities led by Minister of Finance, Budget, and Economic Planification Dr. Ndhokubwayo, Minister of health Dr. Ndikumana, and Central Bank Governor Ciza during June 23–July 26, 2021. Messrs. W. Nakunyada and T. Cham (OED) participated in key policy meetings.

CONTENTS

CONTEXT	5
MACROECONOMIC IMPACT OF THE COVID-19 PANDEMIC	8
OUTLOOK AND RISKS	11
POLICY ISSUES	16
A. Fiscal Policy Response To The Covid-19 Pandemic	16
B. Governance And Transparency	18
C. External Sustainability	20
D. Monetary Policy And Financial Sector Issues	21
ACCESS AND CAPACITY TO REPAY THE FUND	22
STAFF APPRAISAL	23
BOXES	
1. The Authorities' Response to the Covid-19 Pandemic	6
2. Standards of Living and Social Conditions	9
3. The Parallel Foreign Exchange Market in Burundi	15
4. Governance Institutions in Burundi	19

FIGURES

1. Recent Developments, 2014–21	25
2. Recent Monetary Developments, 2014–21	26

TABLES

1. Selected Economic Indicators, 2018–26	27
2a. Central Government Operations, 2018–26 (BIF Billion)	28
2b. Central Government Operations, 2018–26 (Percent of GDP)	29
3. Monetary Survey, 2018–26	30
4. Central Bank Accounts, 2018–26	31
5a. Balance of Payments, 2018–26 (US \$ Million)	32
5b. Balance of Payments, 2018–26 (Percent of GDP)	33
6. Banking System Soundness Indicators, 2018–21	34
7. Indicators of Capacity to Repay the Fund, 2018–31	35

ANNEXES

I. Risk Assessment Matrix	36
II. Growth Dynamics in Burundi	39

APPENDIX

I. Letter of Intent	42
---------------------	----

CONTEXT

1. Burundi is a post-conflict country subject to several mutually reinforcing sources of fragility.

Institutional weaknesses and economic fragility persist, with low implementation capacity, sporadic violence outbreaks, weak judicial and governance systems, high poverty and inequality, and high vulnerability to natural disasters. The country fell into deep recession following late President Nkurunziza's decision to run for a third term in 2015 (Figures 1 and 2), which triggered a political and security crisis, withdrawal of donor support, and sharp deterioration of living standards. Burundi's 2018–27 development plan (*Plan National de Développement, PND*) aims to address key weaknesses through export diversification, infrastructure development, improved access to social safety nets and public services, and better governance. Security conditions have significantly improved, although risks persist (Annex I).

2. Prior to the COVID-19 pandemic, Burundi's economy was recovering although grappling with difficult policy challenges, legacy of the 2015 crisis.

Growth was positive though weak at 1.8 percent in 2019, driven mostly by the agricultural sector (Annex II). Inflation averaged -0.7 percent as food prices fell with abundant agricultural production. The current account (CA) deficit was stable, at 11.6 percent of GDP, supported by gold exports, remittances, and official transfers. Fiscal performance had improved with revenue collection steadily increasing, providing space for stronger public investment. The fiscal deficit however remained large, at 6.2 percent of GDP in 2018/19, although relatively contained in view of the country's large investment and social spending needs. Foreign exchange (FX) reserves were anemic (1.3 months of imports at end-2019). The central bank's (*Banque de la République de Burundi* or BRB) management of the exchange rate (ER) and FX allocation were restrictive, giving rise to a large parallel market premium.

3. The pandemic has created significant fiscal and balance of payments (BOP) financing needs, both of which require urgent attention, against the backdrop of an intensifying COVID-19 spread, weak testing capacity, and limited fiscal space to purchase COVID-19 vaccines (Box 1).

The authorities' response plan, including urgent spending needs to curb the disease spread and support the vulnerable population, and expected vaccine costs have created a fiscal financing gap in 2021/22 (3.2 percent of GDP). The BOP financing needs are large in 2021 (4.4 percent of GDP), reflecting sizeable COVID-related imports and the need to rebuild FX reserves.

4. Following the May 2020 presidential elections, the new administration has taken steps to improve relations with the international community, including the Fund.

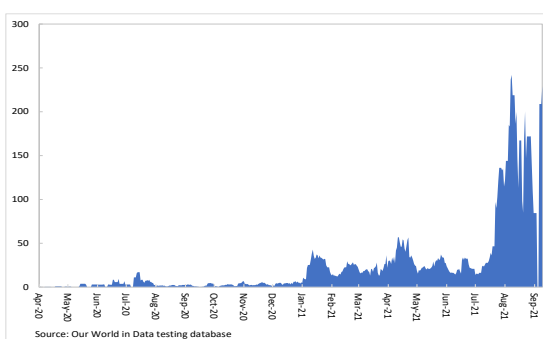
President Evariste Ndayishimiye, representing the incumbent ruling party, secured 71 percent of the vote in the May 2020 elections, succeeding the late President Nkurunziza who passed away in June 2020. Engagement has improved under the new government and the authorities have resumed data provision to the Fund. The authorities have agreed to resume Article IV consultations¹ and have requested a disbursement under the RCF to help them address their immediate and urgent financing needs

¹ The last Article IV consultation was completed in 2014.

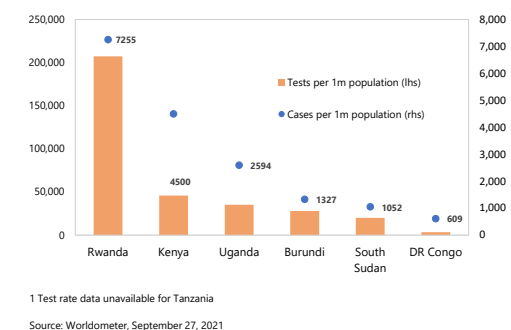
Box 1. Burundi: The Authorities' Response to the Covid-19 Pandemic

The pandemic: The first COVID-19 case in Burundi was reported on March 31, 2020. As of September 22, 2021, 16356 cases and 12 deaths have been reported. New cases have surpassed 1,000 cases per week since mid-July 2021 (up from an average of 20 cases per week in 2020 and an average of 371 cases per week during January–June 2021, see Box 1 Figure 1). Two large-scale testing campaigns were conducted during July 6–October 6, 2020 and January 11–February 11, 2021. The number of cases is likely underestimated as testing capacity remains weak with only about 2.8 percent of the population tested as of September 29, 2021 (Box 1 Figure 2).

Box 1 Figure 1. New COVID-19 Cases in Burundi



Box 1 Figure 2. COVID-19 Case and Testing¹



Government response:

- Bujumbura airport was closed from March to November 2020. On January 11, 2021, the authorities closed land and sea borders to passengers, and imposed new restrictions to passengers arriving at the Bujumbura airport. In September 2021, the authorities introduced a fine of about US\$ 50 for not wearing a mask in public places and public transportation in Bujumbura.
- The authorities have developed a pandemic response plan — focusing on strengthening the health care system, the social safety net, and parts of the road network to facilitate access to sick people. The response plan is estimated at about US\$ 150 million (4.7 percent of GDP), of which sanitary measures costing US\$ 58 million (1.8 percent of GDP). The authorities have promoted soft preventative measures but have limited the use of social distancing to minimize adverse economic effects. They subsidized the price of soap during June–September 2020 and are subsidizing water for standpipes, up to 50 percent. They also hired additional doctors and nurses and have granted tax holidays to affected businesses.

Box 1. Burundi: The Authorities' Response to the Covid-19 Pandemic (concluded)

- As part of the response plan of 4.7 percent of GDP, the authorities spent 0.8 percent of GDP in 2020/21 (Box 1 Table), including sanitary and non-sanitary measures. They are planning to spend 1.1 percent of GDP in 2021/22.
- The central bank increased flexibility in loan restructuring with targeted and time-bound extensions of loan maturities to hard-hit borrowers. A new refinancing window has also been opened for banks extending long-term loans to high-growth priority sectors.

Box 1 Table. Burundi: Covid-19 Spending ¹

	FY2020/21		FY2021/22	
	BIF Billion	Percent of GDP	BIF Billion	Percent of GDP
Total	48.3	0.80	70.4	1.07
<i>Of which:</i>				
Health infrastructure, incl. tents 2/	15.6	0.26	58.0	0.89
Reagents and drugs 2/	6.8	0.11	10.8	0.16
Recruitment of lab workers	...	...	0.4	0.01
Subsidy of various products to ensure cleanliness	...	...	1.2	0.02
Operating costs of the Covid-19 Committee 2/	1.8	0.03	...	...
Spending March-June 2021 (not yet itemized)	24.0	0.40	...	...

Source. Authorities

1/ Excludes spending on vaccination. Total Covid-related spending could be higher in reality but not separable from other budget lines due to data limitations.

2/ For FY2020/21, it is spending up to February 2021.

Vaccination. Burundi is preparing a vaccination strategy and has completed the Global Alliance for Vaccination and Immunization (GAVI) form. It is also exploring the Vaccine Global Access Facility (COVAX).

Urgent needs. Stronger diagnostic capacity is warranted (rapid testing and molecular analysis machines to identify variants of the virus), as well as better logistics (vehicles and the associated consumables and construction of travelers' paths to reduce contamination) to contain imported cases and community transmission.

Donor support. So far, financial support has included a grant from the World Bank (US\$5 million) and the fiscal space created by IMF CCRT debt relief (SDR 14.46 million) and debt service relief from Exim Bank of China and the Kuwait Fund (US\$ 0.5 million) under the G20 Debt Service Suspension Initiative (DSSI).

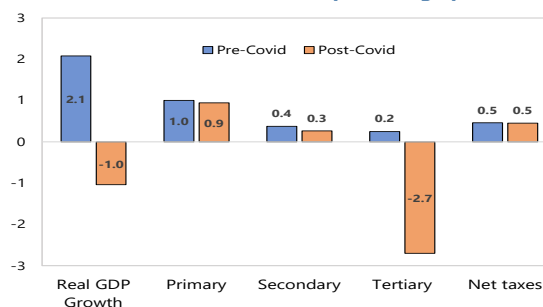
Governance. A technical committee for the response to the COVID-19 pandemic has been set up by decree. A single fiduciary fund, with an account opened at the BRB, has also been set up to centralize donor funding.

MACROECONOMIC IMPACT OF THE COVID-19 PANDEMIC

5. The Covid-19 pandemic has had a significant adverse impact on the Burundian economy (Box 1).

- Growth and Inflation.* Real GDP is estimated to have contracted by one percent in 2020 (compared to growth of 2.1 percent projected pre-COVID), mainly owing to a sharp slowdown in services (-6.1 percent). The primary sector was resilient, with steady growth in subsistence agriculture. The secondary sector was hampered by supply chain issues while public investment supported construction activity. The tertiary sector (hospitality; commerce, and transportation) were heavily impacted by travel and border restrictions and disruptions of supply chains in trading partner countries. The contraction was partially cushioned by an expansion in public services, notably healthcare, and modest growth in financial services due to newly created banks to support farmers, women, and young entrepreneurs. The pandemic threatens to deteriorate already weak living standards and reverse recent improvements (Box 2). Average inflation turned positive in 2020 at 7.3 percent, driven by rising food prices.

Text Figure 1. Burundi: Pre-and Post-COVID 2020 Real GDP Growth Projections (percent) and Sector Contributions (percentage points)

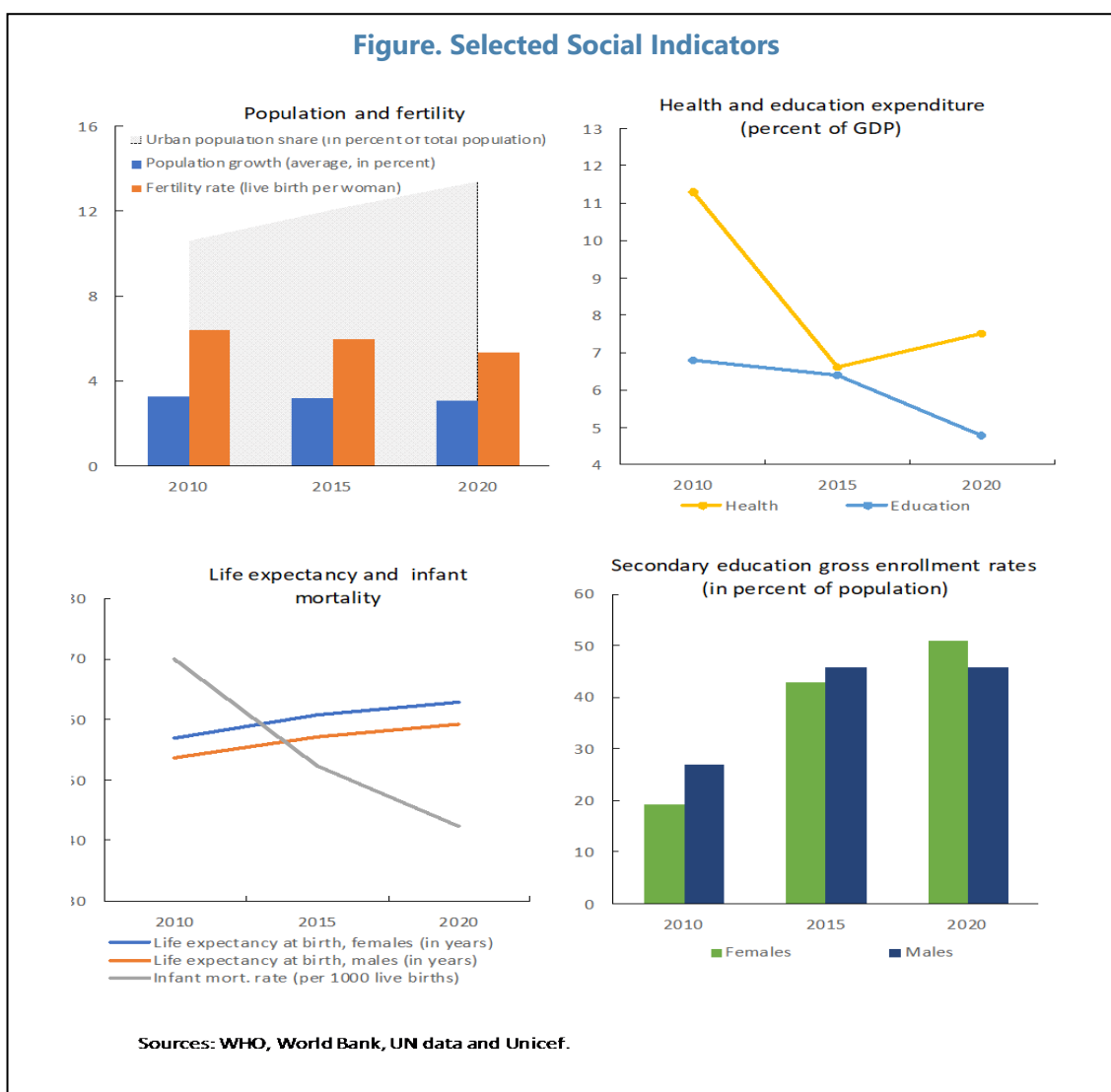


Sources: Authorities and IMF staff estimates.

Box 2. Burundi: Standards of Living and Social Conditions

Living standards are challenging in Burundi (see Figure below). GDP per employed person was low though rising until 2014 and started declining sharply in the aftermath of the 2015 political crisis. Burundi’s population is mainly rural (87 percent of total population in 2020) and reliant on subsistence agriculture). Access to adequate farmland is increasingly important due to high population growth (3.1 percent in 2020), fueled by a high fertility rate (5.4 births per woman in 2020) and refugee inflows (3 percent of the population in 2020). As a result, food insecurity and malnutrition are present, particularly among children, as shrinking and overworked household plots have become less productive. This is compounded by poor access to clean drinking water (in 2017, only 61 percent of the population had such access). Given high fertility rate and an average life expectancy of around 61 years, the average population age is low; in 2020, over 45 percent of the population was under 15 years old, resulting in a high dependency ratio.

Figure. Selected Social Indicators



Box 2. Burundi: Standards of Living and Social Conditions (Concluded)

Health and education performance have improved, and unemployment rates have slightly declined over the years. Infant and maternal mortality rates have fallen sharply (for infants, from 70 to 42 per 1000 live births between 2010 and 2020), and school enrolment rates have greatly improved, especially for females; a literacy rate of around 90 percent places Burundi in the top 20 of the 54 African countries. However, the shares of expenditures on health and education in GDP have fallen since 2010.

But the health system is fragile and not well positioned to handle the COVID pandemic. There is less than 1 hospital bed per 1000 people (WHO recommended ratio: 3 per 1000), and less than one doctor per 10,000 people (WHO recommended ratio: 1 per 1000). In addition, as of 2017, only 53 percent of the population had at least limited access to basic sanitation facilities. Households benefitting from social programs and the government's social safety net were more resilient to the COVID-19 shock¹ However, the other households suffered a net income loss that may threaten hard-won improvements in living standards.

¹UNICEF 2020, "Global Annual Results Report 2020" and UNICEF, 2020 "UNICEF'S Social Protection Response To COVID-19 Strengthening social protection systems before, during and after crises".

- *External sector.* The CA deficit shrank slightly to 10.4 percent of GDP in 2020, mainly due to lower international fuel prices, countercyclical workers' remittances,² and lower imports growth due to FX rationing. Exports decreased sharply, reflecting partly the closure of Burundi's international airport and lockdown measures in trading partner countries, which disrupted coffee and tea exports. The financial and capital accounts deteriorated significantly owing to lower investment flows. As a result, official reserves were below one month of imports prior to the SDR allocation (0.6 months of imports at end-March 2021) and the parallel ER market premium had increased further. The new SDR allocation to Burundi amounting SDR 147.6 million (about 6.6 percent of GDP), effective on August 23, 2021, helped rebuild reserves buffers.
- *Monetary and financial sectors.* The banking system appears broadly resilient. However, while NPLs are just 4.8 percent at end-March 2021, loan restructurings have increased, which could mask vulnerabilities. Private credit growth (21.6 percent at end-2020) has been supported by monetary policy (para. 21).

6. Budget execution was under pressure in 2020/21, partly due to COVID-related spending.

Revenue collection, at 18.9 percent of GDP in 2020/21, exceeded the budget target (by 1.2 percentage point of GDP). This performance was supported by buoyant taxes on goods and services, mainly VAT on imports, and taxes on income and international trade. It compensated for above-target spending driven by COVID-related sanitary and non-sanitary expenditures (0.8 percent of GDP), which were unforeseen

² Following an STA technical assistance mission in January 2020, the coverage of remittances from 2019 onwards was broadened to capture transfers made through money transfer agencies. However, remittances are still likely underestimated as the BRB's regulatory changes to apply the official ER to remittances gave rise to stronger informal flows. Major contributors are migrants in Canada, the U.S., Belgium, and Sweden.

at the time of the budget preparation. Higher current spending reflected partly COVID-related subsidies and transfers (hiring of doctors and nurses and implementation of the authorities' sanitary plan, see Box 1 Table), administrative changes in ministries following the 2020 general elections, and interest payments.³ Capital spending was under-executed, mostly owing to a shortfall of project grants. The fiscal deficit reached 6.9 percent of GDP, compared with a budget target of 2.5 percent of GDP, mainly financed by domestic borrowing (7.6 percent of GDP). Anecdotal evidence suggests a buildup of pending bills in 2020/21, which are being audited and will be securitized as per the law, if verified. Public debt at end-2020 was 67 percent of GDP.

OUTLOOK AND RISKS

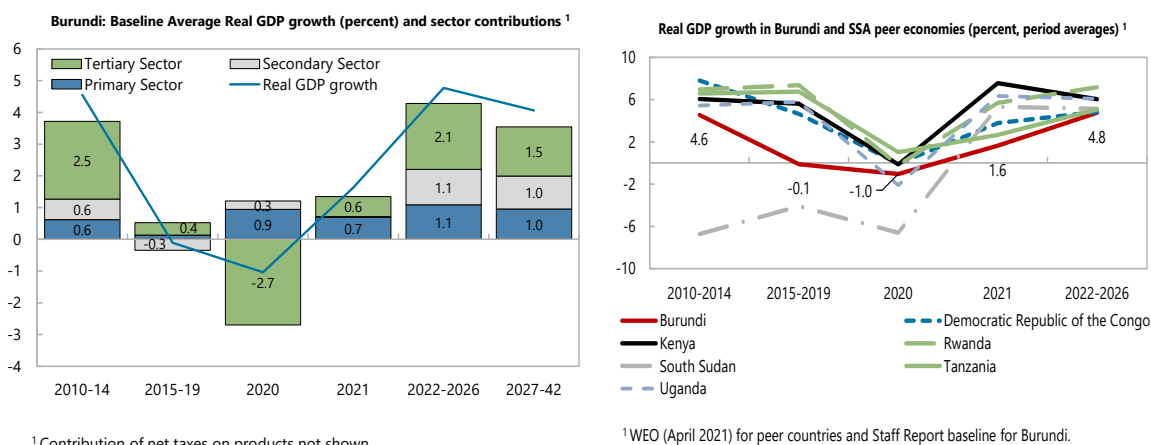
7. Growth is expected to gradually strengthen over the medium term, reflecting Burundi's access to COVID-19 vaccines, execution of investment plans, and continued reforms (Text Table 1, Text Figure 2). The baseline growth outlook is predicated on a pickup in vaccination, durable political stability, and initial reengagement with the international community, with sustained although still limited external financing flows. Growth would increase to around 5 percent over the medium term, supported by stronger services activities, agricultural and manufacturing⁴ production, and capital projects. Several projects are ongoing and close to being finalized or planned under the World Bank and the AfDB project portfolio⁵ and will result in increased productive capacity. The sustained investment, continued reforms (Text Table 2 and Annex II), and impact of the SDR allocation in alleviating imports rationing will support GDP growth and mitigate the effects of the projected fiscal consolidation (mainly unwinding COVID-related spending). These areas of growth drivers are consistent with the PND. Growth will also be supported by a more peaceful and stable political environment than prior to the COVID shock, addressing governance and corruption vulnerabilities, and building on successful elections. Based on these assumptions, staff assesses Burundi's debt sustainable, but at high risk of debt distress (DSA Appendix II and para. 26 and 27) with heavy reliance on domestic financing worsening domestic debt dynamics. Inflation is expected to remain contained.

³ Higher interest payments reflect mainly underbudgeting following recent discrepancies between domestic debt figures used for budget planning purposes and actual domestic debt payments from the debt unit.

⁴ Manufacturing production will be boosted by ongoing imports substitution policies (expansion of cement and fertilizer factories) and food and beverage production increases, supported by the BRB's refinancing measures.

⁵ Prospects of successful implementation are very strong. Several hydroelectric dam projects are in train with European, Chinese and IDP financing, while construction of a solar project financed by the World Bank began this year (total cost of \$600 million). Three of these projects could start production by 2022 and three others will be finalized during 2023-25. Power line and road projects are being funded by the AfDB (\$100 million).

Text Figure 2. Burundi: Analysis of the Growth Outlook



Sources: Authorities and IMF staff estimates and projections.

Text Table 1. Burundi: Key Macroeconomic Indicators, 2020–26

	2020	2021	2022	2023	2024	2025	2026
	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Real GDP (percent change)	-1.0	1.6	4.2	4.7	4.9	5.2	4.8
CPI (period average, percent change)	7.3	5.6	4.6	4.2	4.2	4.2	4.2
Credit to non-government sector (percent char)	18.3	21.0	21.2	13.6	12.9	13.2	13.1
Revenue and grants (percent of GDP) 1/	22.3	23.4	24.8	25.5	25.5	25.6	25.6
Expenditure (percent of GDP) 1/	28.4	30.2	31.1	28.6	27.6	27.5	27.4
Overall fiscal balance (percent of GDP) 1/	-6.1	-6.9	-6.3	-3.2	-2.0	-1.9	-1.7
Public gross nominal debt (percent of GDP)	67.0	71.9	70.2	66.5	62.9	59.5	56.2
of which: external public debt	18.0	20.4	19.2	18.0	16.9	15.9	15.0
domestic public debt	49.0	51.5	51.0	48.5	46.0	43.6	41.3
Export volume growth (goods, in percent)	-21.6	10.7	6.8	6.6	7.2	8.1	4.7
Import volume growth (goods, in percent)	-16.1	12.7	14.7	4.4	4.2	4.3	4.2
Current account balance (percent of GDP)	-10.4	-17.1	-22.8	-19.6	-19.2	-18.9	-19.0
Current account balance (US\$ million)	-315.2	-546.7	-773.7	-711.8	-749.5	-791.7	-856.8
Gross international reserves (incl. financing needs)							
In millions of US\$	94.3	411.3	408.6	430.8	455.6	484.3	514.1
In months of next year imports	0.8	3.0	3.0	3.0	3.0	3.0	3.0
Unidentified BOP financing (US\$ millions) 2/	0.0	62.3	33.3	22.2	24.8	28.7	29.9
Memorandum items:							
Nominal GDP (billions of Burundi Francs)	5,821	6,266	6,838	7,480	8,192	8,992	9,852
Nominal GDP (in billions of US\$)	3.0	3.2	3.4	3.6	3.9	4.2	4.5

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

1/ Fiscal year values (July-June) starting in 2019 (i.e. 2019 is FY 2018/19). Includes the grant for the IMF debt service falling due from October 16, 2021 to April 13, 2022, which is subject to the availability of resources under the CCRT.

2/ Annual financing needs to reach the reserve target of three months of imports, assuming that the financing gap of year n-1 is filled.

Text Table 2. Burundi: Selected Reforms in support of Growth and Exports

Measures	Impact
Production	
Facilitate access to better-quality seeds and fertilizers at lower costs	Improve land productivity
Increase digitalization to improve global-to-local price transmission	Increase producer prices and incentives for production
Gradual mechanization and modernization	Improve land productivity
Expansion of land utilization for agricultural production	Increase surface used and production
Professional training	Improve labor productivity
Targeted loan schemes to increase access to financing, including for women	Increase investment and production
Coffee sector	
Increase investment in productive capacity and product conditioning	Increase production and reduce waste prior to exports
Fertilizers	
Loan guarantee to expand fertilizer production	Boost production capacity and reduce prices
Sources: Plan National de Développement (PND, 2018–27) and Plan National d’Investissement Agricole (PNIA, 2016–2020)	

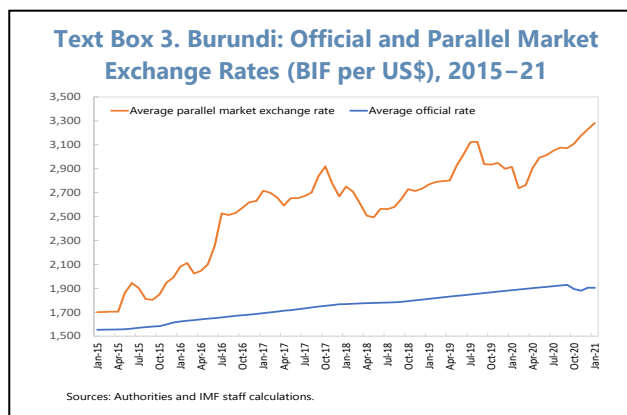
8. Burundi is facing a large external financing gap in 2021 (US\$ 139.5 million or 4.4 percent of GDP) and beyond. The CA deficit is expected to significantly widen in 2021, driven by higher imports owing to (i) larger volume from COVID-related needs and easing of imports restrictions as the SDR allocation supports additional FX availability (Box 3) and (ii) worsening terms of trade owing to increases in import prices, especially petroleum. Export volumes will recover mildly in 2022 with mining exploitation restarting following the end of contract negotiations and gradually afterwards, as supportive reforms yield results (Text Table 2), global demand remains timid, and transport disruptions start easing. Additional external financing is needed to cover the urgent BOP financing needs.

9. The outlook is subject to considerable upside potential conditional on a full reengagement with the international community, as well as notable downside risks (Annex I). On the upside, first, a full reengagement with the international community (not built into the baseline), would significantly boost external financing, thus increasing the fiscal space for public investment and reserves coverage. This would ease restrictions on FX allocations and imports rationing, alleviating two significant impediments to growth in Burundi. Higher access to highly concessional long-term external financing would substitute for more expensive domestic financing, thus reducing borrowing cost and debt vulnerabilities. Furthermore, a full reengagement would likely be accompanied by a much more ambitious reform agenda supportive of a structural change of the economy, which would further boost growth. The upcoming Article IV consultation will be an opportunity for in-depth policy discussions and send a strong signal to the donor community of Burundi's reengagement intentions. Second, a speedy conclusion of the negotiations with the mining companies would also strengthen growth prospects. Last, further flexibility in the exchange rate management⁶ would enhance competitiveness, boost investors' confidence, and improve fiscal space—thanks to additional resources from the higher local value of external financing and taxes on international trade. On the downside, in addition to data deficiencies, risks include natural disasters; a deterioration of the political and security situation (domestic risks); a weak global demand and investor confidence owing to uncontrolled Covid 19 local outbreaks and delays in vaccination, including in Burundi; and social, political, and geopolitical instability.

⁶ The de jure exchange rate arrangement of Burundi is floating, and its de facto exchange rate arrangement is classified as a crawl-like.

Box 3. The Parallel Foreign Exchange Market in Burundi

Burundi has for many years grappled with exchange rate misalignments. In the 2000s, the parallel FX market premium reached 54.9 percent following the tightening of restrictions on FX market participation. The authorities succeeded in lowering the premium to 1.5 percent by 2006 through ambitious exchange rate policy reforms, including reinstating FX bureaus and auctions and allowing several rounds of double-digit ER depreciation.



The parallel FX market premium has been increasing since the 2015 crisis from 9.5 percent in January 2015 to 28.2 percent in January 2016 and to 74.3 percent in May 2021¹. The market is anecdotally sizeable, estimated at 50 percent of FX volume transactions.

The resurgence of the parallel FX market can be traced to both political factors and external shocks.

This reflects the withdrawal of donor support in 2015 and inconsistent domestic policies—monetization of fiscal deficits, loss of competitiveness, and restricted FX market participation. Other structural factors such as large trade deficits (11.3 percent of GDP on average in 2015–20) and unfavorable terms of trade shocks also put pressures on reserves.

The authorities' policy response has been to tighten control over the FX market

The BRB discretionarily allocates FX to imports deemed essential (including medical goods, key food staples, chemicals, and oil). Consequently, more importers utilize the parallel market (35 percent of imports as of December 2020), which is illegal by law, leading to a higher FX premium. Moreover, exports of coffee, tea, and minerals are exclusively validated by the BRB and exporters must keep accounts at the central bank where their exports proceeds are surrendered, and the equivalent domestic currency amount is wired into their local accounts. In addition, in February 2020, the BRB took the decision to close all the private FX trading bureaus to the exception of commercial banks and, in 2020, it became the only official seller of gold—the BRB buys all the local gold production and sells it discretionarily. Such restrictions have increased incentives for illegal trade. The authorities have also undertaken a small amount of nonconcessional borrowing to help bolster reserves and provide for essential imports.²

¹The official ER against the US dollar is computed daily by the BRB as a weighted average of FX transactions between banks and clients during the previous day. Banks may trade within a band of +/- 2.5 percent of the official rate.

²The BRB contracted in December 2019 a loan of US\$40 million from AFREXIM bank (3-year maturity).

POLICY ISSUES

Key policy issues include: (i) measures to limit the spread of COVID-19 and mitigate its economic and social impacts, using best governance practices while containing debt vulnerabilities; (ii) policies to restore external sustainability; and (iii) fostering financial stability. Discussions of long-term policy challenges, including supporting pro-poor growth with prudent fiscal policy, reforms, debt and external sustainability, and further transparency and governance, will be further covered during the upcoming Article IV consultation.

A. Fiscal Policy Response to the COVID-19 Pandemic

10. The authorities prepared in June 2020 a COVID-19 response plan to limit the disease spread and cushion its macroeconomic and social impacts (Box 1). A technical committee led by the Minister of Interior has been established to coordinate the government's response to the pandemic and an account opened at the BRB to centralize donor funding. The authorities' response plan was costed at US\$150 million including a sanitary plan of US\$58 million (1.8 percent of GDP) and two COVID mass testing campaigns. Other measures under the response plan include infrastructure investment to improve public health capacity and access to health facilities. Mitigation measures to cushion the macroeconomic and social impacts of COVID-19 have been timid, partly owing to limited availability of financing in 2020/21.

11. The authorities plan to accommodate additional COVID-related measures in 2021/22 to decisively curb the virus spread (Box 1). They plan to accommodate COVID spending of 1.1 percent of GDP (BIF 70.4 billion) in 2021/22. In addition, as the authorities' vaccination strategy gets firmed up, staff projects that additional spending of 2.2 percent of GDP will be required, including for imports and administrative cost. Other COVID-related spending identified by the authorities' response plan are also awaiting financing to be executed. To this end, the 2021/22 budget envisages increased social spending, including expanding programs for women, the youth, people with disabilities, and natural disaster victims.

12. Revenue collection is expected to strengthen further, bolstered by the full-year implementation of measures taken during 2020/21 and new actions introduced in the 2021/22 budget. Measures included strengthening mining tax collection, initiating the revision of tax laws and exemption eligibility, and centralizing the collection of nontax revenue at the *Office Burundais des Recettes*. A minimum tax based on turnover (one percent) tax was also introduced for all sectors. The authorities noted that the tax relief granted to companies under duress had little impact on revenue because the main taxpayers experienced limited disruptions. The 2021/22 budget also introduced several measures, including: (i) a new tax on mobile phone megabits (18 percent of the cost); (ii) removal of exemptions (income tax and VAT) on companies' sales; (iii) an anti-pollution tax on imported used vehicles; and (iv) the widening of the rental tax base to include land leases. Nontax measures include introduction of an annual flat-rate road charge and fees on issuances of exemption certificates and changes to tax declarations. The ongoing computerization of revenue collection should also help widen the tax base.

13. Staff projects a fiscal deficit of 6.3 percent of GDP in 2021/22, still elevated owing to COVID-related spending pressures (Text Table 3). Revenue collection would increase to 19.3 percent

of GDP, reflecting partly a conservative estimate of the impact of revenue measures (0.3 percentage point of GDP). Current spending is projected at 21.2 percent of GDP, partly reflecting vaccination cost—not planned under the 2021/22 budget—and other COVID spending. The authorities plan to accelerate implementation of their response plan (an envelope of 1.1 percent of GDP is planned under the budget), the execution of which was delayed in 2020/21 owing to financing constraints. However, staff projects higher COVID spending needs than planned under the 2021/22 budget, including the cost of importing and administering COVID-19

vaccines.⁷ In addition, more sanitary measures could be required as the virus spread is still strong and new COVID-19 variants intensify challenges. Staff also projects an increase in interest payments, consistent with debt service modalities (Table 2a). Domestically financed investment will strengthen compared to 2020/21, reflecting recent improvement in execution capacity,⁸ but remain lower than the budget targets. Strong prospects for grants will help contain the deficit (which will however be higher than the budget target of 2.3 percent of GDP).

Text Table 3. Burundi: Fiscal Changes Since the Covid-19 Pandemic
(in percent of GDP unless otherwise indicated)

	2020/21		2021/22	
	Budget	Proj.	Budget	Proj.
Total revenue and grants	23.2	23.4	23.6	24.8
Of which: Revenue	17.8	18.9	18.4	19.3
Grant	5.5	4.4	5.1	5.5
Total spending	25.8	30.2	25.9	31.1
Of which: Current	15.7	22.3	15.6	21.2
Of which: interest	1.0	2.6	1.0	2.0
Of which: Covid spending 1/	0.0	0.8	...	3.3
Investment	10.1	8.0	10.3	10.0
Overall deficit, incl. Grants	-2.5	-6.9	-2.3	-6.3
Total financing	2.5	6.9	2.3	6.3
Of which: Domestic (net borrowing)	2.3	7.6	2.1	3.4
Of which: Central Bank (net)	0.0	2.7	0.0	0.6
Foreign	0.2	0.2	0.2	0.5
Accounts payable (=repayment)	0.0	-1.8	0.0	-0.7
Unidentified financing (gap)	0.0	0.0	0.0	3.2
Of which: IMF disbursement (RCF)	0.0	0.0	0.0	2.3
Memorandum items				
GDP at current market prices (BIF billion)	6043.6	6043.6	6551.7	6551.7

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

1/ Covid spending envisaged in the FY2021/22 budget (BIF 70.4 billion or 1.07 percent of GDP) is not itemized in the budget but is included in some current and investment spending lines such as transfers to hospitals.

14. A fiscal financing gap of 3.2 percent of GDP is projected in 2021/22 (Text Table 3). The 2021/22 deficit will be mainly financed through domestic borrowing and foreign loans. A fiscal financing gap will emerge, which will be partly filled by the proposed RCF disbursement (to be on-lent to the government to help finance COVID spending, including vaccine purchase and logistical costs). Other donor financing, notably possible financing from the World Bank and USAID to help cover the vaccine purchase cost could help fill the remaining gap, while the SDR allocation will help build reserve coverage to less precarious levels (currently projected at 2.5 months of imports in 2021).

15. All COVID-related spending will be reflected in the budget execution reports and new spending should be executed within the budget. COVID-related spending in 2020/21 was mostly executed off-budget, using the COVID Fund (Box 1), to accelerate spending execution and support the

⁷ Vaccines cost is estimated on average at \$1.8 million for each percentage point of the Burundian population. Based on this estimate, mass vaccination would entail spending of 2.1 percent of GDP, assuming that 16 percent of the population are vaccinated under the COVAX initiative (free of charge) and 40 percent of the population by the government. This would cover Burundi's adult population and part of its younger population (12+ years). Half of the vaccines would be imported during H2 of 2021 and the other half during H1 of 2022. This estimation is subject to uncertainty, as the landscape of vaccine availability evolves.

⁸ Starting in 2021/22, domestically-financed investment is projected to be larger than in recent past, adding to pressures on the fiscal deficit—reflecting recent improvement in investment execution.

emergency response. The authorities committed to exhaustively reporting COVID outlays in the 2020/21 budget review report (*Loi des Règlements*), consistent with their regular procedures (para. 18 and 19). Using usual budget procedures would facilitate monitoring the execution of COVID spending.

16. There are a few options for closing the estimated 2021/22 fiscal financing gap, while preserving debt sustainability. Options include revenue mobilization efforts, including further containing exemptions (BIF 18 billion in 2020/21); spending rationalization, including reallocations from non-priority sectors to priority and pro-growth spending and capacity building to better estimate interest payments; and re-engagement with the international community, which should boost grants and concessional financing and help maintain debt sustainability. The 2021/22 budget also plans to securitize existing domestic arrears.⁹ Beyond 2021/22, fiscal consolidation efforts will be supported by (i) continued efforts of domestic revenue mobilization, including the ongoing computerization of the administration, widening of the tax base, digitalization of revenue collection, and improvements in compliance; (ii) lower spending, as the COVID crisis wanes and planning and implementation capacity improves, increasing spending efficiency (both current and investment spending); and (iii) somewhat higher program grants as the reengagement with donors accelerates.

B. Governance and Transparency

17. Strong transparency and governance of COVID spending is envisaged, leveraging existing governance institutions (Box 4). The authorities prepared an annual report on COVID spending executed during 2020/21, which was sent to the “*Cour des Comptes*” (CC) in August 2021 for audit. Moving forward, the Ministry of Finance will prepare bi-annual reports on COVID spending, starting with spending at end-December 2021, that will be audited by the “*Inspection Générale de l’Etat*” (IGE) and the “*Cour des Comptes*” (CC) and published on the ministry’s website within three months of the end of each semester. The authorities are also committed to collecting information on the ultimate beneficiary ownership (BO) of companies that will be awarded COVID-related contracts starting in end-December 2021 using their current framework. Staff proposes targeted capacity development (CD) to assess the regulatory and legal provisions on BO information and support collection of the BO information, in the event it is not currently available to the authorities. Staff emphasized the importance of publishing the beneficial ownership information online once collected, to ensure the effectiveness of the authorities’ commitment to transparency.¹⁰ The government is on track to fulfill commitments under the CCRT debt relief—audit by the CC of COVID spending execution and publication within 9 months of the end of the FY2020/21 (by end-March 2022).

⁹ The authorities set up a committee for the securitization of government arrears in March 2018. Domestic arrears accumulated from 2005 to 2017 (about BIF 230 billion or about 4 percent of 2020 GDP) were cleared through cash payments and securitization.

¹⁰ Public procurement plans (until 2017) are published on the website of the Public Procurement Regulatory Authority (<http://www.armp.bi/>). Beneficiaries of procurement contracts are not published.

Box 4. Governance Institutions in Burundi

Burundi's fiscal governance system comprises internal and external audit institutions. Internal audits (accounting, administrative, technical, and physical) are conducted by the internal control department (*Inspection Générale*) of each public entity to ensure regularity, optimization of resources, improvement of performance, protection of assets, reliability of information and compliance of decisions with policies and rules. External audits are conducted by the "*Inspection Générale de l'Etat (IGE)*", which is under the supervision of the President's Office, and the external auditing court "*Cour des Comptes (CC)*", which is independent. These two institutions help address potential conflicts of interest that may impede the efficiency of internal audits:

- **The IGE.** It has several missions, including inspection and control over the operation and management of public services, institutions and bodies and private companies or associations subject to its control (decree n° 100/09 of January 15, 2010). The IGE's mission also covers all legal institutions and associations benefiting from financial assistance or guarantees from public entities, and it can carry out checks on companies and private associations deemed to be strategic for the government. The IGE's reports are submitted to the President's Office, which decides of their publication.
- **The Cour des Comptes.** It is the supreme control and audit institution in Burundi's institutional governance architecture (Law n° 1/002 of March 31, 2004). It is independent of the executive and reports to the national parliament which it assists in monitoring public fund management. The Auditors of the CC can examine and certify public accounts, audit the overall management of resources, recommend changes in the system and monitor the implementation of these recommendations.

Beyond these two institutions, there are two other anti-corruption institutions. The *anti-corruption court (Cour Anti-Corruption or CAC)* is in charge of designing policies for the prevention and repression of corruption and related offenses and the *anti-corruption police (Brigade Spéciale Anti-Corruption or BSAC)* is in charge of combating corruption and other organized crimes using an interdisciplinary approach integrating intelligence, investigations and prosecutions.

C. External Sustainability

18. The recent SDR allocation provided much-needed FX cushion and an opportunity to gradually ease FX allocation restrictions. The authorities intend to use most of their allocation to increase reserves above their recent critically low levels. Building on the additional cushion, the authorities plan to partially ease restrictions of FX allocation, notably for commodity imports, which will alleviate their bottleneck effects of growth and reduce the FX parallel market premium. They also plan to use part of the SDR allocation in the future to fill the remaining fiscal financing gap, in the absence of additional financing.

19. Burundi's critical external financing needs have been exacerbated by the COVID-19 pandemic (Text Table 4). COVID-driven BOP developments, including higher medical good imports, lower exports owing to supply chain disruptions, and slower investment flows have increased the BOP financing needs. The external financing gap is estimated at US\$ 139.5 million in 2021 and beyond. Absent additional external financing, FX reserves would remain below adequacy levels, including in the medium term.¹¹

20. The authorities consider strengthening external sustainability as a policy priority. External stability will require a multi-pronged policy package with adequate sequencing and clear communication. Staff advised on preparation of a roadmap that will guide the transition towards greater ER flexibility and offered CD support. The roadmap would include a mix of (i) greater flexibility in ER management, which could be gradual, (ii) reforms to alleviate FX market distortions and support moving towards a market-based FX allocation system, and (iii) clarifying the monetary policy framework. The authorities welcomed the prospects of further informal technical discussions on these policy reforms and agreed to an assessment of exchange restrictions under the Article VIII, in the context of the next Article IV consultation.

¹¹ The ARA metric for Burundi is estimated between 2.5 to 5 months of imports, depending on assumptions of ER policy, with the lower bound reflecting a fully floating ER.

Text Table 4. Burundi: Projected External Financing Requirements, 2020–22

(in millions of US dollars, unless otherwise indicated)

	2020		2021		2022
	Pre-Covid	Est.	Pre-Covid	Proj.	Proj.
Current account deficit	546.8	315.2	554.7	546.7	773.7
Capital and Financial account	546.8	318.1	554.7	511.1	746.9
Capital account	144.9	135.3	151.3	182.0	184.0
Financial account (excl. official reserves and IMF)	401.9	182.8	403.3	329.1	562.9
Errors and omissions	0.0	-24.2	0.0	0.0	0.0
Overall BOP balance (excl. IMF, -=financing needs)	0.0	-21.2	0.0	-35.6	-26.8
Build up of official reserves (+ =increase) ¹	0.0	-19.1	0.0	317.0	-2.7
Repayments to the IMF net of CCRT grants (+ =outflow)	3.0	3.0	0.0	0.0	9.2
Other (+ =inflow)	3.0	12.7	0.0	1.9	0.0
Of which rescheduling of debt service (DSSI)	0.0	0.5	0.0	0.4	0.0
BOP financing needs ²	0.0	-7.6	0.0	350.7	33.3
BOP financing sources	0.0	-7.6	0.0	350.7	33.3
IMF SDR allocation	0.0	0.0	0.0	211.2	0.0
Other financing sources	0.0	-7.6	0.0	139.5	33.3
Of which IMF disbursements (RCF)	0.0	0.0	0.0	77.1	0.0
Remaining financing needs ³	0.0	-7.6	0.0	62.3	33.3

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

¹ Build of reserves includes SDR allocation in 2021 and increase to 3 months of goods and services over the medium term² Including build up of reserves, repayment to the IMF net of CCRT grants and DSSI³ Annual financing needs to reach the reserve target of three months of imports, assuming that the financing gap of year n-1 is filled.

D. Monetary Policy and Financial Sector Issues

21. Monetary policy and regulatory approaches have remained accommodative to support the economy through the pandemic. The BRB has maintained an accommodative monetary policy since 2020 through different channels:

- *Liquidity provision and framework.* The BRB ensured adequate liquidity provision to banks accessing its seven-day refinancing window—liquidity provided in 2020 was about 16 percent higher than in 2019—and created a new refinancing window for banks providing loans to priority sectors.
- *Forbearance.* The BRB also increased the flexibility of loan restructuring procedures and allowed for a fourth restructuring, subject to its approval. Only four banks have benefitted from this measure owing to stringent scrutiny and required fees. The BRB has also allowed banks to renegotiate interest rates for debtors struggling to repay especially for the trade sector.

22. The financial sector has proven resilient and the BRB continues to monitor closely vulnerabilities. The BRB's measures have supported liquidity in the financial sector during the pandemic and contained loan portfolio deterioration. Although NPLs have been stable, they are predominantly concentrated in some sectors including business, housing, transport, and health. In

addition, loan restructuring could mask vulnerabilities—one third of loans in commerce have been restructured. A forward-looking approach to supervision would be useful to detect emerging tensions.

23. The BRB stands ready to adjust monetary and financial sector policies contingent on macroeconomic conditions and financial sector vulnerabilities. Adequate policy calibration will be essential as inflation in Burundi is mostly driven by supply disruptions (which could last longer than expected) and the related strength of monetary transmission unclear. The BRB is ready to recalibrate liquidity provisions and is monitoring loan restructurings to identify emerging vulnerabilities. It also continues tight implementation of forbearance policies to contain potential risks.

ACCESS AND CAPACITY TO REPAY THE FUND

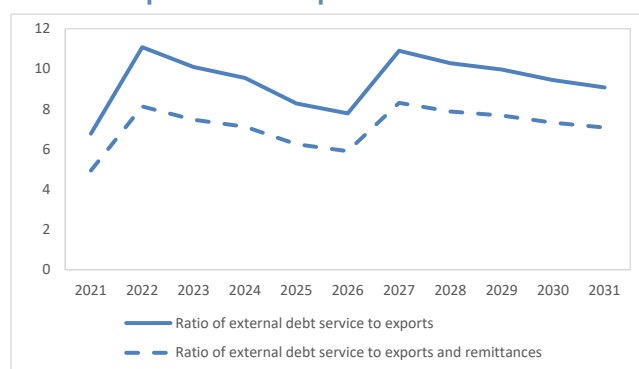
24. The authorities are requesting a purchase under the exogenous shock window of the Rapid Credit Facility of 35 percent of quota (equivalent to SDR 53.9 million) to cope with the impact of the COVID-19 pandemic. The pandemic has exacerbated Burundi's BOP financing needs and created a fiscal financing gap, both of which require urgent attention, against the backdrop of the ongoing second COVID-19 wave and the urgent need to enhance access to vaccines. The authorities' COVID response plan identified some urgent spending needs, most of which have been postponed to 2021/22 owing to financing constraints in 2020/21. In addition, it is essential to provide room for vaccination cost to ensure timely implementation of the vaccination strategy, when ready. Support is also needed for the most vulnerable population—the poverty rate was 85 percent in 2020. The RCF will be disbursed to the BRB and on-lent to the government to provide financing for COVID-related spending. Disbursement under an RCF would help cushion the COVID-19 effects on FX reserves as well.

25. The authorities are actively seeking additional support from development partners. The RCF purchase would meet about 55 percent of the 2021 BOP financing needs (4.4 percent of GDP). Beyond donor financing already disbursed or committed for 2021 (a total of 9.1 percent of GDP, a large part of which is from the World Bank, the African Development Bank, and EXIM Bank India), additional external financing would be needed to meet the remaining BOP financing needs. Prospects for availability of financing for vaccine purchase are positive but contingent on the authorities' request (notably from the World Bank and USAID).

26. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to fiscal consolidation and reengagement with international community (DSA, Appendix II). The DSA shows that the country is at high risk of external and overall public debt distress. Key risks stem from the large stock of domestic debt and elevated overall debt service-to-revenue ratio, as well as liquidity constraints to service external debt liabilities. Risks to external debt service are however mitigated by strong and resilient remittances flows—Text Figure 3 shows that the ratio of external debt service to exports and remittances is much lower than when remittances are not accounted for.

With a positive economic outlook, expected fiscal adjustment, and given the country's good track record in servicing its debt, there is a high likelihood that Burundi will be able to meet all its current and future obligations. In addition, the SDR allocation (SDR 147.6 million, equivalent to 6.6 percent of GDP), prospects of stronger external financing, including through donor grants and concessional loans, and upside risks to the export profile as key structural reforms to liberalize exports and enhance competitiveness are implemented, further mitigate the liquidity risk. This assessment is subject to significant risks (Annex 1, para. 10) including weak information on debt of public enterprises.

Text Figure 3. Burundi: Ratios of External Debt Service to Exports and to Exports and Remittances



Sources: Country authorities; and staff estimates and projections.

27. The authorities concurred that debt is sustainable but viewed staff projections as being overly conservative. They underscored that under the baseline, long-term exports growth does not account for the implementation of the PND and reforms. They discussed several ongoing reforms that would boost growth and reduce Burundi's trade deficit, including imports substitution policies to reduce bottlenecks induced by the limited FX availability. They also underscored their good track record in servicing debt and commitment to debt sustainability.

28. Burundi's capacity to repay the Fund is assessed as adequate, but subject to risks (Table 7). The RCF disbursement would result in Fund exposure to Burundi of about 3 percent of GDP at end-2021 (or 28 percent of international reserves). A narrow export base and below-adequacy norms FX reserves pose risks to the capacity to repay. However, the authorities' excellent track record of servicing debt to the Fund, modest external debt, the SDR allocation, and improved prospects for re-engaging with donors are expected to help mitigate risks. Further support under the CCRT will also lower near-term risks.

29. The authorities have committed to undergo a safeguards assessment, which would need to be completed before the Executive Board approval of any subsequent arrangement. The last safeguards assessment was in 2012 and the authorities published the BRB's audited FY2019/20 financial statements. In accordance with the safeguards assessments policy, a Memorandum of Understanding has been signed between the BRB and the government to establish the responsibilities for servicing financial obligations to the IMF.

STAFF APPRAISAL

30. Burundi's economy has been adversely impacted by the COVID-19 pandemic and is facing stronger headwinds from the intensifying COVID spread. Real GDP is estimated to have contracted by about one percent in 2020, with the tertiary sector severely impacted by travel and

border restrictions and disruptions of supply chains in trading partner countries. The ongoing COVID wave poses a threat to the fragile economic recovery and could further deteriorate living conditions of the vulnerable population. Measures needed to address the pandemic, including the cost of importing and administering vaccines, and the associated external shocks have induced a fiscal financing gaps in 2021/22 (3.2 percent of GDP) and an external financing gap in 2021 (4.4 percent of GDP).

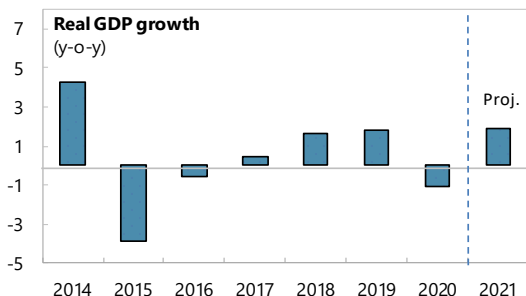
31. Staff welcomes the authorities' efforts to curb the COVID-19 virus spread and commitment to balancing debt and external sustainability and the country's important COVID spending, development, and social needs. Staff welcomes the authorities' plan to scale up the implementation of their response plan, ramping up testing capacity and continuing sanitary measures, and efforts to broaden social programs to further support women, the youth, disabled people, and natural disaster victims. Staff commends the authorities' domestic revenue mobilization efforts, which will support debt sustainability and provide space for priority spending. Staff welcome the authorities' commitment to strengthen fiscal governance of COVID spending, preparing execution reports that will be audited and published, and their efforts to collect the ultimate beneficiary ownership information of completed awarded COVID-related contracts. Staff welcome the BRB's plan to adjust monetary and financial policies in response to macroeconomic conditions and potentially emerging financial sector vulnerabilities and gradually address balance of payments challenges, leveraging prospective stronger inflows of external financing.

32. Burundi meets the conditions for financing under the RCF. The pandemic has created immediate and urgent BOP and spending needs. Moreover, discussions for a multi-year UCT program would take a long time due to the need for the authorities to elaborate a comprehensive, prioritized medium-term reform strategy in an environment of weak capacity. Thus, the proposed RCF disbursement is part of a multi-step engagement process, catering to the immediate and urgent financing needs. As next steps, the authorities are committed to holding an Article IV consultation mission, which will be an opportunity to assist the authorities in developing their broader macro and structural reform agenda including to support debt and external sustainability. IMF financial engagement is expected to play a catalytic role in securing much-needed external grants and concessional financing.

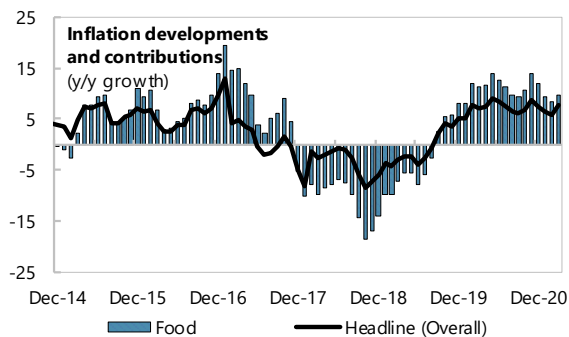
33. Staff supports the authorities' request for a disbursement of SDR 53.9 million (equivalent to 35 percent of quota) under the exogenous shock window of the Rapid Credit Facility. Staff's support is based on the immediate and urgent balance of payments needs generated by the COVID-induced exogenous shock, which has exacerbated external sustainability challenges, and the authorities' existing and prospective policies in response to this external shock and the balance of payments difficulties. Staff supports that the disbursement be on-lent for budget support to provide space for the interventions needed to mitigate the severe socio-economic impact of the pandemic and allow a more gradual policy adjustment than otherwise necessary. While risks to the outlook are tilted to the downside, Burundi debt is assessed to be sustainable but at high risk of distress. Burundi's capacity to repay the Fund remains adequate.

Figure 1. Burundi: Recent Developments, 2014–21

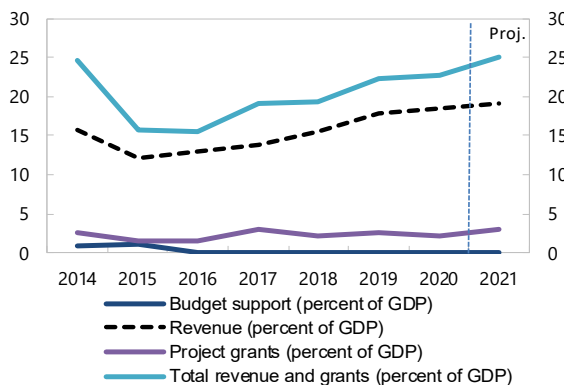
The 2015 political crisis had a large and persistent adverse effect on growth, and the COVID-19 pandemic led to another contraction.



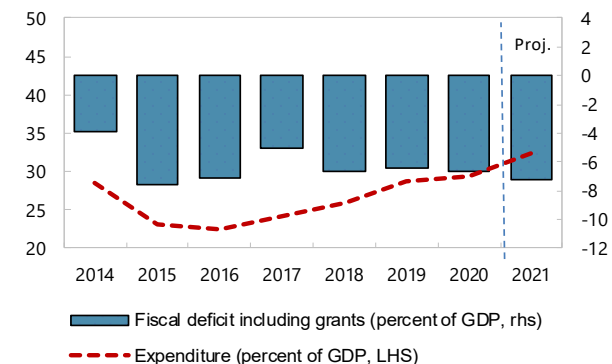
Inflation spiked in 2019-20 due mainly to poor weather impacting on harvests.



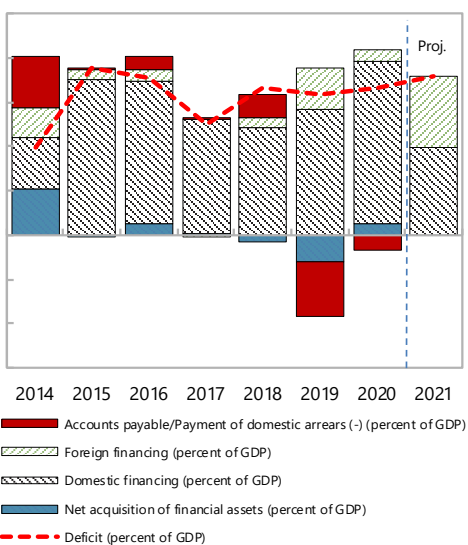
Budget support has been zero since 2015, though project grants partially recovered since then.



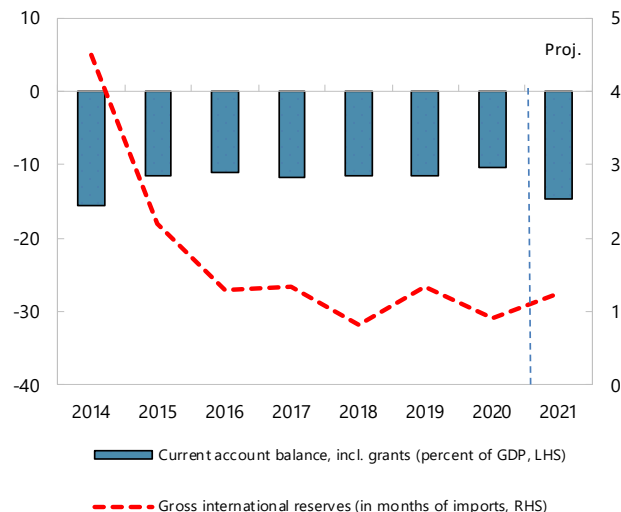
Fiscal deficits rose following the 2015 crisis, and the COVID-19 pandemic is expected to keep them elevated.



Fiscal deficits have mainly been financed by domestic sources.



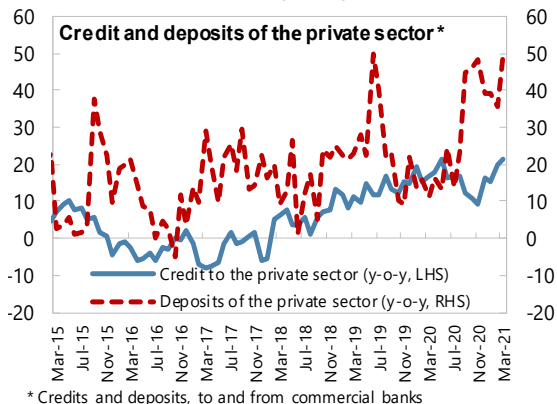
Reserves dropped following the 2015 crisis and have remained critically low.



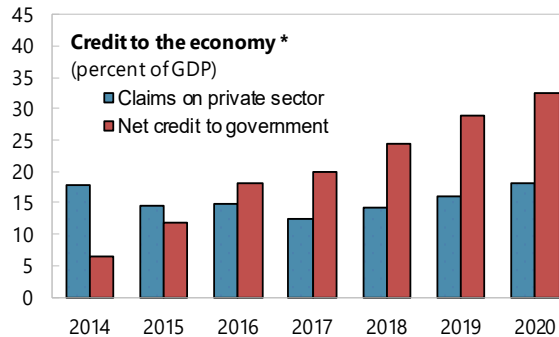
Sources: Burundi authorities; and IMF staff estimates and projections.

Figure 2. Burundi: Recent Monetary Developments, 2014–21

Credit to the private sector stagnated following the 2015 crisis and has started growing in 2018...

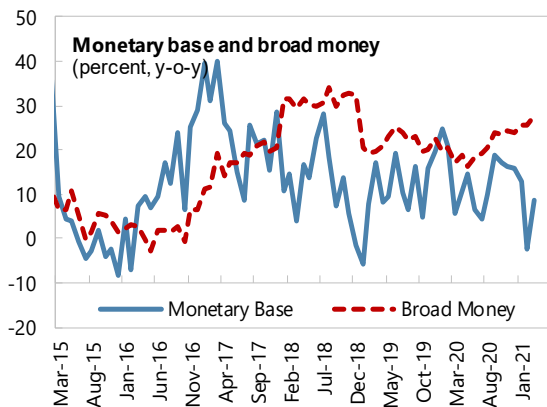


...concomitantly with lending to the government.

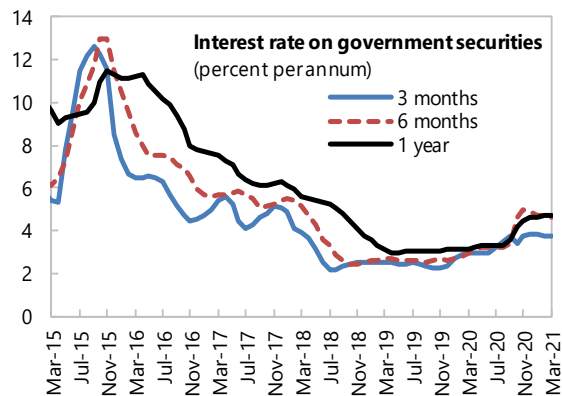


* Total credit extended by BRB and commercial banks

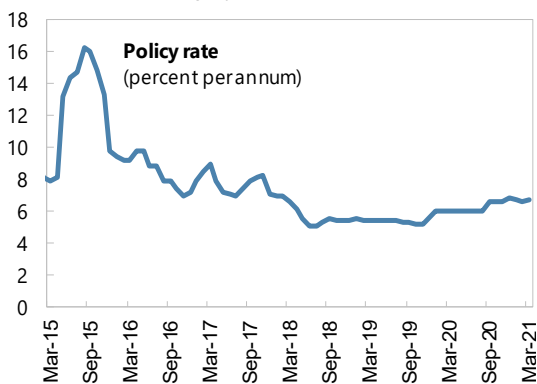
Money supply growth accelerated in 2016-17 and has stabilized more recently.



Interest rates on government debt rose initially but have since fallen.



The monetary policy interest rate, after peaking in 2015, has been largely constant.



^{1/} The headline inflation include all the components of the CPI basket.

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

Table 1. Burundi: Selected Economic Indicators, 2018–26

	2018	2019	2020		2021		2022	2023	2024	2025	2026
	Est.	Est.	Pre-Covid	Est.	Pre-Covid	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage change, unless otherwise indicated)											
Output, prices, and exchange rate											
Real GDP	1.6	1.8	2.1	-1.0	2.1	1.6	4.2	4.7	4.9	5.2	4.8
GDP deflator	-2.9	0.8	5.7	5.8	5.3	5.9	4.7	4.5	4.4	4.3	4.5
CPI (period average)	-4.0	-0.7	5.6	7.3	5.2	5.6	4.6	4.2	4.2	4.2	4.2
Terms of trade (- =deterioration)	9.6	53.3	5.9	-12.3	2.1	-10.5	0.9	1.3	0.6	0.1	-0.5
Money and credit											
Broad Money (M2)	21.5	23.4	20.9	24.8	19.8	14.7	21.4	12.1	11.7	11.8	11.3
Credit to non-government sector	12.8	14.4	7.8	18.3	7.5	21.0	21.2	13.6	12.9	13.2	13.1
M2/GDP (percent)	26.9	32.3	37.4	38.5	41.4	41.0	45.7	46.8	47.7	48.6	49.4
(Percent of GDP, unless otherwise indicated)											
Central government budget 1/											
Revenue and grants	19.4	20.4	21.8	22.3	22.0	23.4	24.8	25.5	25.5	25.6	25.6
of which: grants 2/	3.9	4.0	4.5	4.3	4.6	4.4	5.5	6.0	6.1	6.1	6.1
of which: revenue	15.5	16.4	17.4	18.0	17.4	18.9	19.3	19.4	19.5	19.5	19.6
Expenditure	26.0	26.5	28.3	28.4	27.9	30.2	31.1	28.6	27.6	27.5	27.4
Expense	19.1	18.0	19.1	20.4	18.8	22.3	21.2	18.5	17.6	17.6	17.5
Net acquisition of non-financial assets	6.9	8.5	9.2	7.9	9.0	8.0	10.0	10.1	10.0	9.9	9.9
Primary balance	-5.1	-4.2	-5.0	-3.2	-3.1	-4.3	-4.3	-1.1	0.1	0.2	0.3
Overall balance	-6.7	-6.2	-6.5	-6.1	-5.8	-6.9	-6.3	-3.2	-2.0	-1.9	-1.7
Excluding grants	-10.6	-10.2	-11.0	-10.4	-10.5	-11.3	-11.8	-9.2	-8.1	-8.0	-7.8
Net acquisition of financial assets	-0.3	-1.2	-0.5	1.6	0.0	-0.9	0.1	0.0	0.0	0.0	0.0
Net domestic borrowing	4.9	5.5	3.9	4.5	5.2	7.6	3.4	2.8	1.8	1.7	1.6
Net foreign borrowing	0.5	1.7	0.8	0.6	0.6	0.2	0.5	0.3	0.3	0.2	0.2
Accounts payable	1.0	-2.3	1.3	2.6	0.0	-1.8	-0.7	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	0.0	3.2	0.0	0.0	0.0	0.0
Public debt											
Public gross nominal debt	53.0	60.3	59.7	67.0	61.5	71.9	70.2	66.5	62.9	59.5	56.2
of which: external public debt	17.2	18.6	17.5	18.0	16.9	20.4	19.2	18.0	16.9	15.9	15.0
domestic public debt	35.8	41.7	42.2	49.0	44.5	51.5	51.0	48.5	46.0	43.6	41.3
Investment and savings											
Investment	18.8	19.3	19.3	19.8	19.4	19.8	19.8	19.8	19.8	19.8	19.8
Public	5.2	5.2	4.5	4.3	4.5	7.1	6.8	6.6	6.6	6.6	6.5
Private	13.6	14.1	14.8	15.5	14.9	12.7	13.0	13.1	13.2	13.2	13.2
Savings	7.4	7.7	2.4	9.4	2.9	2.7	-3.0	0.2	0.6	0.9	0.7
Public	-1.5	-1.2	-1.6	-2.4	-1.4	0.4	2.7	4.5	4.6	4.8	4.9
Private	8.9	9.0	4.0	11.9	4.3	2.3	-5.6	-4.3	-4.1	-3.9	-4.2
External sector											
Exports (goods and services)	9.9	9.9	9.9	8.9	10.1	9.4	9.7	9.9	9.9	10.1	10.0
Export volume growth (goods, in percent)	15.5	-4.7	-0.7	-21.6	2.7	10.7	6.8	6.6	7.2	8.1	4.7
Imports (goods and services)	29.8	33.7	35.6	33.6	35.4	42.0	48.4	44.9	44.2	43.5	43.1
Import volume growth (goods, in percent)	17.3	44.5	0.5	-16.1	2.2	12.7	14.7	4.4	4.2	4.3	4.2
Trade Balance (goods and services)	-19.9	-23.8	-25.7	-24.7	-25.3	-32.5	-38.7	-35.1	-34.3	-33.4	-33.1
Current account balance (incl. grants)	-11.4	-11.6	-16.9	-10.4	-16.4	-17.1	-22.8	-19.6	-19.2	-18.9	-19.0
Current account balance (excl. grants)	-11.4	-11.6	-16.9	-10.4	-16.4	-17.1	-23.3	-20.1	-19.7	-19.4	-19.5
Gross international reserves (incl. financing needs)											
In millions of US\$	70.3	113.4	113.4	94.3	113.4	411.3	408.6	430.8	455.6	484.3	514.1
In months of next year imports	0.8	1.3	1.1	0.8	1.1	3.0	3.0	3.0	3.0	3.0	3.0
Unidentified BOP financing (US\$ millions)	0	0.0	0.0	0.0	0.0	62.3	33.3	22.2	24.8	28.7	29.9
Memorandum items:											
Official Current transfer	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Official Capital transfer	3.9	4.5	4.5	4.5	4.5	5.7	5.4	5.6	5.6	5.6	5.6
GDP at current market prices											
In billions of Burundi Francs	5,414	5,560	6,191	5,821	6,657	6,266	6,838	7,480	8,192	8,992	9,852
In billions of US\$	3.0	3.0	3.2	3.0	3.4	3.2	3.4	3.6	3.9	4.2	4.5
Gross international reserves (excl. financing needs)											
In millions of US\$		113.4	113.4	94.3	113.4	349.0	313.0	313.0	313.0	313.0	313.0
In months of next year imports		1.3	1.1	0.8	1.1	2.5	2.3	2.2	2.1	1.9	1.8
GDP per capita (Nominal US\$)	271	261.3	273.0	256.0	275.8	261.1	269.6	280.3	291.8	304.5	317.2
Population (million)	11.2	11.5	11.9	11.9	12.2	12.2	12.6	13.0	13.4	13.8	14.2
Health and social spending 1/											
Health	...	1.6	2.9	1.9	1.7	3.7	3.5	...	...	...	...
Social	...	2.5	2.9	3.0	3.2	3.3	3.3	...	...	...	...
Human Development Index Score (HDI/UNDP)	0.4	0.4	...	...	...	...	...	...	...	...	...

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

1/ Fiscal year values (July-June) starting in 2019 (i.e. 2019 is FY 2018/19). Includes Covid-related fiscal measures starting in FY2020/21.

The stock of debt is at the end of the calendar year. Values for all the non-fiscal sectors are in calendar years.

2/ Includes the grant for the IMF debt service falling due from October 16, 2021 to April 13, 2022, which is subject to the availability of resources under the CCRT.

Table 2a. Burundi: Central Government Operations, 2018–26¹

	2018/19	2019/20	2020/21	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
		Est.	Budget	Est.	Budget	Proj.	Proj.	Proj.	Proj.	Proj.
	(BIF billion)									
Revenue and grants	1,118.2	1,270.4	1,404.8	1,412.0	1,544.1	1,625.7	1,823.6	2,001.6	2,199.2	2,415.7
Tax revenue	823.5	921.5	961.9	1,040.2	1,081.8	1,136.6	1,256.6	1,377.0	1,511.7	1,660.6
Taxes on income, profits, and capital gains	217.0	231.8	229.0	248.2	256.3	265.5	287.8	318.2	352.3	390.2
Taxes on goods & services	524.7	591.7	632.3	659.0	714.0	733.6	801.7	877.5	962.2	1,055.1
Taxes on international trade & transactions	81.8	98.0	100.6	133.0	111.5	137.5	167.1	181.3	197.1	215.2
Nontax revenue 2/	73.8	102.6	111.8	103.0	125.3	128.8	134.5	148.6	164.6	182.3
Grants	220.9	246.3	331.2	268.8	336.9	360.3	432.5	476.0	522.9	572.8
Program grants	0.0	0.0	0.0	0.0	0.0	0.0	35.8	39.2	43.0	47.1
Project grants	220.9	246.3	328.2	241.2	333.9	333.9	388.3	433.7	476.9	522.6
Other grants and transfers 3/	0.0	0.0	3.0	27.6	3.0	26.4	8.4	3.1	3.1	3.1
Total expenditure	1,455.7	1,614.9	1,558.0	1,828.1	1,695.9	2,040.0	2,049.2	2,162.1	2,362.2	2,579.0
Expense	986.9	1,163.7	946.6	1,346.6	1,022.2	1,385.8	1,324.7	1,381.3	1,510.2	1,650.6
Compensation of employees	426.4	458.1	465.5	485.2	499.7	498.7	558.4	611.2	670.2	734.9
Purchases/use of goods & services	145.8	182.1	138.9	179.2	129.7	150.9	164.6	180.2	197.6	216.7
Subsidies and Social benefits	258.8	288.8	261.4	390.4	309.2	309.2	332.9	360.5	395.2	433.4
Interest	108.8	164.0	59.2	156.2	62.5	132.8	148.4	164.5	176.6	189.0
Of which: Domestic	102.5	157.4	46.0	149.2	47.9	122.2	136.8	152.1	163.6	175.3
Other expense 4/	47.1	70.8	21.6	135.5	21.1	294.3	120.3	65.0	70.5	76.6
Of which: Covid spending 4/	0.0	0.0	0.0	48.3	...	213.5	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	468.7	451.2	611.4	481.5	673.6	654.2	724.5	780.8	852.0	928.4
Of which: Domestically financed	137.4	150.4	234.0	205.4	289.4	242.3	264.9	274.3	300.7	329.8
Net lending (+) / borrowing (-)	-337.5	-344.6	-153.2	-416.1	-151.8	-414.3	-225.7	-160.5	-163.0	-163.2
Net acquisition of financial assets 5/	-66.2	92.2	0.0	-55.2	0.0	7.6	0.0	0.0	0.0	0.0
Deposits	-60.5	36.3	0.0	-100.4	0.0	30.6	0.0	0.0	0.0	0.0
Policy lending	-5.6	56.0	0.0	45.2	0.0	-23.0	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	396.9	289.7	153.2	470.7	151.8	258.6	225.7	160.5	163.0	163.2
Domestic	301.9	255.3	138.9	456.4	138.3	225.9	200.7	140.5	147.1	148.4
Commercial banks	327.6	283.3	91.9	291.1	91.3	144.9	171.7	111.5	118.1	119.5
Non-banks	-7.3	3.2	47.0	0.5	47.0	39.9	28.9	28.9	28.9	28.9
Central Bank (net)	-18.4	-31.2	0.0	164.8	0.0	41.0	0.0	0.0	0.0	0.0
Foreign	95.1	34.4	14.3	14.3	13.5	32.7	25.0	20.0	15.9	14.8
Accounts Payable	-125.6	147.0	0.0	-109.8	0.0	-47.4	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	210.7	0.0	0.0	0.0	0.0
Memorandum items:										
Domestic primary balance	-228.7	-180.6	-94.1	-259.9	-89.3	-281.6	-77.2	4.0	13.7	25.7
GDP at current market prices (BIF billion)	5,487	5,690	6,044	6,044	6,552	6,552	7,159	7,836	8,592	9,422

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

1/ Fiscal year values (July-June). Includes Covid-related fiscal measures starting in FY2020/21.

2/ Sale of fixed capital assets included in nontax revenue rather than under expenditure.

3/ Includes the grant for the IMF debt service falling due from October 16, 2021 to April 13, 2022, which is subject to the availability of resources under the CCRT.

4/ Includes unforeseen spending and spending not properly classified due to lack of proper reconciliation between the Ministry in charge of Finance and the Central Bank. Covid spending envisaged in the FY2021/22 budget (BIF 70.4 billion or 1.07 percent of GDP) is not itemized in the budget but is included in some current and investment spending lines such as transfers to hospitals.

5/ A negative sign denotes a reduction of financial assets.

Table 2b. Burundi: Central Government Operations, 2018–26¹

	2018/19	2019/20	2020/21	2020/21	2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
		Est.	Budget	Est.	Budget	Proj.	Proj.	Proj.	Proj.	Proj.
	(Percent of GDP, unless otherwise indicated)									
Revenue and grants	20.4	22.3	23.2	23.4	23.6	24.8	25.5	25.5	25.6	25.6
Tax revenue	15.0	16.2	15.9	17.2	16.5	17.3	17.6	17.6	17.6	17.6
Taxes on income, profits, and capital gains	4.0	4.1	3.8	4.1	3.9	4.1	4.0	4.1	4.1	4.1
Taxes on goods & services	9.6	10.4	10.5	10.9	10.9	11.2	11.2	11.2	11.2	11.2
Taxes on international trade & transactions	1.5	1.7	1.7	2.2	1.7	2.1	2.3	2.3	2.3	2.3
Nontax revenue 2/	1.3	1.8	1.8	1.7	1.9	2.0	1.9	1.9	1.9	1.9
Grants	4.0	4.3	5.5	4.4	5.1	5.5	6.0	6.1	6.1	6.1
Program grants	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5
Project grants	4.0	4.3	5.4	4.0	5.1	5.1	5.4	5.5	5.6	5.5
Other grants and transfers 3/	0.0	0.0	0.0	0.5	0.0	0.4	0.1	0.0	0.0	0.0
Total expenditure	26.5	28.4	25.8	30.2	25.9	31.1	28.6	27.6	27.5	27.4
Expense	18.0	20.4	15.7	22.3	15.6	21.2	18.5	17.6	17.6	17.5
Compensation of employees	7.8	8.0	7.7	8.0	7.6	7.6	7.8	7.8	7.8	7.8
Purchases/use of goods & services	2.7	3.2	2.3	3.0	2.0	2.3	2.3	2.3	2.3	2.3
Subsidies and Social benefits	4.7	5.1	4.3	6.5	4.7	4.7	4.7	4.6	4.6	4.6
Interest	2.0	2.9	1.0	2.6	1.0	2.0	2.1	2.1	2.1	2.0
Of which: Domestic	1.9	2.8	0.8	2.5	0.7	1.9	1.9	1.9	1.9	1.9
Other expense 4/	0.9	1.2	0.4	2.2	0.3	4.5	1.7	0.8	0.8	0.8
Of which: Covid spending 4/	0.0	0.0	0.0	0.8	...	3.3	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	8.5	7.9	10.1	8.0	10.3	10.0	10.1	10.0	9.9	9.9
Of which: Domestically financed	2.5	2.6	3.9	3.4	4.4	3.7	3.7	3.5	3.5	3.5
Net lending (+) / borrowing (-)	-6.2	-6.1	-2.5	-6.9	-2.3	-6.3	-3.2	-2.0	-1.9	-1.7
Net acquisition of financial assets 5/	-1.2	1.6	0.0	-0.9	0.0	0.1	0.0	0.0	0.0	0.0
Deposits	-1.1	0.6	0.0	-1.7	0.0	0.5	0.0	0.0	0.0	0.0
Policy lending	-0.1	1.0	0.0	0.7	0.0	-0.4	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	7.2	5.1	2.5	7.8	2.3	3.9	3.2	2.0	1.9	1.7
Domestic	5.5	4.5	2.3	7.6	2.1	3.4	2.8	1.8	1.7	1.6
Commercial banks	6.0	5.0	1.5	4.8	1.4	2.2	2.4	1.4	1.4	1.3
Non-banks	-0.1	0.1	0.8	0.0	0.7	0.6	0.4	0.4	0.3	0.3
Central Bank (net)	-0.3	-0.5	0.0	2.7	0.0	0.6	0.0	0.0	0.0	0.0
Foreign	1.7	0.6	0.2	0.2	0.2	0.5	0.3	0.3	0.2	0.2
Accounts payable	-2.3	2.6	0.0	-1.8	0.0	-0.7	0.0	0.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	0.0	0.0	3.2	0.0	0.0	0.0	0.0
Memorandum items:										
Domestic primary balance	-4.2	-3.2	-1.6	-4.3	-1.4	-4.3	-1.1	0.1	0.2	0.3
GDP at current market prices (BIF billion)	5,487	5,690	6,044	6,044	6,552	6,552	7,159	7,836	8,592	9,422

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

1/ Fiscal year values (July-June). Includes Covid-related fiscal measures starting in FY2020/21.

2/ Sale of fixed capital assets included in nontax revenue rather than under expenditure.

3/ Includes the grant for the IMF debt service falling due from October 16, 2021 to April 13, 2022, which is subject to the availability of resources under the CCRT.

4/ Includes unforeseen spending and spending not properly classified due to lack of proper reconciliation between the Ministry in charge of Finance and the Central Bank. Covid spending envisaged in the FY2021/22 budget (BIF 70.4 billion or 1.07 percent of GDP) is not itemized in the budget but is included in some current and investment spending lines such as transfers to hospitals.

5/ A negative sign denotes a reduction of financial assets.

Table 3. Burundi: Monetary Survey, 2018–26
(BIF Billion)

	2018	2019	2020		2021		2022	2023	2024	2025	2026
	Dec	Dec	Pre-Covid	Dec	Pre-Covid	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Net foreign assets	-203.2	-212.4	-117.1	-238.2	-101.4	-283.9	-323.9	-327.7	-338.6	-357.2	-379.1
Central bank	-165.2	-135.3	-32.4	-125.3	-8.3	-159.7	-187.3	-177.5	-173.4	-175.4	-179.2
Deposit money banks	-38.0	-77.1	-84.6	-112.9	-93.1	-124.2	-136.6	-150.2	-165.3	-181.8	-200.0
Net domestic assets	2,000.7	2,417.7	2,567.5	2,688.8	3,016.6	3,084.0	3,698.4	4,103.8	4,552.8	5,065.5	5,614.7
Domestic credit	2,131.4	2,527.1	2,867.8	3,001.8	3,272.3	3,385.5	3,882.4	4,196.9	4,536.3	4,919.5	5,328.2
Net claims on the government	1,339.0	1,622.7	1,931.2	1,930.7	2,268.4	2,079.2	2,309.9	2,416.4	2,533.0	2,652.3	2,771.4
Central bank	441.3	324.8	382.7	258.6	400.0	258.6	258.6	258.6	258.6	258.6	258.6
Commercial banks	881.7	1,279.3	1,548.5	1,634.2	1,868.3	1,820.6	2,051.3	2,157.8	2,274.4	2,393.7	2,512.9
Credit to the economy	792.4	904.4	936.6	1,071.1	1,004.0	1,306.3	1,572.6	1,780.5	2,003.3	2,267.2	2,556.8
Other items, net (assets = +)	-130.8	-109.4	-300.3	-313.0	-255.7	-301.4	-184.0	-93.1	16.5	145.9	286.5
M3	1,797.5	2,205.3	2,450.4	2,450.6	2,915.2	2,800.1	3,374.5	3,776.0	4,214.1	4,708.2	5,235.6
Foreign currency deposits	171.5	188.1	206.9	207.3	227.6	228.1	250.9	276.0	304.5	335.9	370.3
M2	1,626.0	2,017.2	2,243.5	2,243.3	2,687.7	2,572.1	3,123.6	3,500.1	3,909.6	4,372.3	4,865.3
Currency in circulation	304.5	370.5	387.0	452.9	416.1	487.5	532.0	581.9	637.4	699.6	766.5
Local currency deposits	1,321.5	1,646.6	1,856.6	1,790.4	2,271.6	2,084.6	2,591.7	2,918.1	3,272.2	3,672.7	4,098.8
Demand deposits	970.3	1,144.8	995.0	1,177.9	1,069.0	1,266.8	1,381.1	1,509.5	1,652.9	1,813.7	1,986.7
Quasi-money	351.2	501.9	861.6	612.4	1,202.5	817.8	1,210.6	1,408.7	1,619.3	1,859.0	2,112.2
Change as a percentage of beginning period M2											
Net foreign assets											
Central bank	-1.7	1.8	4.3	0.4	0.9	3.4	-2.7	-0.3	0.3	0.2	0.0
Deposit money banks	-2.3	-2.4	-0.4	-1.8	-0.4	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4
Net domestic assets	40.7	25.6	17.1	13.4	20.0	17.6	23.9	13.0	12.8	13.1	12.6
Domestic credit	26.9	24.3	20.1	23.5	18.0	17.1	19.3	10.1	9.7	9.8	9.3
Net claims on the government	18.6	17.4	16.8	15.3	15.0	6.6	9.0	3.4	3.3	3.1	2.7
Credit to the economy	8.3	6.9	3.3	8.3	3.0	10.5	10.4	6.7	6.4	6.8	6.6
Other items, net (assets = +)	13.7	1.3	-3.0	-10.1	2.0	0.5	4.6	2.9	3.1	3.3	3.2
M3	36.6	25.1	21.9	12.2	20.7	15.6	22.3	12.9	12.5	12.6	12.1
Foreign currency deposits	1.1	1.0	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.8
M2	35.5	24.1	20.9	11.2	19.8	14.7	21.4	12.1	11.7	11.8	11.3
Currency in circulation	2.9	4.1	1.5	4.1	1.3	1.5	1.7	1.6	1.6	1.6	1.5
Local currency deposits	32.6	20.0	19.4	7.1	18.5	13.1	19.7	10.5	10.1	10.2	9.7
Demand deposits	27.8	10.7	3.8	1.6	3.3	4.0	4.4	4.1	4.1	4.1	4.0
Quasi-money	4.8	9.3	15.5	5.5	15.2	9.2	15.3	6.3	6.0	6.1	5.8
Memorandum items:											
Credit to the private sector (percent GDP)	13.9	15.5	14.5	18.0	14.5	20.2	22.5	23.4	24.1	24.8	25.6
Gross international reserves (US\$ millions) 1/	70.3	113.4	113.4	94.3	113.4	411.3	408.6	430.8	455.6	484.3	514.1
Net foreign assets 1/	-203.2	-212.4	-117.1	-238.2	-101.4	-161.6	-256.8	-282.2	-286.6	-295.7	-313.7
Official exchange rate (BF/\$)	1,808	1,882	...	1,946	...	...	...	...	...	...	...
Parallel exchange rate (BF/\$)	2738	2920	...	...	...	...	...	...	...	...	...

Sources: Burundi authorities; IMF staff estimates and projections.

1/ Projections assuming that the unidentified BOP financing is filled.

Table 4. Burundi: Central Bank Accounts, 2018–26

(BIF Billion)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec	Dec
Net foreign assets	-165.2	-135.3	-125.3	-159.7	-187.3	-177.5	-173.4	-175.4	-179.2
Assets	145.6	235.8	246.1	761.1	704.0	718.9	734.1	749.7	765.6
Liabilities	310.8	371.2	371.5	920.8	891.3	896.4	907.5	925.1	944.7
Net domestic assets	695.5	769.7	859.4	806.8	892.2	947.2	1015.1	1097.9	1188.5
Domestic credit	465.6	349.3	282.7	282.7	282.7	282.7	282.7	282.7	282.7
Net claims on the government	441.3	324.8	258.6	258.6	258.6	258.6	258.6	258.6	258.6
Total credit	772.1	746.5	715.2	715.2	715.2	715.2	715.2	715.2	715.2
Ordinary advances	210.4	0.0	-30.5	-30.5	-30.5	-30.5	-30.5	-30.5	-30.5
Special advances	40.4	23.7	37.4	37.4	37.4	37.4	37.4	37.4	37.4
Restructured debt	521.3	722.8	708.3	708.3	708.3	708.3	708.3	708.3	708.3
Government deposits	330.8	421.7	456.6	456.6	456.6	456.6	456.6	456.6	456.6
Other credit to the economy	24.3	24.5	24.1	24.1	24.1	24.1	24.1	24.1	24.1
Other items, net (assets = +)	229.9	420.4	576.8	524.2	609.5	664.6	732.4	815.3	905.8
Reserve money	530.2	634.4	734.1	647.1	704.9	769.7	841.7	922.5	1009.4
Currency in circulation	304.5	370.5	452.9	487.5	532.0	581.9	637.4	699.6	766.5
Bank reserves	166.4	208.1	216.2	90.8	99.1	108.4	118.7	130.3	142.8
Cash in vault	45.7	44.3	59.9	69.4	85.3	95.8	107.2	120.1	133.9
Other nonbank deposits	13.6	11.5	14.1	14.1	14.1	14.1	14.1	14.1	14.1
Memorandum items:									
Net foreign assets of BRB (US\$ million)									
Assets 1/	81.7	117.1	128.5	450.2	383.0	371.7	374.3	378.2	379.4
Liabilities	171.9	197.3	190.8	459.2	435.0	428.4	424.7	424.0	424.0

Sources: Burundi authorities; IMF staff estimates and projections.

1/ Projections assuming that the unidentified BOP financing is filled.

Table 5a. Burundi: Balance of Payments, 2018–26

(US\$ Million)

	2018	2019	2020		2021		2022	2023	2024	2025	2026
	Est.	Est.	Pre-Covid	Est.	Pre-Covid	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account	-346.3	-348.3	-546.8	-315.2	-554.7	-546.7	-773.7	-711.8	-749.5	-791.7	-856.8
(excluding official transfers)	-346.3	-348.3	-546.8	-315.2	-554.7	-546.7	-790.6	-730.0	-769.0	-812.7	-879.3
Trade balance	-486.3	-539.2	-680.4	-594.8	-699.9	-821.6	-975.4	-1017.3	-1064.4	-1116.0	-1188.1
Exports, f.o.b.	195.6	220.5	189.6	185.3	201.7	216.8	238.2	259.1	283.0	311.0	331.0
Of which: coffee	40.8	37.8	38.5	30.7	42.6	49.2	59.3	67.0	74.8	83.0	88.4
gold	56.5	66.9	73.2	46.0	74.5	44.9	51.4	57.6	64.8	72.9	76.1
Imports, f.o.b.	-682.0	-759.7	-870.0	-780.1	-901.6	-1038.4	-1213.6	-1276.3	-1347.4	-1427.0	-1519.1
Of which: petroleum products	-153.8	-160.8	-153.9	-137.4	-150.0	-244.9	-288.7	-286.6	-288.3	-292.2	-304.5
Services (net)	-117.9	-177.4	-154.1	-154.9	-152.9	-216.6	-338.9	-259.0	-271.8	-284.6	-300.5
Credits	104.9	78.7	...	86.2	...	84.7	92.7	99.2	103.9	110.7	117.4
Debits	-222.8	-256.1	...	-241.1	...	-301.3	-431.6	-358.2	-375.7	-395.3	-417.9
Income (net)	6.4	9.5	7.5	16.9	6.9	15.8	16.6	17.0	17.3	17.5	17.7
Of which: interest on public debt	-3.0	-3.1	-5.4	-5.4	-6.3	-5.3	-5.6	-5.9	-6.1	-6.3	-6.4
Current transfers (net)	251.5	358.8	280.2	417.5	291.3	475.7	524.0	547.5	569.4	591.4	614.2
Of which: Workers remittances	33.1	72.6	42.2	108.5	43.9	112.1	120.4	126.3	131.7	137.1	142.7
Capital account ¹	118.4	135.9	144.9	135.3	151.3	182.0	184.0	203.7	219.4	235.6	252.3
Financial account ²	210.1	274.6	401.9	182.8	403.3	617.4	553.7	508.1	530.1	556.2	604.5
Direct investment	0.0	0.3	0.3	7.6	0.3	8.0	8.5	9.1	9.7	10.5	11.2
Other investment ³	210.1	274.3	401.6	175.2	403.0	548.7	545.2	499.0	520.4	545.7	593.3
Assets	-66.8	-37.5	-80.5	-99.0	-81.7	-70.2	-67.5	-69.0	-81.2	-89.0	-92.6
Liabilities	277.0	311.9	482.1	274.2	484.7	618.9	612.7	568.0	601.6	634.7	685.9
Errors and omissions	-12.3	-18.1	0.0	-24.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-30.1	44.1	0.0	-21.2	0.0	252.7	-36.0	0.0	0.0	0.0	0.0
Financing (increase in assets = -)	30.1	-44.1	0.0	21.2	0.0	-252.7	36.0	0.0	0.0	0.0	0.0
Of which: change in official reserves	31.3	-43.2	0.0	19.1	0.0	-317.0	2.7	-22.2	-24.8	-28.7	-29.9
Exceptional financing	0.0	0.0	0.0	0.5	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Rescheduling of debt service (DSSI)	0.0	0.0	0.0	0.5	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Unidentified BOP financing ⁴	0.0	0.0	0.0	0.0	0.0	62.3	33.3	22.2	24.8	28.7	29.9
Memorandum items:											
Current account	-11.4	-11.6	-16.9	-10.4	-16.4	-17.1	-22.8	-19.6	-19.2	-18.9	-19.0
Of which: official transfers and capital account	3.9	4.5	4.5	4.5	4.5	5.7	5.9	6.1	6.1	6.1	6.1
Gross official reserves (incl. financing needs)											
US\$ million	70	113	113.4	94.3	113.4	411.3	408.6	430.8	455.6	484.3	514.1
Months of imports	0.8	1.3	1.1	0.8	1.1	3.0	3.0	3.0	3.0	3.0	3.0
Cumulative financing needs ⁵	0.0	0.0	0.0	0.0	0.0	62.3	95.6	117.8	142.6	171.3	201.1
PV of external debt (percent of exports of GS)	117.4	109.8	103.6	103.6	97.5	97.5	92.3	87.8	84.3	80.9	78.3
Government external debt (percent of GDP)	17.2	18.6	17.5	18.0	16.9	20.4	19.2	18.0	16.9	15.9	15.0
Imports of petroleum products (tons)	221211	295962	...	238848	...	267510	321012	335458	350553	365367	380713
Oil (US\$/barrel)	68.3	61.4	57.9	41.3	55.3	65.7	64.5	61.3	59.0	57.4	57.4
Nominal GDP (US\$ billion)	3.0	3.0	3.2	3.0	3.4	3.2	3.4	3.6	3.9	4.2	4.5

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

¹ Based on preliminary information provided by donors.² Includes prospective IMF disbursements and CCRT grants.³ Given large uncertainties on private flows in the BOP, other investments are projected so that the BOP balance is zero in the medium to long term, which stabilizes the level of reserves in nominal terms in the absence of additional external financing.⁴ Annual financing needs to reach the reserve target of three months of imports, assuming that the financing gap of year n-1 is filled.⁵ Gap between the reserve target of three months of imports and actual reserves (i.e. when the gaps of the previous years are not filled).

Table 5b. Burundi: Balance of Payments, 2018–26
(Percent of GDP)

	2018	2019	2020		2021		2022	2023	2024	2025	2026
	Est.	Est.	Pre-Covid	Est.	Pre-Covid	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Current account	-11.4	-11.6	-16.9	-10.4	-16.4	-17.1	-22.8	-19.6	-19.2	-18.9	-19.0
(excluding official transfers)	-11.4	-11.6	-16.9	-10.4	-16.4	-17.1	-23.3	-20.1	-19.7	-19.4	-19.5
Trade balance	-16.0	-17.9	-21.0	-19.6	-20.7	-25.7	-28.7	-28.0	-27.3	-26.6	-26.4
Exports, f.o.b.	6.4	7.3	5.8	6.1	6.0	6.8	7.0	7.1	7.3	7.4	7.4
<i>Of which:</i> coffee	1.3	1.3	1.2	0.8	1.3	1.1	1.2	1.2	1.2	1.2	1.1
gold	1.9	2.2	2.3	1.5	2.2	1.4	1.5	1.6	1.7	1.7	1.7
Imports, f.o.b.	-22.5	-25.2	-26.8	-25.7	-26.7	-32.5	-35.7	-35.1	-34.5	-34.0	-33.8
<i>Of which:</i> petroleum products	-5.1	-5.3	-4.7	-4.5	-4.4	-7.7	-8.5	-7.9	-7.4	-7.0	-6.8
Services (net)	-3.9	-5.9	-4.8	-5.1	-4.5	-6.8	-10.0	-7.1	-7.0	-6.8	-6.7
Income (net)	0.2	0.3	0.2	0.6	0.2	0.5	0.5	0.5	0.4	0.4	0.4
<i>Of which:</i> interest on public debt	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1
Current transfers (net)	8.3	11.9	8.6	13.7	8.6	14.9	15.4	15.1	14.6	14.1	13.7
<i>Of which:</i> Workers' remittances	1.1	2.4	1.3	3.6	1.3	3.5	3.5	3.5	3.4	3.3	3.2
Capital account ¹	3.9	4.5	4.5	4.5	4.5	5.7	5.4	5.6	5.6	5.6	5.6
Financial account ²	6.9	9.1	12.4	6.0	12.0	17.4	16.3	14.0	13.6	13.3	13.4
Direct investment	0.0	0.0	0.0	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.2
Other investment ³	6.9	9.1	12.4	5.8	11.9	17.2	16.1	13.7	13.3	13.0	13.2
Assets	-2.2	-1.2	-2.5	-3.3	-2.4	-2.2	-2.0	-1.9	-2.1	-2.1	-2.1
Liabilities	9.1	10.4	14.9	9.0	14.4	19.4	18.0	15.6	15.4	15.1	15.2
Errors and omissions	-0.4	-0.6	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-1.0	1.5	0.0	-0.7	0.0	6.0	-1.1	0.0	0.0	0.0	0.0
Financing (increase in assets = -)	1.0	-1.5	0.0	0.7	0.0	-6.0	1.1	0.0	0.0	0.0	0.0
<i>Of which:</i> change in official reserves	1.0	-1.4	0.0	0.6	0.0	-9.9	0.1	-0.6	-0.6	-0.7	-0.7
Exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling of debt service (DSSI)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified BOP financing ⁴	0.0	0.0	0.0	0.0	0.0	2.0	1.0	0.6	0.6	0.7	0.7

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

¹ Based on preliminary information provided by donors.

² Includes prospective IMF disbursements and CCRT grants.

³ Given large uncertainties on private flows in the BOP, other investments are projected so that the BOP balance is zero in the medium to long term, which stabilizes the level of reserves in nominal terms in the absence of additional external financing.

⁴ Annual financing needs to reach the reserve target of three months of imports, assuming that the financing gap of year n-1 is filled.

Table 6. Burundi: Banking System Soundness Indicators, 2018–21

(percent, unless otherwise indicated)

	2018	2019	2020	2020	2020	2020	2021
	Dec	Dec	Mar	Jun	Sep	Dec	Mar
Capital Requirement							
Capital requirement over weighted assets (solvency ratio)	21.9	21.6	27.5	26.2	23.2	23.8	26.2
Core capital (Tier 1 capital) over weighted assets	20.3	20.2	25.9	24.6	21.9	22.4	24.7
Quality of assets							
Nonperforming loans (percent of total gross loans granted)	9.2	5.6	6.6	6.2	6.8	5.4	4.8
Provisions (percent of nonperforming loans)	92.0	86.9	71.0	72.0	68.6	69.2	67.7
Nonperforming loans net of provisions (percent of capital)	2.3	2.1	5.3	4.9	6.1	4.4	4.1
Large exposures (percent of capital)	117.8	78.6	74.8	62.1	59.9	51.1	59.0
Profitability rates							
Return on assets	2.7	4.1	1.1	2.1	3.4	3.9	1.0
Return on equity capital	23.2	36.5	9.3	17.7	29.4	32.3	7.5
Net interest (percent of gross results)	54.6	64.1	70.4	72.0	70.7	70.7	71.9
Costs excluding interest (percent of gross outturn)	42.8	43.6	44.6	44.6	43.2	47.9	48.3
Liquidity							
Liquid assets (percent of all loans granted)	28.6	31.8	28.5	27.8	24.7	28.8	21.2
Liquid assets (percent of short-term commitments)	17.2	18.1	17.2	16.8	14.2	15.5	11.6

Source: Burundi authorities.

Table 7. Burundi: Indicators of Capacity to Repay the Fund, 2018–31

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Fund obligations based on existing credit														
(SDR million)														
Principal (incl. CCRT)	12.5	11.8	2.2	0.0	6.4	4.5	2.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Charges and interest	0.10	0.10	0.36	0.01	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Fund obligations based on existing and prospective credit														
(SDR million)														
Principal (incl. CCRT)	12.5	11.8	2.2	0.0	6.4	4.5	2.5	0.5	0.0	10.8	10.8	10.8	10.8	10.8
Charges and interest	0.1	0.1	0.4	0.01	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total obligations based on existing and prospective credit														
SDR million (incl. CCRT)														
Percent of exports of goods and services	5.9	5.5	1.3	0.0	2.8	1.8	1.0	0.2	0.0	3.3	3.1	2.9	2.8	2.6
Percent of debt service ¹	65.0	62.9	15.2	0.1	25.4	18.3	10.1	2.3	0.2	30.6	30.5	29.6	29.2	28.4
Percent of tax revenue	3.8	3.1	0.6	0.0	1.4	0.9	0.5	0.1	0.0	1.7	1.6	1.5	1.4	1.3
Percent of gross official reserves	25.3	14.4	3.7	0.0	3.0	2.1	1.2	0.3	0.0	5.1	5.1	5.1	5.1	5.1
Percent of GDP	0.6	0.5	0.1	0.0	0.3	0.2	0.1	0.0	0.0	0.3	0.3	0.3	0.3	0.3
Percent of quota	8.2	7.7	1.6	0.0	4.2	2.9	1.6	0.4	0.0	7.0	7.0	7.0	7.0	7.0
Outstanding Fund credit														
SDR million														
Percent of exports of goods and services	21.1	15.7	9.6	32.2	26.9	23.3	20.8	18.9	17.7	13.4	9.4	5.9	2.8	0.0
Percent of debt service ¹	231.9	179.9	112.3	475.1	243.0	230.3	217.4	227.8	227.9	122.5	91.5	59.2	29.2	0.0
Percent of tax revenue	13.5	8.7	4.6	15.8	13.5	11.8	10.6	9.7	9.0	6.7	4.7	3.0	1.4	0.0
Percent of gross official reserves	90.2	41.3	27.5	27.8	28.5	26.6	25.7	25.4	25.4	20.3	15.3	10.2	5.1	0.0
Percent of GDP	2.1	1.6	0.9	3.0	2.6	2.3	2.1	1.9	1.8	1.3	0.9	0.6	0.3	0.0
Percent of quota	29.7	22.1	11.7	44.0	39.9	36.9	35.3	35.0	35.0	28.0	21.0	14.0	7.0	0.0
Net use of Fund credit (SDR million)														
Disbursements														
Repayments and repurchases (incl. CCRT)	12.5	11.8	2.2	0.0	6.4	4.5	2.5	0.5	0.0	10.8	10.8	10.8	10.8	10.8
<i>Memorandum items:</i>														
Exports of goods and services (US\$ million)	300.5	299.2	271.6	301.4	330.9	358.2	386.9	421.7	448.4	476.7	507.3	539.7	576.9	618.3
Debt service (US\$ million)	27.3	26.1	23.1	20.4	36.7	36.2	36.9	34.9	34.9	52.0	52.2	53.8	54.5	56.1
Tax revenue (US\$ million)	469.4	536.5	560.8	614.3	659.2	707.3	760.2	818.8	881.1	944.9	1010.0	1077.6	1148.5	1224.1
Gross official reserves (US\$ million; excl. financing needs)	70.3	113.4	94.3	349.0	313.0	313.0	313.0	313.0	313.0	313.0	313.0	313.0	313.0	313.0
Nominal GDP (US\$ million)	3036.6	3012.5	3039.8	3193.0	3396.0	3636.7	3900.4	4192.3	4497.8	4807.4	5119.5	5441.9	5777.3	6132.7
Quota (SDR, million)	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0

Sources: IMF staff estimates and projections.

¹ Total debt service includes IMF repurchases and repayments.

Annex I. Risk Assessment Matrix¹

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
Domestic Risks			
<p><i>Reengagement with the international community.</i></p> <p>Burundi has resumed cooperation with the Fund - article 4 consultation is scheduled later this year, and World bank has recently committed to strengthen its support to the country. This is expected to catalyze other supports.</p>	High	<p>High. Much stronger support from the international community will ease fiscal constraints by providing resources to the budget and funding for the National Development Plan.</p> <p>Strengthening the international cooperation will provide the country with highly-needed FX and help covering the large BOP financing needs.</p> <p>The reengagement will support reform design and implementation, hence a much more ambitious reform agenda.</p>	<p>*Accelerate engagement with the international community.</p> <p>*Not delaying essential structural reforms where profound disequilibrium/distortions have been identified.</p> <p>*Continue improving the political and social situation; facilitate the return of refugees.</p> <p>*Transparency and accountability in economic policies especially on the public spending side.</p>
Adverse weather conditions	Low Short Term	<p>Medium. This would lead to lower agricultural production and slower growth, an increase in food inflation, pressures on public spending and the current account, and adversely affect the vulnerable households.</p>	<p>*Guard against second-round effects on inflation.</p> <p>*Use targeted programs to help vulnerable groups and reprioritize spending.</p> <p>*Increase fiscal space through domestic revenue mobilization measures and spending prioritization and efficiency.</p> <p>*Strengthen the business environment to further diversify the economy, including exports.</p>

¹ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
<p><i>A deterioration of the political and security situation.</i> The political and security situation is stable but remains fragile as proven by the recent coordinated grenade attacks against several public places (Bujumbura airport, markets, bus stations).</p>	<p>Low Short to Medium Term</p>	<p>Medium. General social unrest would disrupt economic activities and reduce investors' confidence. Increased pressures on fiscal expenditures (including military spending) would divert resources away from growth-enhancing spending, lowering growth.</p>	<p>*Allow automatic fiscal stabilizers to operate. *Support the vulnerable population with well-targeted measures. *Assuming the turbulence is temporary, use fiscal space and monetary policy prudently to support the economy.</p>
Conjunctural shocks and scenarios			
<p><i>Uncontrolled Covid-19 local outbreaks and subpar/volatile growth in affected countries.</i> Outbreaks in slow-to-vaccinate countries force new lockdowns.</p>	<p>Medium</p>	<p>Medium. A further worsening situation of the pandemic would have severe economic and social impacts in Burundi. With limited medical capacity, fiscal space, and access to vaccines, Burundi is vulnerable to such a shock.</p>	<p>*Adopt and accelerate the implementation of a national vaccination framework. *Prioritize spending towards the health sector and social protection.</p>
<p><i>Widespread social discontent and political instability.</i> Social tensions erupt as a withdrawal of pandemic-related policy support results in unemployment and, amid increasing prices of essentials, hurts vulnerable groups (often exacerbating pre-existing inequities).</p>	<p>Medium</p>	<p>High. General social unrest would disrupt economic activities and reduce investors' confidence. Increased pressures on fiscal expenditures (including military spending) would divert resources away from growth-enhancing spending, lowering growth.</p>	<p>*Support the vulnerable population with well-targeted measures. *Assuming the turbulence is temporary, use fiscal space and monetary policy prudently to support the economy.</p>
<p><i>Rising commodity prices amid bouts of volatility (upside risks).</i> Commodity prices increase by more than expected against a weaker U.S. dollar, post-pandemic pent-up demand and supply disruptions, and for some materials</p>	<p>Medium</p>	<p>High. Higher primary goods prices (other than oil) would boost the country's FX reserves and help in covering Covid related imports. It would provide greater effectiveness to the monetary policy and improve fiscal situation.</p>	<p>Run disciplinary fiscal policy to contain domestic absorption and preserve FX reserves. This would give more room to face future shocks.</p>

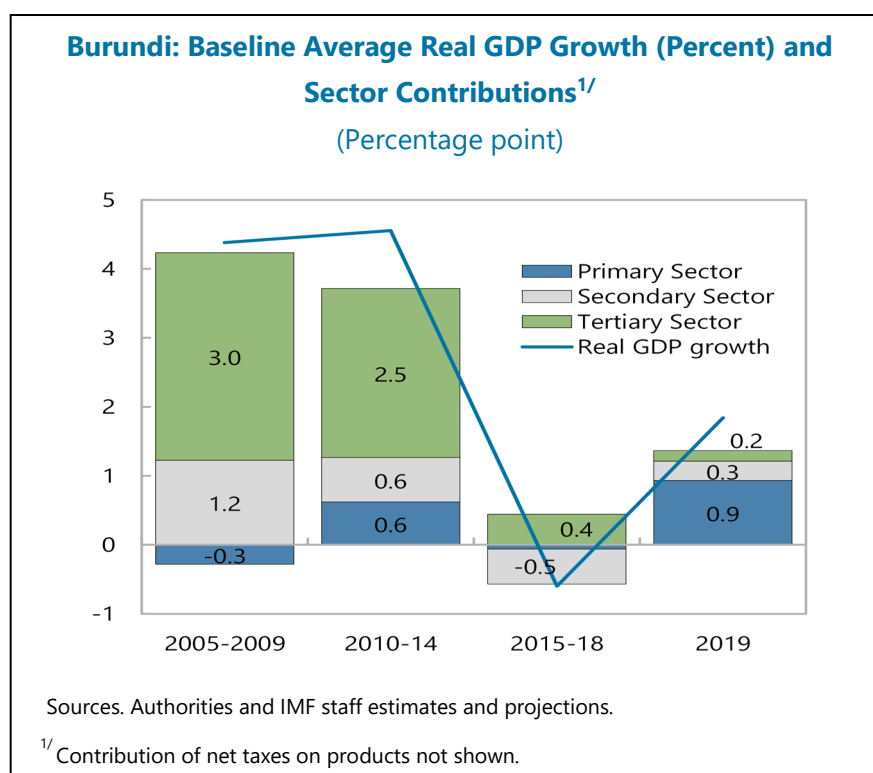
Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
accelerated plans for renewable energy adoption. Uncertainty surrounding each of these factors leads to bouts of volatility, especially in oil prices			
Structural Risks			
<p><i>Intensified geopolitical tensions and security risks.</i></p> <p>Geopolitical tensions in selected countries/regions cause economic/political disruption, disorderly migration, higher volatility in commodity prices (if supply is disrupted), and lower confidence, with spillovers to other countries.</p>	Medium	<p>Medium. The higher commodity prices could boost commodity exports and support economic growth and reserve build up. Disorderly migration and lower confidence could lead to high public spending on refugees and lower private consumption and investment.</p>	<p>*Increase fiscal space through stronger revenue administration and spending framework to better support unforeseen spending obligations.</p> <p>*Increase international reserve buffers with a more flexible exchange rate to provide an adequate response to foreign exchange needs of the economy.</p> <p>*Implement a more accommodative monetary policy if inflation is in check.</p>

Annex II. Growth Dynamics in Burundi

Economic growth in Burundi was mainly driven by agriculture in 2019, although the performance of traditional mainstay of agriculture has been unstable over the years, affected by conflicts. However, Burundi has implemented several growth-enhancing policies over recent years to support economic activities, including during the COVID-19 pandemic.

A. Pre-COVID Drivers of Growth

1. Economic growth in Burundi was mainly driven by agriculture in 2019, although the performance of traditional mainstay of agriculture has been unstable over the years, affected by conflicts. Dominant subsistence agriculture, coffee and tea, forestry, livestock and fishing all endured several years of retrenchment prior to 2010, influenced by factors including population displacement and poor harvests. It picked up during 2010-14, but the political crisis in 2015 caused renewed civil unrest, stymying growth once again as significant numbers of people fled the country. In 2019 agriculture provided the largest contribution to overall growth due to above-average harvests and herd restocking.



2. The contribution of secondary sector has been mixed and did not provide the dominant impulse to GDP in any recent historical period. With the extraction and utilities industries remaining very small, manufacturing and construction dominated the sector. Both expanded strongly during the

initial return to peacetime from 2005-2009, but slowed down quickly from 2010 onwards, with construction sharply contracting during 2015-2018. Manufacturing recovered during 2019, though construction provided a further drag on growth.

3. Services have been the main contributor to growth, except in 2019, cushioning weaknesses in other sectors during the years of conflict, though its impulse has been dwindling over time. From 2005-2009, government expenditure surged, in part through donor support, while banking and insurance saw renewed demand following the return to political stability. Public services continued to drive growth during 2010-2014, with a notable expansion in education provision, but from 2015-2018, government expenditures began to stall; by 2019, public services and already weak market services almost flatlined. The COVID-19 pandemic exacerbated this downward trend.

B. Growth-Supporting Policies in Burundi

4. Burundi has implemented several growth-enhancing policies to support economic activities, including during the COVID-19 pandemic.

- **Agricultural Programs.** The agricultural sector contributes on average 39.7 percent of GDP, employing 84 percent of the labor force. The *Plan National d'Investissement Agricole (PNIA, 2016–2020)* has supported agricultural production, through several measures, many of which are still being implemented and expected to support agricultural production and cash crop exports over the medium term. These measures include:
 - **Production.** (i) utilization of better-quality seeds; (ii) better access to fertilizers and at lower costs (iii) better global-to-local price transmission, which has increased producer prices and provided incentives to agricultural production; (iv) gradual production mechanization and modernization; (v) professional training, (vi) expansion of land utilization for agricultural production; and (vi) increased financing, including for women.
 - **Coffee sector.** The Government has been implementing deep reforms to reorganize the coffee sector to support exports, including centralizing coffee sales and nationalizing part of the exports process. The BRB extended a loan to the Government in 2020 to invest in boosting productive capacity which is expected to increase production and reduce waste, which will boost exported coffee volumes in 2021 and beyond.
 - **Fertilizers.** The BRB also extended a loan to expand the production capacity of a fertilizer firm, which was guaranteed by the Treasury.
- **Import Substitution.** Burundi's imports have increased over the years leading to a deteriorating trade balance and increasing FX needs. The *PND* aims to reduce import dependence by boosting the domestic production of goods and services with the modernization and diversification of agricultural production, increased electricity supply (new power plants), and support to agrobusiness industries.
- **Banking.** The Banking Act of 2003 has been updated with banking activities now governed by a new legal framework (Law n°1/17 of August 22, 2017). This reform aims to increase credit provision to

the economy and improve banking system regulation. Only institutions that are subject to the banking rules, namely banks, microfinance institutions, and financial institutions can grant credit and it is prohibited for any natural or legal person, other than a reporting institution, to carry out credit transactions. The Banking Act also leverages the digital technology to transform the banking and financial sector with online and mobile banking.

Appendix I. Letter of Intent

October 5, 2021

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington D.C. 20431

Dear Ms. Georgieva:

1. The purpose of this letter of intent is to request financial assistance from the International Monetary Fund (IMF) under the Rapid Credit Facility (RCF) to support the efforts of the government of Burundi in managing the COVID-19 pandemic and limiting its economic and social impact. The government of Burundi would like to thank sincerely the IMF for the three tranches of debt relief approved to date under the Catastrophe Containment and Relief Trust (CCRT) to help with managing the pandemic, amounting a total of SDR 14.46 million.
2. In order to significantly mitigate the socio-economic impacts of the COVID-19, the Government had to mobilize additional resources and reallocate other resources towards the fight against COVID-19. The Government's COVID response plan is estimated at US\$ 150 million, including a sanitary Contingency Plan for a cost of approximately US\$ 58 million. Actions carried out by the Government have focused in particular on (i) the implementation of hygiene measures to protect the population against COVID-19 (notably subsidizing soaps and water); (ii) the activation of a reception center for public health emergencies and of the COVID-19 coordination mechanism; (iii) equipping specialized laboratories with COVID-19 diagnostic equipment, test kits and reagents; and (iv) protecting and training health personnel to COVID-19 protocols. The Government is also strongly committed to maintaining and strengthening measures to curb the spread of the pandemic, in particular (i) strengthening the national committee against COVID-19 and the scientific committee, (ii) coordination with neighboring countries to fight against the pandemic, and (iii) strengthening measures to control the COVID-19 spread.
3. The Burundian economy has been negatively impacted by the global health crisis. The latter has affected performance in almost all sectors, economic activity in particular, and hence economic growth, but also the budget, the financial sector, and the balance of payments.
4. In terms of economic activity, while growth was initially projected at 4.1 percent in 2020 before the occurrence of COVID, it is finally projected at -0.5 percent in 2020, mainly due to the slowdown of the tertiary sector. This decline would have been worse if it had not been for the resilience of the primary sector which recorded good subsistence agricultural production in 2020. This branch of activity, which represents more than 80 percent of the value added of the primary sector has benefited from

favorable climatic conditions and reforms initiated in the agricultural sector by the Government, more specifically grouping farmers into cooperatives, supervising farmers, subsidizing chemical fertilizers, and distributing agricultural inputs such as corn and beans.

5. The social sector has been a focal area of our response to the pandemic. The social protection measures comprise mainly four projects, namely (i) the framework project for the reintegration of victims of disasters, (ii) the project to support the production of mobility devices for disabled people, (iii) the project to support the socio-economic empowerment of women in Burundi as well as (iv) the Merankabandi social safety net project. During the COVID-19 pandemic, the Government redirected a significant funds to the social sector as well as to supporting vulnerable people in order to mitigate the economic harm linked to the pandemic. In the health sector, various projects have been implemented, including (i) networking laboratories within the East African Community, (ii) the population resilience support program (TWITEHO AMAGARA MEZA), (iii) the project relative to early childhood and demographic control (NKURIZA), (iv) the health sector development support project (KIRA) as well as (v) the national contingency plan for the preparation and response to the COVID-19 pandemic. The education sector has benefited from two main projects: the school rehabilitation and equipment project and the project to support the improvement of learning at the start of schooling (PAADESCO-SHISHIKARA). In addition, two banks were created, namely the Women's Bank and the Youth Bank, which are currently operational.

6. The pandemic has also affected the budget and related operations. Indeed, as the Government has placed great attention on the management of the pandemic, current expenditure increased in 2020, compared to the previous year, while capital spending was under-executed. Despite the overperformance of revenue mobilization, including tax revenue, higher spending owing to the pandemic led to a deterioration of the overall budget deficit. This situation also caused a significant increase in the total public debt, especially domestic debt.

7. Regarding the balance of payments, the current account improved slightly in 2020 compared to 2019 despite the increase in the goods trade balance deficit, led by the increase in COVID-related imports. Workers' remittances increased in 2020 compared to the previous year, supporting the current account. The balance of the capital account increased slightly, following the increase in the receipt of grants for projects. Similarly, the balance of the financial account improved slightly, reflecting the decrease in the deficit in other investments, especially trade credits.

8. The Burundian economy's external position is fragile insofar as the level of international reserves is relatively low. Net international reserves are negative and deteriorated in 2020, compared to the previous year. Official reserves fell from 3.4 percent of GDP to 2.8 percent of GDP between 2019 and 2020. At end-December 2020, these official reserves represented 1.1 months of the imports of goods and services of 2019. They fell to 0.8 month of imports of goods and services of 2020 in May 2021, lower than the convergence criteria of the East African Community (minimum of 4.5 months of imports) and have since been bolstered by the new SDR allocation (SDR 147.6 million, equivalent to US\$ 211 million).

9. For the 2021/22 budget, the Government of Burundi plans to accommodate the expenses necessary to continue to deal with the COVID-19 pandemic. An initial envelope of BIF 70.4 billion has been allocated for further execution of our COVID-19 response plan. The 2021/22 budget, moreover, prioritized spending that has a visible impact on the socio-economic development of Burundi, in accordance with the National Development Plan 2018-2027 and the Peace Capitalization Program - Social Stability - and Promotion of Economic Growth (PNCP-SS-PCE), which will help support sustainable and inclusive growth. In addition to peace and reconciliation, the PNCP-SS-PCE places a very particular emphasis on the strategic sectors which are (i) agriculture and livestock, (ii) public health, (iii) industrialization, (iv) economic and social infrastructure as well as (v) employment of young people and social protection of the vulnerable. As for the monetary and exchange rate policies, which are conducted in the constraining context of limited international reserves, the reengagement with the IMF will contribute to creating a space to support the efforts of the Bank of the Republic of Burundi in this area.

10. As part of the economic recovery and the pursuit of macroeconomic balances in the medium term, strong coordination between the various instruments for the management of economic policies will be emphasized, in particular those of fiscal policy, monetary policy and sectoral policies compatible with the plans and orientations of the Government. From this perspective, collaboration with key technical and financial partners, including with the IMF, in particular through its financial and policy support and technical assistance, is of great importance. The reforms already underway in the rational management of public finances will have to continue and the recommendations and contributions of the IMF will be considered with interest. We also welcome further informal technical discussions with IMF experts on policies to resolve the country's balance of payments difficulties.

11. This letter motivates a disbursement under the rapid credit facility for Burundi to support the initiatives being taken by the Government of Burundi to deal with the pandemic and support the resilience of the Burundian economy. Moreover, the facility will support Burundi's economic and financial policies in favor of macroeconomic stability and sustained and inclusive growth. In addition, the Government of Burundi renews its commitment to hosting an IMF Article IV consultation mission as soon as feasible.

12. Similarly, to the CCRT debt relief following COVID-19, the Government of Burundi reiterates its firm commitment to guarantee transparency in the use of the RCF resources and will allow easy access to monitoring and evaluation bodies in relation to the management of the funds. Semi-annual reports on the execution of these resources will be produced and sent to the Court of Auditors for audit with a copy to the IMF within one month after the end of each semester and the audited reports will be published on the website (www.finances.gov.bi) of the Ministry of Finance, Budget and Economic Planning within three months after each semester. We will collect information about the ultimate beneficiary ownership of companies that will be awarded COVID-related contracts starting in end-December 2021.

13. In strict compliance with the commitments resulting from disbursement under the RCF, the Government of Burundi reassures the IMF of its desire to maintain macroeconomic balances and debt sustainability through a prudent fiscal policy, monetary and financial policies contingent to current economic conditions, and reforms conducive to balanced, sustained, and stable growth with the view of reducing poverty and preserving macroeconomic stability. The Government also intends to further strengthen technical and financial cooperation with key donors.

14. In this context and given the urgent need for balance of payments financing that the country is facing due to the pandemic, Burundi is requesting emergency financing from the IMF under the Rapid Credit Facility (RCF) of SDR 53.9 million or the equivalent of 35 percent of our quota. We request that the funds be disbursed as direct budget support to the national treasury account at the BRB. In view of this, a memorandum of understanding was signed between the National Treasury and the BRB on their respective responsibilities for servicing their financial obligations to the IMF. These disbursements will help close our expected fiscal financing gap and provide a cushion to our international reserves in 2021. We hope that the IMF's participation in Burundi's response to this emergency will act as a catalyst for additional financing from other development partners.

15. Burundi will continue to comply with the provisions of the IMF's Articles of Agreement, including those related to the imposition of new restrictions or the intensification of existing restrictions on payment and transfer arrangements for current international transactions as well as bilateral payments under the framework of Article VIII, and will implement public policies within this framework and do not intend to introduce measures or policies that would compound Burundi's balance of payments difficulties. We intend to consult with the IMF before introducing such new or revised measures or policies.

16. In the context of the implementation of the IMF safeguards policy, we commit to continue providing IMF staff with the BRB's external audit reports and the most recent management letters. We also pledge to host a safeguards assessment mission as soon as possible and to implement IMF staff's recommendations in this area.

17. We authorize the IMF to publish this letter of intent, the staff report for the RCF disbursement request, and the accompanying debt sustainability analysis.

Yours sincerely,

/s/

Hon. Domitien Ndiwokubwayo
Minister of Finance, Budget, and
Economic Planning

/s/

Hon. Jean Ciza
Governor
Bank of the Republic of Burundi



BURUNDI

October 6, 2021

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved by
**Dhaneshwar Ghura and
Anna Ilyina (IMF) and
Marcello Estevão and
Asad Alam (IDA)**

The Debt Sustainability Analysis (DSA) has been prepared jointly by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA), in consultation with the authorities, using the debt sustainability framework for low-income countries approved by the Boards of both institutions.

Burundi Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	<i>High</i>
Overall risk of debt distress	<i>High</i>
Granularity in the risk rating	<i>Sustainable</i>
Application of judgment	<i>No</i>

Burundi is at high risk of external and overall debt distress.¹ Two external debt burden indicators and one overall public debt indicator breach the respective thresholds under the baseline, signaling a high risk of debt distress rating for external and overall public debt. The breach in the PV of the public debt-to-GDP ratio is significant and protracted. The breaches in the external debt indicators under the baseline are mild, and the indicators fall below but near the threshold in the medium term. Stress tests find that external debt sustainability is particularly vulnerable to shocks to exports, while overall public debt sustainability is most vulnerable to shocks to real GDP growth. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to fiscal consolidation from unwinding of COVID-related spending and moderate improvement in revenue collection, expectations of donor financing, and a positive macroeconomic outlook, including robust exports and GDP growth. Prospects for further re-engagement with the international community and availability of grants and concessional loans to finance high-return projects would be beneficial for the country's growth and debt outlook, while further flexibility in exchange rate management and other reforms to enhance competitiveness would improve the growth outlook. With these assumptions and given the country's good track record in servicing its debt, there is a high likelihood that Burundi will be able to meet all its current and future financial obligations. This assessment is subject to significant risks. Delays in fiscal consolidation, delays in structural reforms to boost exports and growth, lack of up-to-date information on arrears and a prolonged COVID-19 shock would heighten debt vulnerabilities. Burundi's debt is especially vulnerable to exports and growth shocks. Stronger GDP growth supported by prospects of stronger low-cost donor financing and the new SDR allocation (SDR 147.6 million equivalent to 6.6 percent of GDP) mitigate debt vulnerabilities.

¹ Burundi's debt-carrying capacity is classified as weak just as in the last (March 2015) DSA. The country's composite indicator (CI) is 1.95, based on the April 2021 WEO data and 2019 CPIA scores. The March 2015 DSA found the risk of external debt distress as high. While no significant vulnerabilities related to public domestic debt or private external debt were observed in the baseline, in the most extreme shock scenario, the PV of public debt-to-GDP ratio breached its benchmark in the short run highlighting the need for prudent fiscal and debt policies.

BACKGROUND

A. Public Debt Coverage

1. Public debt coverage includes external and domestic debt of the central government (Text Table 1). Data limitations prevent expanding public debt coverage to other entities of the general government or State-Owned Enterprises (SOEs).² However, they are not likely to represent a major contingent external liability for the government as subnational government entities and SOEs cannot take up external debt without a government guarantee. They can borrow in domestic markets without central government guarantees; however, this is limited by guarantee requirements—a physical guarantee is required for loans higher than BIF 5 million. Central bank debt is excluded from coverage, except those amounts borrowed on the behalf of the government (IMF loans). External debt is based on residency.

Subsectors of the public sector	Sub-sectors covered
1 Central government	X
2 State and local government	
3 Other elements in the general government	
4 o/w: Social security fund	
5 o/w: Extra budgetary funds (EBFs)	
6 Guarantees (to other entities in the public and private sector, including to SOEs)	
7 Central bank (borrowed on behalf of the government)	X
8 Non-guaranteed SOE debt	

2. The contingent liability stress test accounts for an external loan contracted by the central bank in 2019 to replenish reserves, potential domestic arrears accumulation since 2018 and data coverage limitations (Text Table 2). The central bank contracted in December 2019 a government-guaranteed loan of \$40 million from AFREXIM bank (3-year maturity), with a remaining balance of US\$ 35 million (1.1 percent of GDP) at end-2020. Potential domestic arrears that may have accumulated since 2018 are accounted through a contingent liability assumed to amount to 1.4 percent of GDP at end-2020 (para. 8.). In addition, accounting for data limitations, contingent liabilities on SOEs' debt are set at the default value of 2 percent of GDP to cover fiscal risks that may arise from SOEs' weak reporting and domestic arrears. Data limitations also prevent a clear view of Burundi's financial sector liabilities. Commercial banks' liabilities (about 60 percent of GDP at end-2020) likely account for most of financial sector liabilities, and commercial banks appear well capitalized with improving returns on assets and declining NPLs (about 1 percent of GDP at end-

² The authorities are strengthening capacity in the debt unit to improve debt management and tracking of public sector liabilities. In particular, the debt unit has started to gather information on SOEs liabilities, using their financial statements.

2020). Nonetheless, provisions allowing recurrent restructuring of loans to some of their customers may mask vulnerabilities. Assumed contingent liabilities from financial markets are hence set at their default value of 5 percent of GDP (slightly less than 10 percent of Burundi's commercial banks' liabilities) to account for potential support to the financial system. Overall, total contingent liabilities are assumed at about 9.5 percent of GDP.

1 The country's coverage of public debt		The central government, government-guaranteed debt	
		Default	Used for the analysis
			Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	2.5	This deviation accounts for a loan contracted in 2019 by the central bank to replenish reserves (1.1 percent of GDP). It was guaranteed by the central government but will be serviced by the central bank. Contingent liabilities also include possible domestic arrears cumulated since 2018 and that have not yet been identified or recognized (1.4 percent of GDP).
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4 PPP	35 percent of PPP stock	0.0	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		9.5	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

B. Debt Developments

3. Burundi received HIPC and MDRI debt relief in 2009, which lowered external debt from 134 percent of GDP at end-2008 to 27 percent of GDP at end-2009.

4. Public debt has grown rapidly since 2015 (the year of the last DSA) mainly driven by domestic debt (Text Tables 3 and 4). Domestic debt almost tripled from 17.4 percent of GDP at end-2014 to 49 percent of GDP at end-2020, driven by strong issuance of bonds and treasury bills to commercial banks and significant borrowing from the central bank. External debt declined from 20.6 percent of GDP at end-2014 to 18 percent of GDP at end-2020. As a result, total public debt rose from 38 percent of GDP at end-2014 to 67 percent of GDP at end-2020.

Text Table 3. Burundi: Domestic Debt Stock by Creditor at end-2014 and end-2020

	2014		2020	
	Nominal (BIF billion)	Percent of GDP	Nominal (BIF billion)	Percent of GDP
Total Debt	727.4	17.4	2851.2	49.0
BRB	448.1	10.7	894.7	15.4
Ordinary advances	55.2	1.3	0.0	0.0
Bonds and treasury bills	0.0	0.0	0.0	0.0
Special credit	107.0	2.6	6.9	0.1
Restructured loans	285.9	6.8	708.3	12.2
Loans for coffee sector	0.0	0.0	27.5	0.5
Loans for subsidized fertilizers	0.0	0.0	150.0	2.6
Loans for youth insertion programs	0.0	0.0	2.0	0.0
Commercial banks	182.3	4.4	1736.0	29.8
Assets in Postal Services Accounts	0.0	0.0	0.0	0.0
Bonds and treasury bills	147.7	3.5	1547.9	26.6
Obligations sur titrisation	0.0	0.0	67.3	1.2
Others	34.6	0.8	120.8	2.1
Others	97.0	2.3	220.6	3.8

Sources: Burundian authorities; and Bank-Fund staff estimates.

5. The sharp increase in public debt reflects the economic difficulties that Burundi has faced since 2015. Donor aid used to contribute about half of the government's total revenue. Following the 2015 political and security crisis, donors withdrew budget support and suspended most project financing. Over 2014-16, aid fell from 8.9 percent of GDP to 2.4 percent of GDP. The economy initially contracted sharply and has been recovering only slowly since. Fiscal deficits rose sharply, averaging 6.5 percent of GDP a year during 2015-19, but were contained thanks to cuts to investment and social spending and progress in revenue mobilization. The deficits were financed mainly by borrowing from the central bank and commercial banks, with occasional accumulation of domestic arrears to suppliers. There are no identified external arrears.

6. Burundi owes most of its external debt to multilateral and regional lenders (Text Table 4). The multilateral creditors are the IMF, World Bank, AfDB, and International Fund for Agricultural Development (IFAD). Regional lenders to the central government include the EU, Arab Bank for the Economic Development of Africa (BADEA), and the OPEC Fund for Development. Bilateral creditors of the central government are China and India (through their Exim Banks), and Saudi Arabia, Kuwait and Abu Dhabi (through their Funds for Development). The central government also has an outstanding debt to Libya (US\$ 4.3 million at end-2020 or 0.14 percent of GDP) that is not being serviced owing to legal issues.³ The central bank has an outstanding loan from AFREXIM bank, which was contracted in 2019 (para. 2). Debt to the IMF (US\$ 26 million at end-2020) is being serviced by the central bank. Burundi has not accessed private external capital markets. Burundi received debt service relief from Exim Bank of China and the Kuwait Fund (US\$ 0.5 million at end-2020) under the G20 Debt Service Suspension Initiative (DSSI), which is taken into account in this analysis.

³ In line with the DSA guidance note, this is a "de minimus case" (arrears are less than 1 percent of GDP) that does not trigger the rating of "in debt distress".

Text Table 4. Burundi: External Debt Stock by Creditor, end-2020

	Nominal (Millions of US dollars)	Percent of Total	Percent of GDP
Total Debt	538.7	100.0	18.0
Multilateral	401.3	74.5	13.4
World Bank (IDA)	135.3	25.1	4.5
OPEC Fund	86.6	16.1	2.9
Arab Bank for Ec. Dev. in Africa (BADE)	44.0	8.2	1.5
Intl. Fund for Agric. Dev. (IFAD)	31.1	5.8	1.0
AfDB (incl. FAD)	30.4	5.6	1.0
IMF ^{1/}	26.0	4.8	0.9
EU	24.6	4.6	0.8
Others	23.3	4.3	0.8
Bilateral	137.5	25.5	4.6
Paris club	0.0	0.0	0.0
Non-Paris club	137.5	25.5	4.6
Commercial	0.0	0.0	0.0

Sources: Burundian authorities; and Bank-Fund staff estimates.

1/ Debt to the IMF at end-2020 is serviced by the central bank (BRB).

7. Burundi's outstanding external debt at end-2020 retains a substantial grant element of 33 percent.⁴

8. Burundi is current on servicing external debt (except the debt to Libya) and government securities. The stock of domestic arrears is unknown. The authorities set up a committee for the securitization of government arrears in March 2018 and domestic arrears accumulated from 2005 to 2017 (about BIF 230 billion or about 4 percent of 2020 GDP) were cleared through cash payments and securitization.

C. Macroeconomic Forecasts

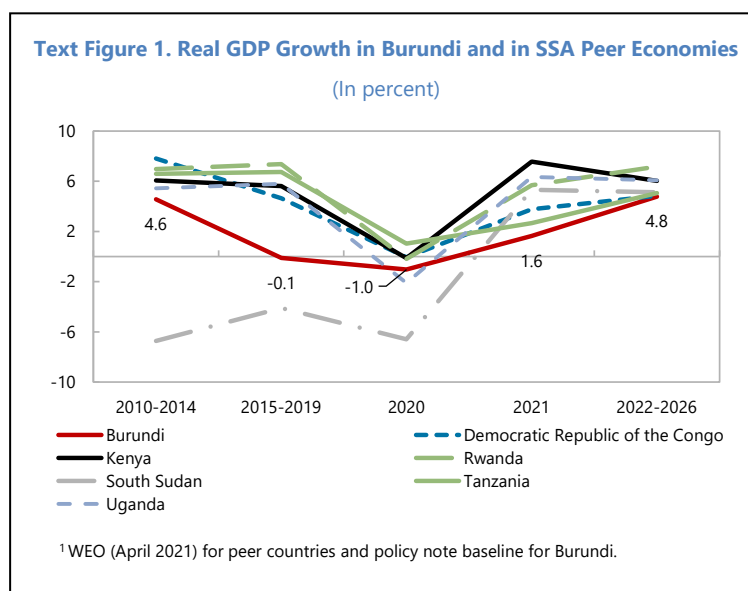
9. Macroeconomic forecasts for Burundi are predicated on recent data shared since 2020.

The authorities resumed data sharing in 2020 and open and substantive discussions were held during two recent IMF staff visits (December 2020 and April 2021) and a negotiation mission for a disbursement under the IMF's Rapid Credit Facility (July 2021). Weaknesses in official data remain.

⁴ The grant element of a loan declines over time as the loan is repaid, even when the loan is initially concessional (i.e. with a grant element of 35 percent or above).

10. The baseline underpinning the DSA assumes a weak economic recovery in 2021, stifled by the ongoing COVID-19 spread and weather shocks, and gradual strengthening over the medium term.

The growth outlook is predicated on a pickup in vaccination, durable political stability, and initial reengagement with the international community, with sustained although still limited external financing flows. GDP growth is projected to recover to 1.6 percent in 2021, predicated on a slowdown of the pandemic in the fourth quarter of 2021. An accelerated surge of COVID-19 cases since early 2021, social distancing measures abroad, and border closures would keep growth in the services sector anemic. Floods and landslides, that occurred in the second quarter, are expected



to hamper agricultural production and related activities. The outlook is positive reflecting partly greater availability of COVID-19 vaccines, and the impact of the SDR allocation in alleviating imports rationing, and global growth recovery. In line with its peers in Sub-Saharan Africa (Text Figure 1), Burundi's growth would pick up to around 5 percent in the medium term supported by stronger services activities, agricultural and manufacturing⁵ production, and investment⁶ (several of which are ongoing and close to being finalized or planned under the World Bank and the AfDB current project portfolio) and resulting increases in productive capacity. The sustained investment will support growth and mitigate the effects of the expected fiscal consolidation stemming from the unwinding of COVID-related spending. These areas of growth drivers are consistent with Burundi's development plan. Growth will also be supported by a more peaceful and stable political environment compared to prior the COVID shock, building on successful elections and an elected government with strong reform mandate. Inflation is projected to be moderate in 2021.

11. A large external financing gap is projected in 2021 and beyond. The current account deficit is expected to widen in 2021, driven by higher imports owing to (1) larger volume from COVID-related needs and easing of imports restrictions as the SDR allocation supports additional FX

⁵ Stronger manufacturing production will be supported by ongoing imports substitution policies (expansion of cement and fertilizer factories) and food and beverage production increases, financed by special refinancing terms of the BRB to involved commercial banks.

⁶ Prospects of successful implementation are very strong. Notably, several hydroelectric dam projects are currently in train with European, Chinese and IDP financing, while construction of a solar project financed by the World Bank began this year (estimated combined cost of around \$600 million). Three of these projects are on track to be finalized and start production by 2022 and three others will be finalized during 2023-25, two of which involve the World Bank. Power line and road projects are being funded in partnership with the AfDB, valued at around \$100m.

availability and (2) worsening terms of trade owing to increases in import prices, especially petroleum prices. Export volumes will recover mildly in 2022 with mining exploitation restarting following the end of contract negotiations and gradually afterwards, as supportive reforms yield results, global demand remains timid, and transport disruptions start easing. The capital and financial account will continue to be supported by sizeable project grants, public sector borrowing and private borrowing (trade credits). Thereafter, imports would further increase owing to vaccine purchases. The baseline assumes vaccination of 56 percent of the population by the first half of 2022. The government would pay for vaccination of 40 percent of the population at a cost of \$1.8 million per percentage point of the population. The remaining 16 percent of the population will be vaccinated under the COVAX initiative. With the recent SDR allocation, FX reserves are projected to increase to about 2.5 months of imports in 2021 under the baseline, which is still below adequacy levels.

12. The main changes compared to the 2015 DSA are as follows (Box 1 and Text Table 5):

- Real sector.** Projected real GDP growth has been revised down. The 2015 DSA projected an average annual real GDP growth of 6.1 percent during 2015-34. In the current DSA, growth is projected to increase from an annual average of 3.3 percent during 2020-25 to an annual average of 4.1 percent during 2026-41. This much lower growth rate reflects mainly the weaker initial macroeconomic conditions (owing to the lingering effects of the 2015 crisis and diplomatic isolation), adverse impacts from the Covid-19 pandemic, and the moderately positive impact on growth of policies expected under the current baseline.⁷
- Fiscal sector.** The path of the primary fiscal balance in the current DSA is projected to be slightly worse than in the 2015 DSA because of the lingering impact of the 2015 political crisis on government policies and donor support. Nonetheless, the expected fiscal adjustment and supporting reforms are expected to raise the primary fiscal balance from an annual average of -1.7 percent of GDP during 2020-25 to an annual average of 1.2 percent of GDP during 2026-41. The primary fiscal deficit is expected to worsen in FY2021/22 mainly because of COVID-related spending, including on vaccines (3.3 percent of GDP). The baseline assumes significant fiscal adjustment starting in FY2022/23 as spending pressures related to COVID-19 subside, revenue collection improve owing to stronger growth, widening of the tax base and administrative measures (better enforcement and computerization), budget support increase, and subsidies remain contained to provide greater room for domestically-financed public investment (Text Table 6).
- External sector.** The path of the non-interest current account balance in the current DSA is slightly less favorable than in the 2015 DSA with a slightly higher deficit. This is mainly due to much higher imports of goods and services compared to the 2015 DSA. The path of export growth was adversely affected by the political crisis in 2015 and more recently by the COVID-19

⁷ These include enhanced provision of fertilizers to farmers, mechanization of agriculture, greater transformation of agricultural products, construction of hydroelectric dams and a railway line linking through Tanzania to Rwanda, exploitation of significant untapped natural resources such as cobalt and rare earth metals, accelerated development of human capital, and strengthening of services, including tourism and financial services.

pandemic and regulatory changes in key exports markets to enforce repatriation of exports proceeds. Export growth is expected to pick up in the medium and long term mainly owing to a good performance of traditional exports (coffee and tea) and mining expansion, especially gold.

Text Table 5. Burundi: Selected Macroeconomic Indicators, 2014–2041

	Average 2015-34	Average 2020-25	Average 2026-41	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Real GDP growth (percent)																
March 2015 DSA	6.1	...	...	4.7	4.8	...	...	...	...	...	...	...	...	...	...	...
Current DSA	2.8	3.3	4.1	4.2	-3.9	-0.6	0.5	1.6	1.8	-1.0	1.6	4.2	4.7	4.9	5.2	4.8
Primary fiscal balance (percent of GDP)																
March 2015 DSA	-1.1	...	...	-2.3	-0.4	...	...	...	...	...	...	...	...	...	...	...
Current DSA 1/	-1.5	-1.7	1.2	-3.4	-7.0	-6.5	-4.3	-5.1	-4.2	-3.2	-4.3	-4.3	-1.1	0.1	0.2	0.3
Non-interest current account balance (in percent of GDP)																
March 2015 DSA	-12.4	...	...	-17.5	-13.2	...	...	...	...	...	...	...	...	...	...	...
Current DSA	-16.9	-17.8	-19.7	-15.5	-11.4	-10.9	-11.6	-11.3	-11.5	-10.2	-17.0	-22.6	-19.4	-19.1	-18.7	-18.9
Exports growth (percent)																
March 2015 DSA	9.0	...	...	31.0	-9.2	...	...	...	...	...	...	...	...	...	...	...
Current DSA	8.2	6.5	7.6	39.9	-8.3	3.2	38.4	13.3	12.7	-15.9	16.9	9.9	8.8	9.2	9.9	6.4
Imports growth (percent)																
March 2015 DSA	...	...	...	8.3	-7.0	...	...	...	...	...	...	...	...	...	...	...
Current DSA	7.1	11.6	6.2	-22.0	-6.9	-14.3	22.7	5.0	11.4	2.7	33.1	16.9	5.2	5.6	5.9	6.5

Sources: Burundi authorities; and IMF staff estimates and projections.
1/Fiscal year values (July-June) starting in 2019 (i.e. 2019 is FY 2018/19).

13. In the near-to-medium term, external financing is assumed to pick up, while domestic borrowing is projected to finance most of the declining fiscal deficit in the long term.

Significant external disbursements are expected to finance COVID-related spending and the economic recovery. As the pandemic wanes, fiscal consolidation is expected to reduce financing needs—fiscal deficits would gradually decline and turn into a surplus by FY2035/36—and limit the impact of domestic borrowing on private investment and macroeconomic stability. Multilateral and regional lenders, including the IMF, are projected to account for most external borrowing in 2021 (82.4 percent), with loan maturity varying between 10 and 30 years and grant elements varying between 27.5 percent to 49.4 percent. This share will gradually decline over time as Non-Paris Club bilateral creditors are assumed to increase lending to Burundi, with loan maturities varying from 20 to 30 years and grant elements varying between 29.8 and 49.4 percent.⁸ However, in the absence of full reengagement with the international community, staff's baseline projections of external disbursements are conservative and do not reflect the full potential of donor support. As a result, in the long term, domestic sources are projected to finance an increasing portion of the fiscal deficit,

⁸ Creditors that have projected disbursements with a grant element of less than 35 percent are the IMF (32.2 percent), the OPEC Fund (27.5 percent) and Exim bank India (29.8 percent).

from about 54.5 percent of the fiscal deficit in FY2021/22 to 100 percent by FY 2026/27, when net external borrowing becomes nil and later negative as repayments start exceeding disbursements. In the longer term, an improving fiscal balance would reduce financing needs and the need for domestic issuance. Domestic financing is assumed to be in the form of treasury bills and bonds with maturities varying from less than one year to more than seven years and interest rates varying from 3 to 7.5 percent.

Text Table 6. Burundi: Decomposition of Fiscal Adjustment

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Est.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Percent of GDP, unless otherwise indicated)											
Revenue and grants	1.9	1.0	1.5	0.7	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Tax revenue	1.2	1.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Taxes on income, profits, and capital gains	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods & services	0.8	0.5	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on international trade & transactions	0.2	0.5	-0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenue ¹	0.5	-0.1	0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.3	0.1	1.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program grants	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	0.3	-0.3	1.1	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other grants and transfers ²	0.0	0.5	-0.1	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure	1.9	1.9	0.9	-2.5	-1.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Expense	2.5	1.8	-1.1	-2.6	-0.9	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Compensation of employees	0.3	0.0	-0.4	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases/use of goods & services	0.5	-0.2	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies and Social benefits	0.4	1.4	-1.7	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.9	-0.3	-0.6	0.0	0.0	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1
<i>Of which: Domestic</i>	0.9	-0.3	-0.6	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
Other expense	0.4	1.0	2.2	-2.8	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Of which: Domestically financed</i>	0.4	0.8	2.5	-2.8	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Of which: Covid spending</i>	0.0	0.8	2.5	-3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	-0.6	0.0	2.0	0.1	-0.2	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
<i>Of which: Domestically financed</i>	0.1	0.8	0.3	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending (+) / borrowing (-)	0.1	-0.8	0.6	3.2	1.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2

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

¹ Sale of fixed capital assets included in nontax revenue rather than under expenditure.

² Includes the grant for the IMF debt service falling due from October 16, 2021 to April 13, 2022, which is subject to the availability of resources under the CCRT.

Box 1. Medium-to-Long Term Macroeconomic Forecasts

Growth is expected to peak at around 5.2 percent in the medium-term as delayed growth-enhancing projects are implemented, before settling at around 4 percent in the long-term. A mild recovery in 2018 and 2019 after several stagnant years has been stalled by the pandemic in 2020. However, assuming virus containment and pickup in vaccination, growth is projected to turn positive in 2021 and increase to around 5.2 percent by 2025 as sectors targeted under the *National Development Plan 2018-2027* (NDP) benefit from additional investment, more skilled labor, and favorable business conditions. Staff's view is in line with the Government's in terms of sources of growth though staff is more cautious on the pace of expansion given investor wariness over past political and security conditions. The primary sector will continue to provide a stable basis for growth but will be overtaken by the tertiary and secondary sectors as the main drivers of expansion.

After an uptick in inflation in 2020 because of poor harvest impacting food prices and supply disruptions due to the health pandemic, inflation is projected to fall back to its historical levels. Annual inflation is expected to be around 4.2 percent in the medium term. Inflation will continue to be heavily determined by agriculture—food items represent 45 percent of the basket.

The baseline assumes a fiscal consolidation, given the need to rein in the increase of public debt beyond its already very high level and the need to rein in money growth while strengthening the domestic banking system's ability to provide credit to the private sector. Tax revenue is expected to gradually rise from 16.2 percent of GDP in FY2019/20 to almost 18.5 percent of GDP in the long term, mainly driven by better revenue collection from income taxes and taxes on goods and services, including VAT on imports. Grants are expected to rise from 4.3 percent of GDP in FY2019/20 to 6.5 percent of GDP in the long term, boosted by the resumption of budget support. Current spending is projected to drop significantly from 20.4 percent of GDP in FY2019/20 to about 16.2 percent of GDP in the long term. This reflects substantial efforts, notably to contain subsidies and transfers, on top of the unwinding of COVID-related spending. Capital spending would increase from 7.9 percent of GDP in FY2019/20 to close to 10 percent of GDP in the long term. As a result, the fiscal balance will improve from a deficit of 6.1 percent of GDP in FY2019/20 to a surplus of about 1.3 percent of GDP by 2041. Public debt would peak at 71.9 percent of GDP in 2021 before starting on a gradual descent.

The current account deficit would remain large (above 18 percent of GDP) as the slightly improved exports is offset by large imports and declining transfers. Stronger exports and a large import bill would maintain the trade deficit high, increasing from 19.6 percent of GDP in 2020 to about 24.2 percent of GDP in the long term. The balance in services will slightly worsen partly because of higher outlays on freight. The balance on the income account would remain insignificant. Transfers would decline from 13.7 percent of GDP in 2020 to 9.8 percent of GDP in the long term. As a result, the current account deficit will worsen from 10.4 percent of GDP to 20.4 percent of GDP in the long term. It will be financed mainly with strong project grants, which will increase from 4.5 percent of GDP in 2020 to about 6 percent of GDP in the long term, and public and private sector borrowing, including trade credits.

14. Realism tools highlight the sensitivity of external debt to the current account deficit, which is mainly due to weak exports (Fig. 3). The projected path of external debt in the current DSA is similar to the one envisaged in the 2015 DSA but is slightly worse than the path envisaged in the 2013 DSA. Burundi's large current account deficits have been financed mainly by project grants, public sector borrowing, and private non-FDI inflows, including trade credits.⁹ FDI inflows have been modest. Even though the current account deficit is projected to remain large, its financing would rely less on public sector borrowing in the long term, which would allow public external debt to decline in the context of fiscal consolidation.

15. Realism tools also highlight the sensitivity of total public debt to the primary fiscal deficit and GDP growth (Fig. 3). The two most recent DSAs (from 2013 and 2015) projected gradually declining public debt burdens relative to GDP. These projections did not materialize. Instead, the external debt burden grew somewhat, and the total debt burden grew rapidly, driven mainly by higher than expected fiscal deficits and lower than expected growth. Going forward, debt relative to GDP is expected to keep growing to reach its peak at the end of 2021 before starting on a gradual downward path, with contributions from lower fiscal deficits and GDP growth over the next five years being more favorable than in recent years. Debt developments over the past five years reflect the impacts of the political events of 2015 and subsequent withdrawal of donor support. The authorities' recent steps towards reengagement with the international community suggest positive prospects.

16. Realism tools further suggest that the planned fiscal adjustment creates significant downside risks to growth.

- **Realism of planned fiscal adjustment (Fig. 4 top left chart).** The projected fiscal adjustment over the next three years is in the top quartile of fiscal adjustments. The fact that the fiscal adjustment over this period reflects in part the anticipated winding down of the impact of the pandemic, especially on government spending, provides reassurance.
- **Consistency between fiscal adjustment and growth (Fig. 4 top right chart):** The tool is not well suited to take account of the impact of the pandemic on growth. The sharp decline in growth in 2020 and subsequent projected V-shaped recovery in 2021 is unrelated to any fiscal adjustment.
- **Consistency between public investment and growth (Fig. 4 bottom charts):** The increase in public investment will clearly support projected growth, though with a lower contribution than in the past. Other factors, including increasing private investment will have a positive contribution to projected growth compared to a negative contribution observed in the past.

⁹ The large residuals for external debt in Table 1 and Figure 3 are due to the fact that external debt is only central government external debt. The current account deficit is also financed with private borrowing, including trade credits that are not captured in external debt.

17. Risks to the baseline are tilted to the upside, though downside risks remain. On the upside, a full reengagement with the international community, which is not reflected in the baseline, would significantly boost external grants and availability of concessional financing, thus facilitating fiscal consolidation and increasing fiscal space for growth-enhancing public investment and reserves coverage. The baseline grant projections are conservative. Grants averaged 17.7 percent of GDP per year during 2010-14, before the 2015 political crisis. Grant projections mainly consist of World Bank and AfDB project grants. Discussions with the two donors suggest that disbursement could be larger than current staff projections, especially for the AfDB (Text Table 7) if project implementation normalizes after the pandemic. Budget support averaged 3 percent of GDP per year during 2010-14. Some budget support (0.5 percent of GDP) is projected starting in 2022 when Burundi normalizes relations with the international community, including the IMF. Disbursement on project loans could also be larger than current staff projections, which account for absorption capacity. Further exchange rate flexibility and other reforms to enhance competitiveness would improve the outlook. Full reengagement and the resulting higher external financing would also ease restrictions on FX allocations and imports rationing, which would alleviate these two significant impediments to growth in Burundi. The upcoming Article IV consultation will send a strong signal to the donor community of Burundi's reengagement intentions. Key downside risks include a greater or more prolonged domestic spread of the COVID-19, delays in vaccine rollout, and scarring domestic and global effects of the pandemic, further climate shocks, and a deterioration of the political and security situation. The risk stemming from a slow pace of reform could affect not only growth directly, but also donor financing.

D. Country Classification and Determination of Scenario Stress Tests

18. Burundi's debt-carrying capacity is classified as weak just as in the last (March 2015) DSA. The country's composite indicator (CI) is 1.95, based on the April 2021 WEO data and 2019 CPIA scores (Text Table 8). Under weak debt carrying capacity, the thresholds applicable to the public and publicly guaranteed external debt are 30 percent for the PV of debt-to-GDP ratio, 140 percent for the PV of debt-to-exports ratio, 10 percent for the debt service-to-exports ratio, and 14 percent for the debt service-to-revenue ratio. The benchmark for the PV of total public debt is 35 percent of GDP.

Text Table 7. Staff Projections on Disbursements vs. Potential Disbursements, 2021-30¹

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Loans (Projects)										
Projected disbursements (staff)	3.5	1.0	1.0	0.9	0.8	0.8	0.7	0.7	0.6	0.4
Potential disbursements (Authorities)	6.8	3.8	2.6	1.9	0.1	n.a.	n.a.	n.a.	n.a.	n.a.
Multilateral	4.0	1.0	0.6	0.3	0.1	--	--	--	--	--
Of which: IMF	2.4	--	--	--	--	--	--	--	--	--
Of which: IDA	--	--	--	--	--	--	--	--	--	--
Of which: AfDB	--	--	--	--	--	--	--	--	--	--
Of which: Others	1.5	1.0	0.6	0.3	0.1	--	--	--	--	--
BADEA	1.0	0.4	0.2	--	--	--	--	--	--	--
OPEC Fund	0.5	0.6	0.4	0.3	0.1	--	--	--	--	--
Bilateral	2.8	2.7	2.0	1.6	--	--	--	--	--	--
Paris Club	--	--	--	--	--	--	--	--	--	--
Non Paris Club	2.8	2.7	2.0	1.6	--	--	--	--	--	--
India	2.4	2.1	1.5	1.4	--	--	--	--	--	--
EXIM Bank of Indian(EBI)	2.4	2.1	1.5	1.4	--	--	--	--	--	--
Saudi Arabia	0.2	0.5	0.3	0.2	--	--	--	--	--	--
Fonds Saoudien	0.2	0.5	0.3	0.2	--	--	--	--	--	--
Koweit	0.2	0.1	0.1	--	--	--	--	--	--	--
Fonds Koweitien	0.2	0.1	0.1	--	--	--	--	--	--	--
Grants (Projects)										
Projected disbursements (staff)	5.6	5.3	5.5	5.6	5.5	5.5	5.5	5.5	5.5	5.5
Of which: IDA	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Of which: AfDB	0.9	0.6	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Of which: IMF (CCRT grants)	0.4	0.1	--	--	--	--	--	--	--	--
Potential disbursements (Dev. Partners)	7.2	6.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Of which: IDA	6.3	4.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Of which: AfDB	0.9	1.3	1.2	--	--	--	--	--	--	--
Memorandum items:										
GDP at current market prices										
In billions of Burundi Francs	6,265.8	6,837.6	7,479.7	8,192.1	8,991.8	9,851.7	10,753.1	11,694.3	12,694.9	13,763.9
In billions of US\$	3.2	3.4	3.6	3.9	4.2	4.5	4.8	5.1	5.4	5.8

Source: Authorities and IMF staff projections

^{1/} Potential disbursements are based on discussions between staff and the authorities and development partners. Staff projections are based on the absorption capacity.

Text Table 8. Debt Carrying Capacity

Debt Carrying Capacity		Weak		
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage	
Weak	Weak 1.95	Weak 1.91	Weak 2.10	

Note: Until the April 2019 WEO vintage is released, the two previous vintages ago classification and corresponding score are based solely on the CPIA per the previous framework.

Applicable thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of Exports	140
GDP	30
Debt service in % of Exports	
Revenue	10
	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

Sources: Burundian authorities, World Bank and IMF staff estimates

19. Stress tests use standard settings, except the contingent liabilities stress test. Both bound tests and tailored tests on commodity prices use the default settings. The contingent liabilities stress test accounts for a recent loan contracted by the central bank that the government guarantees but that will still be serviced by the central bank itself and potential domestic arrears accumulated since 2018 (para. 2).

DEBT SUSTAINABILITY

A. External Debt Sustainability: Signals from the Model

20. Burundi's risk of external debt distress is high. Two indicators breach the respective thresholds under the baseline, suggesting that Burundi is at high risk of external debt distress. The PV of external debt to GDP is relatively low and remains under its threshold under the baseline and shock scenario. While projected to decline over time, the PV of external debt-to-exports ratio exceeds its threshold for 2021. The ratio of external debt service-to-exports exceeds its threshold in 2022 and in 2027 when repayment of the expected RCF loan starts. It remains below, but near the threshold thereafter.

21. The stress tests suggest that Burundi's external debt sustainability is particularly vulnerable to shocks to exports and non-debt flows, including transfers and FDI.¹⁰ A shock to exports or non-debt flows of the standard size would result in much larger and even more protracted breaches of the thresholds for these two ratios than seen in the baseline.

B. Public Debt Sustainability: Signals from the Model

22. Burundi's overall risk of debt distress is high. The PV of the public debt-to-GDP ratio breaches its threshold under the baseline scenario. The breach is declining but remains above the threshold throughout the projection horizon. The decline in the PV of public debt to GDP below the threshold of 35 percent after 2031 is predicated on sustained growth and fiscal consolidation assumed in the baseline.

23. The stress tests suggest that Burundi's public debt sustainability is particularly vulnerable to shocks to GDP growth. A standard shock to growth would leave the public debt-to-GDP ratio well above the threshold beyond the end of the projection horizon.

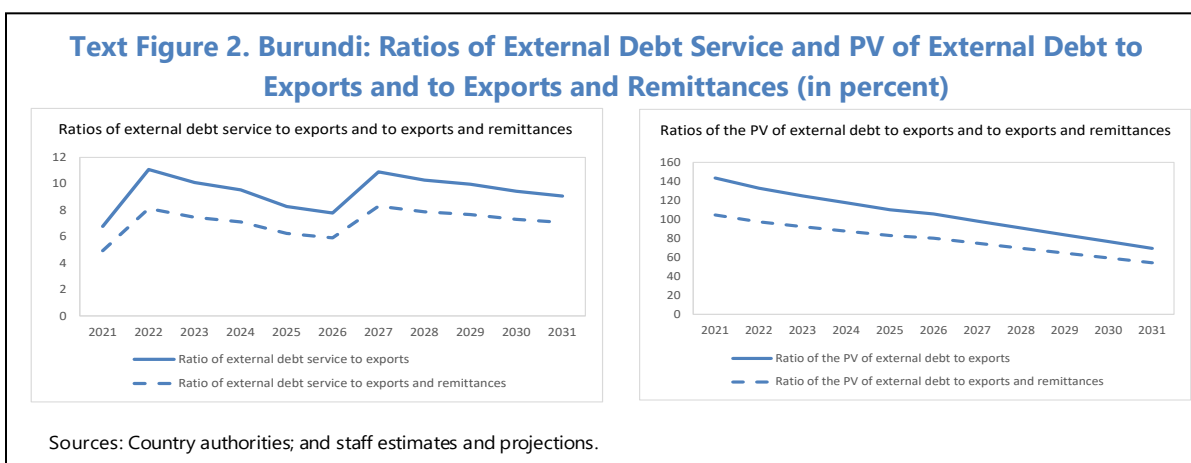
24. Judgment is not applied to override the mechanical risk ratings.

¹⁰ The most extreme stress test is defined as the test that yields the highest ratio on or before the tenth year of the projection period.

CONCLUSION: RISK RATING AND VULNERABILITIES

25. This DSA finds that Burundi is at high risk of external and overall debt distress. This finding results from mechanical risk signals on external and overall public debt burden indicators, and staff sees no reason to override these signals using judgment. The most important vulnerabilities to the external debt stem from shocks to exports and non-debt flows. Overall public debt is most vulnerable to shocks to growth. These vulnerabilities could be addressed through reforms that would boost Burundi's export and growth performance, as well as through normalization of relations with donors and associated increase in financial support. These measures would also reduce the need for, and facilitate, fiscal adjustment.

26. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to re-engagement with the international community, fiscal consolidation, expectations of donor financing, and a positive macroeconomic outlook including robust exports and GDP growth. With these assumptions and given the country's good track record in servicing its debt, there is a high likelihood that Burundi will be able to meet all its current and future financial obligations. It is important to note that the presence of resilient remittance inflows serves to lower the effective risks associated with the external debt liquidity indicators (Text Figure 2). In addition, the breach of the PV of debt to GDP is mainly driven by domestic debt, which could be retired prior to maturity using donor funding and grants once the authorities reengage with the donor community. Prospects of more ambitious reform agenda, notably in relaxing FX restrictions will also help alleviate key growth bottlenecks and improve the debt to GDP path.



27. This assessment is subject to significant risks. Delays in fiscal consolidation, slow implementation pace of structural reforms aimed at boosting exports and growth, lack of up-to-date information on arrears and a prolonged COVID-19 shock would heighten debt vulnerabilities. Burundi's debt is vulnerable, especially to shocks to exports, non-debt flows, growth, and commodity prices. Stronger GDP growth supported by prospects of stronger donor financing and the new SDR allocation (SDR 147.6 million equivalent to 6.6 percent of GDP) would mitigate debt vulnerabilities.

THE AUTHORITIES' VIEWS

28. The authorities concurred that debt is sustainable but viewed staff projections as being overly conservative. They underscored that under the baseline, long-term exports growth does not account for the implementation of the Burundi's 2018–27 development plan (*Plan National de Développement*) and reforms. They discussed several ongoing reforms that would boost growth and reduce Burundi's trade deficit, including imports substitution policies to reduce bottlenecks induced by the limited FX availability. They also underscored their good track record in servicing debt and commitment to debt sustainability.

Table 1. Burundi: External Debt Sustainability Framework, Baseline Scenario, 2018–41
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/ Historical Projections	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	17.2	18.3	18.0	20.4	19.2	18.0	16.9	15.9	15.0	10.0	5.4	19.9	15.0
<i>of which: public and publicly guaranteed (PPG)</i>	17.2	18.3	18.0	20.4	19.2	18.0	16.9	15.9	15.0	10.0	5.4	19.9	15.0
Change in external debt	0.3	1.1	-0.3	2.3	-1.2	-1.1	-1.1	-1.0	-0.9	-0.9	-0.4		
Identified net debt-creating flows	12.2	11.7	10.0	16.6	21.7	18.5	18.1	17.8	18.1	19.0	20.0	11.4	18.6
Non-interest current account deficit	11.3	11.5	10.2	17.0	22.6	19.4	19.1	18.7	18.9	19.6	20.4	13.6	19.3
Deficit in balance of goods and services	19.9	23.8	24.7	32.5	38.7	35.1	34.3	33.4	33.1	32.1	30.3	25.9	33.6
Exports	9.9	9.9	8.9	9.4	9.7	9.9	9.9	10.1	10.0	10.1	11.3		
Imports	29.8	33.7	33.6	42.0	48.4	44.9	44.2	43.5	43.1	42.2	41.7		
Net current transfers (negative = inflow)	-8.3	-11.9	-13.7	-14.9	-15.4	-15.1	-14.6	-14.1	-13.7	-12.1	-9.8	-12.3	-13.7
<i>of which: official</i>	0.0	0.0	0.0	0.0	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5		
Other current account flows (negative = net inflow)	-0.3	-0.4	-0.7	-0.7	-0.7	-0.6	-0.6	-0.6	-0.5	-0.4	-0.2	-0.1	-0.5
Net FDI (negative = inflow)	0.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-1.5	-0.2
Endogenous debt dynamics 2/	0.8	0.2	0.0	-0.1	-0.6	-0.7	-0.7	-0.7	-0.6	-0.3	-0.1		
Contribution from nominal interest rate	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1		
Contribution from real GDP growth	-0.3	-0.3	0.2	-0.3	-0.8	-0.8	-0.8	-0.8	-0.7	-0.4	-0.2		
Contribution from price and exchange rate changes	1.0	0.5	-0.4	...	...	...	...	...	...	...	...
Residual 3/	-11.8	-10.6	-10.2	-14.2	-22.9	-19.6	-19.2	-18.8	-19.0	-19.9	-20.4	-11.8	-19.3
<i>of which: exceptional financing</i>	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	11.9	13.5	12.9	12.3	11.6	11.1	10.5	7.0	3.8		
PV of PPG external debt-to-exports ratio	...	...	132.9	143.5	132.8	124.8	117.4	110.0	105.7	69.5	33.3		
PPG debt service-to-exports ratio	9.1	8.7	8.5	6.8	11.1	10.1	9.5	8.3	7.8	9.1	3.8		
PPG debt service-to-revenue ratio	5.8	4.9	4.1	3.3	5.6	5.1	4.9	4.3	4.0	4.6	2.1		
Gross external financing need (Million of U.S. dollars)	370.6	371.0	325.4	553.9	796.3	733.0	770.7	809.9	874.0	1240.6	2299.8		
Key macroeconomic assumptions													
Real GDP growth (in percent)	1.6	1.8	-1.0	1.6	4.2	4.7	4.9	5.2	4.8	4.0	4.0	1.6	4.2
GDP deflator in US dollar terms (change in percent)	-5.8	-2.6	2.0	3.4	2.1	2.3	2.2	2.2	2.3	2.1	2.1	2.7	2.3
Effective interest rate (percent) 4/	0.6	0.6	1.0	1.0	0.9	0.9	0.9	1.0	1.0	1.2	1.3	0.6	1.0
Growth of exports of G&S (US dollar terms, in percent)	11.1	-0.5	-9.2	11.0	9.8	8.3	8.0	9.0	6.3	7.2	7.7	5.2	7.8
Growth of imports of G&S (US dollar terms, in percent)	2.7	12.3	0.5	31.2	22.8	-0.7	5.4	5.8	6.3	5.9	6.2	2.0	9.1
Grant element of new public sector borrowing (in percent)	...	...	...	34.3	37.5	37.5	37.5	37.5	37.5	37.5	37.5	...	37.2
Government revenues (excluding grants, in percent of GDP)	15.5	17.8	18.4	19.2	19.4	19.5	19.5	19.5	19.6	20.0	20.8	15.3	19.6
Aid flows (in Million of US dollars) 5/	521.4	543.2	529.9	203.0	213.6	229.4	246.5	264.1	282.3	386.7	733.6		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	7.3	6.4	6.4	6.4	6.4	6.4	6.4	6.6	...	6.5
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	75.8	90.9	91.4	92.0	92.5	92.9	94.7	97.1	...	91.4
Nominal GDP (Million of US dollars)	3,037	3,012	3,040	3,193	3,396	3,637	3,900	4,192	4,498	6,133	11,191		
Nominal dollar GDP growth	-4.3	-0.8	0.9	5.0	6.4	7.1	7.3	7.5	7.3	6.2	6.3	4.3	6.6
Memorandum items:													
PV of external debt 7/	...	...	11.9	13.5	12.9	12.3	11.6	11.1	10.5	7.0	3.8		
In percent of exports	...	...	132.9	143.5	132.8	124.8	117.4	110.0	105.7	69.5	33.3		
Total external debt service-to-exports ratio	9.1	8.7	8.5	6.8	11.1	10.1	9.5	8.3	7.8	9.1	3.8		
PV of PPG external debt (in Million of US dollars)	...	...	361.0	432.5	439.3	447.0	454.3	463.9	474.1	429.7	421.5		
(PV-Pvt-1)/GDPt-1 (in percent)	...	...	...	2.4	0.2	0.2	0.2	0.2	0.2	0.2	0.0		
Non-interest current account deficit that stabilizes debt ratio	11.0	10.3	10.5	14.6	23.8	20.6	20.2	19.8	19.8	20.4	20.8		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g) + \alpha \epsilon(1+r)] / (1+g+\rho+g\rho)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, ϵ = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes

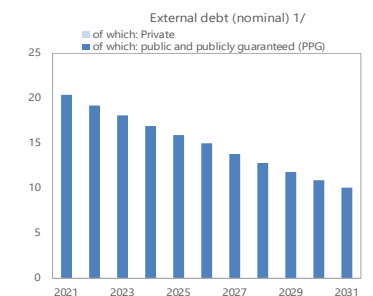
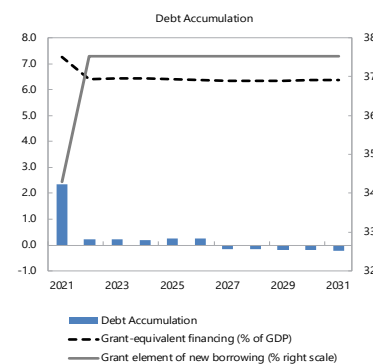
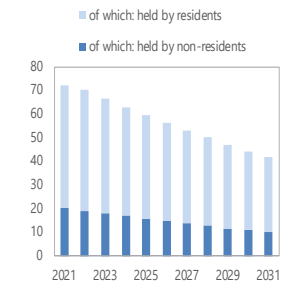
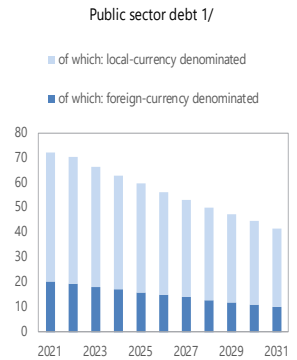


Table 2. Burundi: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–41
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	53.0	60.0	67.0	71.9	70.2	66.5	62.9	59.5	56.2	41.7	15.8	42.3	56.7
of which: external debt	17.2	18.3	18.0	20.4	19.2	18.0	16.9	15.9	15.0	10.0	5.4	19.9	15.0
Change in public sector debt	6.1	7.0	7.0	4.9	-1.7	-3.7	-3.5	-3.5	-3.2	-2.7	-2.7		
Identified debt-creating flows	6.1	5.6	4.5	2.5	-1.3	-3.5	-3.4	-3.4	-3.3	-2.5	-2.7	3.0	-2.3
Primary deficit	5.1	4.1	3.7	4.7	2.2	0.0	-0.1	-0.2	-0.3	-0.9	-2.1	4.1	0.3
Revenue and grants	19.4	22.4	22.7	25.3	25.4	25.5	25.6	25.6	25.7	26.1	27.3	24.4	25.7
of which: grants	3.9	4.6	4.2	6.1	6.0	6.1	6.1	6.1	6.1	6.2	6.5		
Primary (noninterest) expenditure	24.4	26.4	26.4	30.0	27.6	25.5	25.5	25.4	25.3	25.2	25.2	28.5	26.0
Automatic debt dynamics	1.0	1.5	0.8	-2.2	-3.5	-3.5	-3.3	-3.2	-3.0	-1.5	-0.6		
Contribution from interest rate/growth differential	-0.2	0.7	1.0	-2.2	-3.5	-3.5	-3.3	-3.2	-3.0	-1.5	-0.6		
of which: contribution from average real interest rate	0.6	1.6	0.4	-1.1	-0.6	-0.3	-0.2	-0.1	-0.2	0.2	0.1		
of which: contribution from real GDP growth	-0.7	-1.0	0.6	-1.1	-2.9	-3.1	-3.1	-3.1	-2.7	-1.7	-0.7		
Contribution from real exchange rate depreciation	1.2	0.8	-0.2	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.0	1.5	2.5	2.4	-0.4	-0.2	-0.1	0.0	0.1	-0.3	0.0	1.4	0.0
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	61.0	65.4	64.2	61.0	57.9	54.8	52.0	38.8	14.3		
PV of public debt-to-revenue and grants ratio	...	...	269.2	258.4	252.4	239.0	226.3	214.1	202.6	148.5	52.3		
Debt service-to-revenue and grants ratio 3/	60.0	51.7	60.3	25.6	41.1	41.4	45.7	44.7	47.7	45.0	17.7		
Gross financing need 4/	16.7	15.6	17.4	11.2	12.6	10.6	11.6	11.2	11.9	10.8	2.8		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	1.6	1.8	-1.0	1.6	4.2	4.7	4.9	5.2	4.8	4.0	4.0	1.6	4.2
Average nominal interest rate on external debt (in percent)	0.6	0.6	1.0	1.0	0.9	0.9	0.9	1.0	1.0	1.2	1.3	0.6	1.0
Average real interest rate on domestic debt (in percent)	2.9	5.1	1.0	-2.0	-0.7	-0.3	0.0	0.2	0.1	0.8	0.9	-5.0	0.0
Real exchange rate depreciation (in percent, + indicates depreciation)	7.3	5.0	-1.0	...	...	...	...	...	...	...	...	-0.5	...
Inflation rate (GDP deflator, in percent)	-2.9	0.8	5.8	5.9	4.7	4.5	4.4	4.3	4.5	4.3	4.3	7.3	4.5
Growth of real primary spending (deflated by GDP deflator, in percent)	5.9	10.3	-1.3	15.8	-4.3	-3.2	4.8	4.9	4.6	3.9	4.1	-2.1	3.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-1.0	-3.0	-3.3	-0.2	3.8	3.7	3.4	3.3	2.9	1.8	0.6	-2.4	2.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt The central government, central bank. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

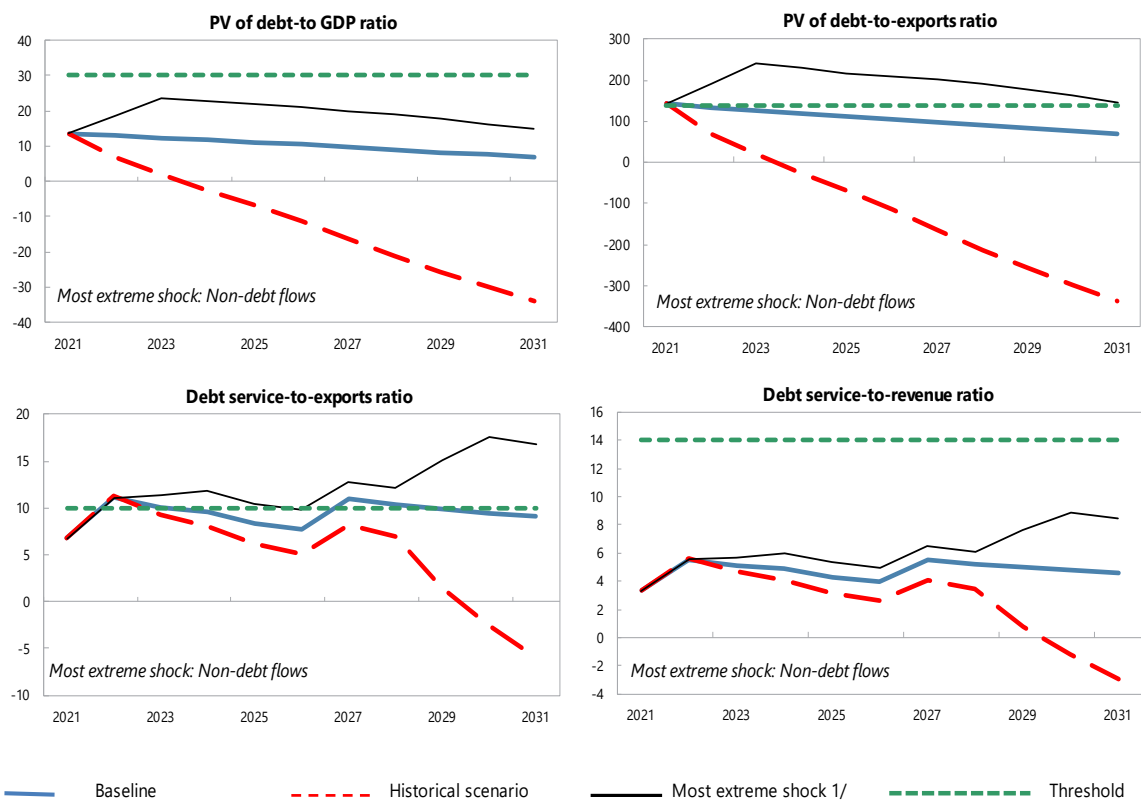
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (-): a primary surplus, which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Burundi: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2021–31



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

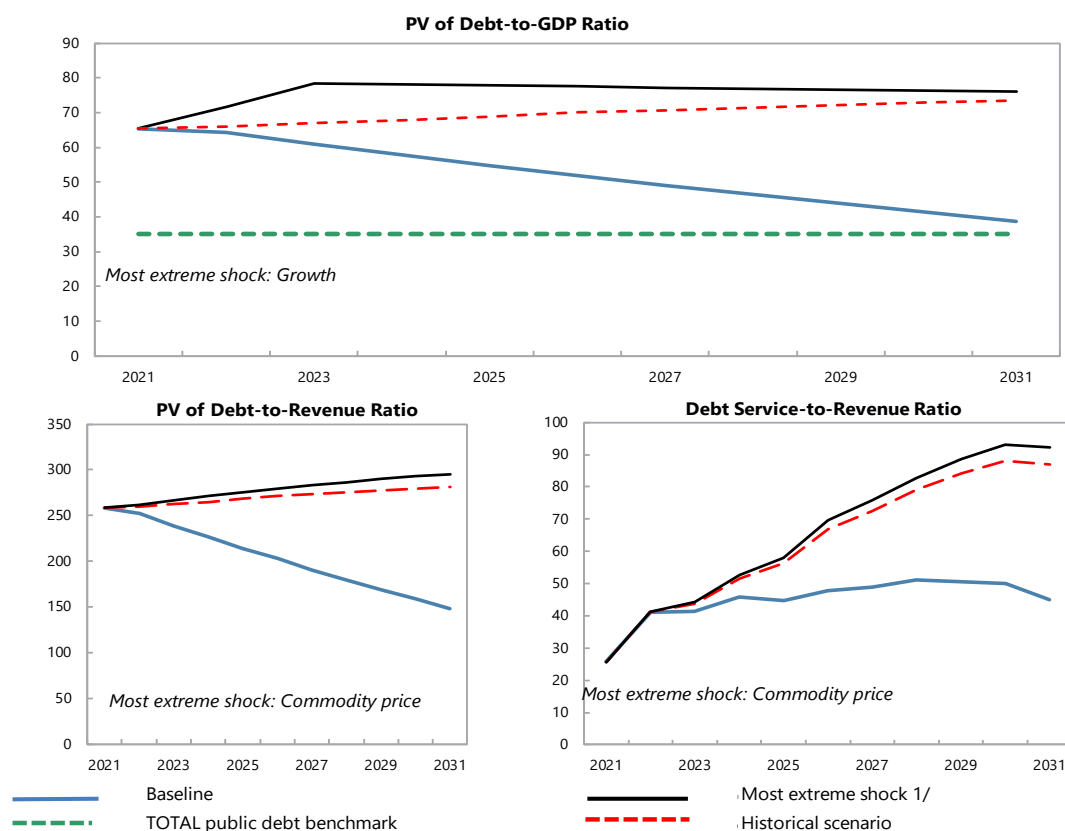
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	6	6

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 2. Burundi: Indicators of Public Debt Under Alternative Scenarios, 2021–31



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	8%	8%
Domestic medium and long-term	64%	64%
Domestic short-term	28%	28%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.4%	1.4%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	1.3%	1.3%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	-1.5%	-1.5%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Burundi: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2021–2031 (in percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	14	13	12	12	11	11	10	9	8	8	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	14	7	2	-3	-7	-11	-16	-21	-26	-30	-34
B. Bound Tests											
B1. Real GDP growth	14	14	15	14	13	13	12	11	10	9	8
B2. Primary balance	14	13	13	12	12	12	11	10	10	9	8
B3. Exports	14	14	16	15	14	14	13	12	11	10	9
B4. Other flows 3/	14	19	24	23	22	21	20	19	18	16	15
B5. Depreciation	14	16	8	8	7	7	6	5	4	4	4
B6. Combination of B1-B5	14	20	21	20	19	18	17	16	15	14	13
C. Tailored Tests											
C1. Combined contingent liabilities	14	13	13	12	12	12	11	10	10	9	8
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	14	13	12	12	11	11	10	9	8	8	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	143	133	125	117	110	106	98	91	84	77	70
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	143	69	19	-27	-69	-113	-163	-213	-258	-300	-338
B. Bound Tests											
B1. Real GDP growth	143	133	125	117	110	106	98	91	84	77	70
B2. Primary balance	143	135	130	124	118	116	109	103	97	90	83
B3. Exports	143	178	234	221	208	201	189	177	165	150	136
B4. Other flows 3/	143	193	240	229	216	210	200	191	179	163	147
B5. Depreciation	143	133	66	61	56	52	46	40	33	31	28
B6. Combination of B1-B5	143	210	180	214	202	195	185	174	160	146	132
C. Tailored Tests											
C1. Combined contingent liabilities	143	138	131	124	119	116	109	103	97	91	84
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	143	133	125	117	110	106	98	91	84	77	70
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	7	11	10	10	8	8	11	10	10	9	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	7	11	9	8	6	5	8	7	2	-2	-6
B. Bound Tests											
B1. Real GDP growth	7	11	10	10	8	8	11	10	10	9	9
B2. Primary balance	7	11	10	10	8	8	11	10	10	10	10
B3. Exports	7	14	15	15	13	12	17	16	17	17	17
B4. Other flows 3/	7	11	11	12	10	10	13	12	15	18	17
B5. Depreciation	7	11	10	8	7	7	10	9	9	5	5
B6. Combination of B1-B5	7	13	14	13	12	11	15	14	17	17	16
C. Tailored Tests											
C1. Combined contingent liabilities	7	11	10	10	8	8	11	10	10	10	9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	7	11	10	10	8	8	11	10	10	9	9
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	3	6	5	5	4	4	5	5	5	5	5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	3	6	5	4	3	3	4	3	1	-1	-3
B. Bound Tests											
B1. Real GDP growth	3	6	6	6	5	5	7	6	6	6	5
B2. Primary balance	3	6	5	5	4	4	6	5	5	5	5
B3. Exports	3	6	5	5	5	4	6	5	6	6	6
B4. Other flows 3/	3	6	6	6	5	5	6	6	8	9	8
B5. Depreciation	3	7	6	5	5	4	6	6	6	3	3
B6. Combination of B1-B5	3	6	7	6	6	5	7	7	8	8	8
C. Tailored Tests											
C1. Combined contingent liabilities	3	6	5	5	4	4	6	5	5	5	5
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	3	6	5	5	4	4	5	5	5	5	5
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Burundi: Sensitivity Analysis for Key Indicators of Public Debt, 2021–2031

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of Debt-to-GDP Ratio											
Baseline	65	64	61	58	55	52	49	46	44	41	39
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	65	66	67	68	69	70	71	71	72	73	74
B. Bound Tests											
B1. Real GDP growth	65	72	78	78	78	78	77	77	77	76	76
B2. Primary balance	65	68	70	67	63	60	57	54	51	48	45
B3. Exports	65	65	64	61	58	55	52	49	47	44	41
B4. Other flows 3/	65	70	73	69	66	63	59	57	53	50	47
B5. Depreciation	65	63	58	55	51	48	44	40	37	34	30
B6. Combination of B1-B5	65	67	68	65	63	60	57	55	53	50	48
C. Tailored Tests											
C1. Combined contingent liabilities	65	73	70	66	63	60	56	53	50	48	45
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	65	67	68	69	71	72	73	74	75	76	77
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	258	252	239	226	214	203	191	180	169	159	148
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	258	260	262	265	268	272	274	276	278	280	282
B. Bound Tests											
B1. Real GDP growth	258	276	294	292	290	289	286	284	283	281	279
B2. Primary balance	258	266	275	261	247	234	220	208	196	185	174
B3. Exports	258	257	252	238	226	214	202	191	180	168	157
B4. Other flows 3/	258	276	284	270	257	244	231	219	206	192	179
B5. Depreciation	258	253	234	218	203	189	174	159	145	132	119
B6. Combination of B1-B5	258	263	266	253	242	232	221	211	201	192	182
C. Tailored Tests											
C1. Combined contingent liabilities	258	289	273	259	245	232	219	206	195	183	172
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	258	262	267	271	276	280	283	286	290	293	295
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	26	41	41	46	45	48	49	51	51	50	45
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	26	41	44	52	56	67	72	79	84	88	87
B. Bound Tests											
B1. Real GDP growth	26	44	49	57	61	71	76	82	86	89	86
B2. Primary balance	26	41	46	55	56	65	59	60	63	60	53
B3. Exports	26	41	42	46	45	48	49	51	51	51	46
B4. Other flows 3/	26	41	42	47	46	48	50	52	53	53	48
B5. Depreciation	26	39	40	43	43	43	47	49	48	48	42
B6. Combination of B1-B5	26	41	43	53	49	61	59	60	63	63	56
C. Tailored Tests											
C1. Combined contingent liabilities	26	41	53	50	65	60	55	64	61	57	54
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	26	41	44	53	58	70	76	83	89	93	92
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

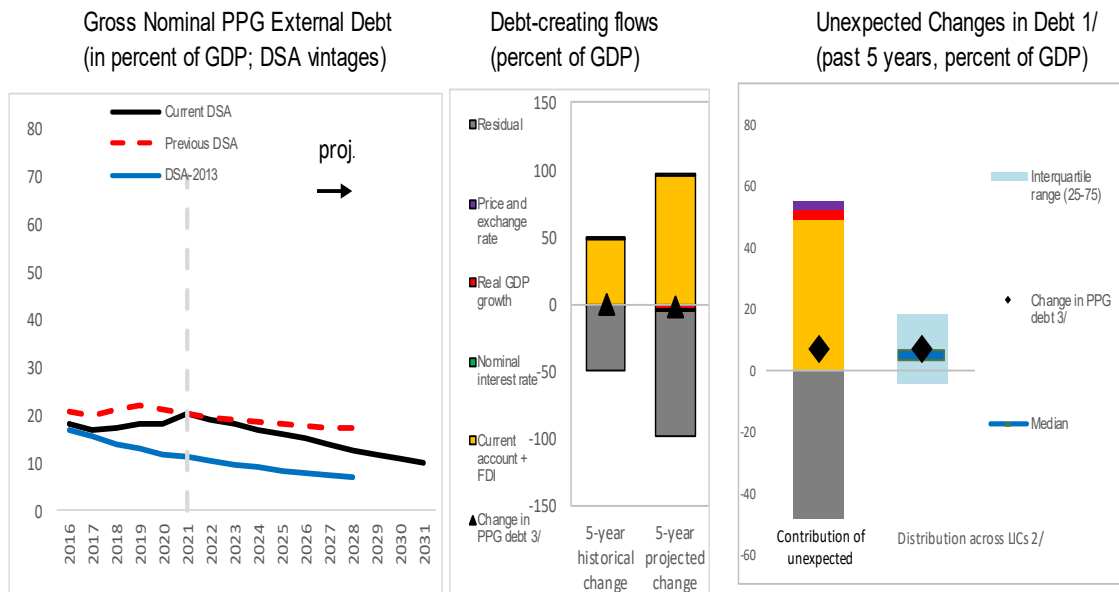
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

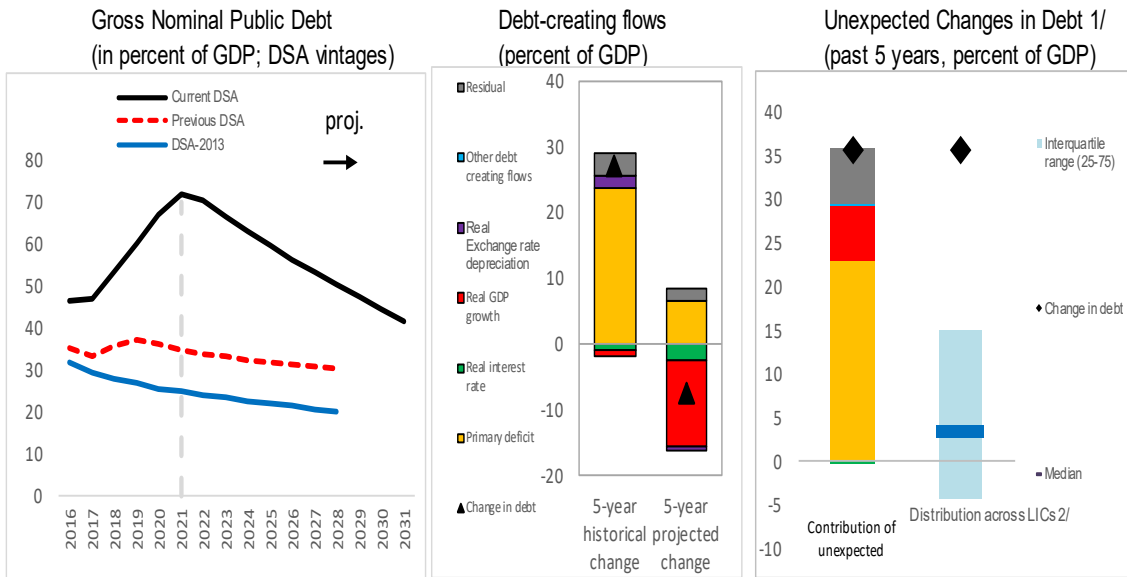
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 3. Burundi: Drivers of Debt Dynamics - Baseline Scenario External Debt



Public debt



Sources: Country authorities; and staff estimates and projections.

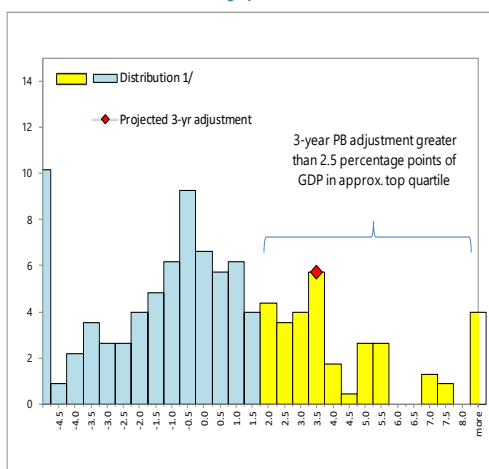
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

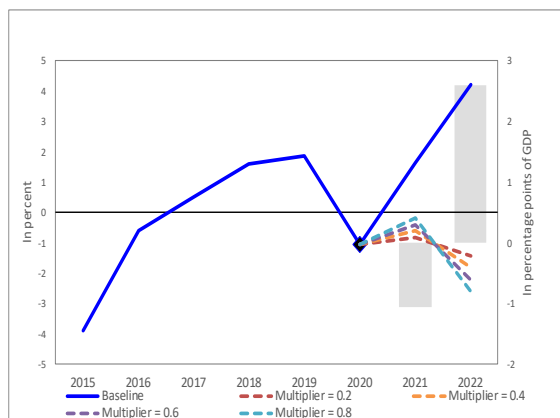
Figure 4. Burundi: Realism tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



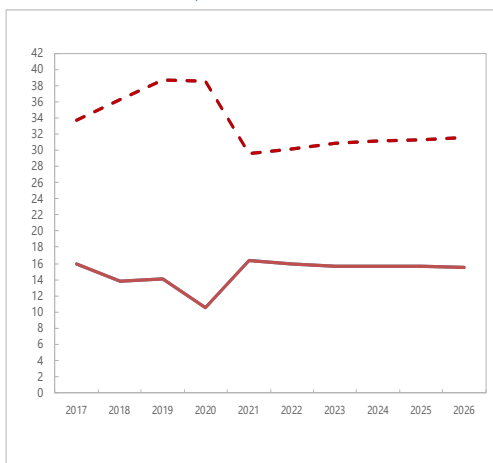
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



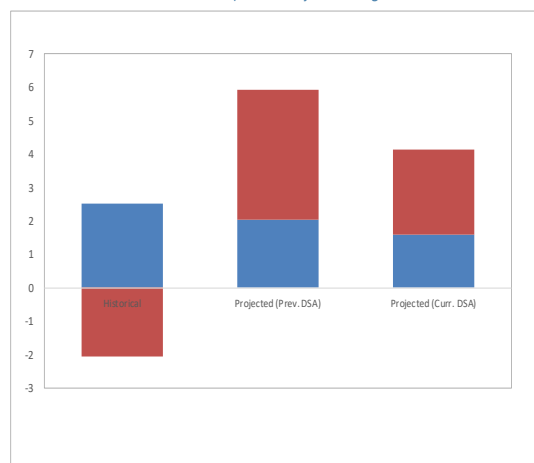
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



— Gov. Invest. - Prev. DSA — Gov. Invest. - Curr. DSA
 - - - Priv. Invest. - Prev. DSA - - - Priv. Invest. - Curr. DSA

Contribution to Real GDP growth
(percent, 5-year average)



■ Contribution of other factors
 ■ Contribution of government capital

Sources: Country authorities; and staff estimates and projections.



BURUNDI

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—INFORMATIONAL ANNEX

October 6, 2021

Prepared By

The African Department
(In Consultation with Other Departments)

CONTENTS

RELATIONS WITH THE IMF _____	2
RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS _____	5

RELATIONS WITH THE IMF

(As of August 31, 2021)

Membership Status

Joined: 9/28/1963; Acceptance Article VIII: No

General Resources Account:	SDR Million	Percent Quota
Quota	154.00	100.00
Fund Holdings of currency (Exchange Rate)	144.14	93.60
Reserve Tranche Position	9.90	6.43
SDR Department:	SDR Million	Percent Allocation
Net cumulative allocation	221.45	100.00
Holdings	153.93	69.51
Outstanding purchases and Loans:	SDR Million	Percent Quota
ECF Arrangements	13.90	9.03

Latest Financial Commitments:

Arrangements:

Type	Date of arrangement	Expiration date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Jan 27, 2012	Mar 31, 2016	40.00	30.00
ECF	Jul 07, 2008	Jan 23, 2012	51.20	51.20
ECF	Jan 23, 2004	Jan 22, 2008	69.30	69.30

Projected Payments to Fund ^{1/}

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2021	2022	2023	2024	2025
Principal		6.40	4.50	2.50	0.50
Charges/Interest	0.01	0.04	0.04	0.04	0.04
Total	0.01	6.44	4.54	2.54	0.54

^{1/} When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

Commitment of HIPC assistance	Enhanced Framework
Decision point date	Aug 2005
Assistance committed by all creditors (US\$ Million) ^{2/}	832.60
Of which: IMF assistance (US\$ million)	27.87
(SDR equivalent in millions)	19.28
Completion point date	Jan 2009

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 ^{3/}	3.07
Total disbursements	22.35

Implementation of Multilateral Debt Relief Initiative (MDRI):

MDRI-eligible debt (SDR Million)^{4/}	26.40
Financed by: MDRI Trust	9.01
Remaining HIPC resources	17.39

Debt Relief by Facility (SDR Million):

Delivery Date	GRA	Eligible Debt		Total
		PRGT		
February 2009	N/A	26.40		26.40

² 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.

³ Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

⁴ The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Implementation of Catastrophe Containment and Relief (CCR) Trust:

Date of catastrophe	Board decision date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Jul 20, 2020	5.48	5.48
N/A	Oct 02, 2020	4.82	4.82
N/A	Apr 01, 2021	4.16	4.16

Safeguards Assessments:

The last safeguards assessment of the BRB was completed and approved by IMF management on July 17, 2012. The main findings included the need for legal reforms to strengthen the BRB law (structural benchmark under the previous ECF program); governance arrangements required significant strengthening namely Board and Audit Committee oversights of foreign exchange reserves and audit mechanisms respectively, and that control weaknesses in the fiscal accounts relating to government payments remained to be addressed. In response to the 2012 safeguards assessment recommendations, the BRB adopted key reforms: an international audit firm was recruited to (i) conduct a special audit of large disbursements on behalf of the government processed by the BRB during June 30, 2011–March 31, 2012, (ii) evaluate the implementation of the new decree on public expenditures management, and (iii) ascertain the status of implementation of earlier special audit recommendations. The recommendation from the 2012 assessment on legal reforms remains outstanding. During recent discussions in the context of the RCF, the authorities committed to undergo an update safeguards assessment, which would need to be completed before the Executive Board approval of any subsequent arrangement, publish the audited FY2020/21 financial statements of the BRB and provide Fund staff with the necessary audit reports.

Exchange System and Exchange Rate Arrangement

The de jure exchange rate arrangement of Burundi is floating, and its de facto exchange rate arrangement is classified as a crawl-like. As discussed in the 2014 Article IV Consultation report, Burundi maintains one multiple currency practice (MCP). The MCP arises from the use of an official rate for government transactions, which deviates from market rates by more than 2 percent. Staff is also assessing a few FX regulations and practices that appear restrictive. These restrictions among other factors have caused a continuous increase of the parallel market premium since 2015, which is an important challenge for an effective monetary policy.

Article IV Consultation

The last Article IV consultation discussions with Burundi were held in July 2014. The staff report was discussed by the Executive Board on August 25, 2014.

Resident Representative

None

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank

<https://www.worldbank.org/en/country/burundi/overview>

World Bank Group Projects:

<https://projects.worldbank.org/en/projects-operations/projects-list?os=0&qterm=burundi>

African Development Bank

<https://www.afdb.org/en/countries/east-africa/burundi>

**Statement by Ms. Mannathoko, Mr. Ismail, Mr. Abdullahi
and Mr. Cham on Burundi
October 25, 2021**

The new Burundi administration came into power following elections in May 2020 and announced as its priorities, fighting COVID-19, fighting corruption, and revitalizing agriculture and youth employment (World Bank Burundi Overview, October 2021). The COVID-19 pandemic has presented significant socio-economic challenges to the new government, adding to previous fiscal and balance of payments difficulties. The administration is therefore re-engaging the international community to help bring the pandemic under control, curb rising poverty, and unlock the country's agricultural and mineral potential (including rare earth minerals) with the goal of working to realize the objectives of the 2018-27 National Development Plan (PND). The authorities have intensified efforts to fight the pandemic through a combination of decisive health and macroeconomic policy response measures. They request RCF support to help implement their national COVID-19 response plan. The urgent and significant fiscal and external financing gaps created by the health crisis underline the need for this emergency financing to bolster the fight against the pandemic.

1. Our Burundian authorities appreciate the constructive discussions held with Fund staff and broadly agree with policy priorities and key recommendations in the staff report.
2. The Burundian economy has been adversely affected by the COVID-19 pandemic, with the risk of resurgence of virus mutations, remaining a concern due to very low vaccination rates with the new administration having recently begun vaccinations upon receipt of a small shipment of vaccines. The pandemic interrupted a nascent recovery with a marked contraction of economic activity in 2020, and clouded growth prospects in 2021. Already sizable and urgent fiscal and balance of payments financing needs could worsen further, absent external support. Against this backdrop, the Burundian authorities seek emergency financing under the Rapid Credit Facility (RCF) in the amount of SDR 53.9 million (equivalent to 35 percent of quota). This support is essential to bolster efforts aimed at moderating the socio-economic fallout from the pandemic. The capacity to repay the Fund is assessed as adequate, while public debt is assessed as sustainable. Given the significant risks to the outlook, the authorities hope the IMF support will catalyze complementary financing, to help them close the financing gap and better stabilize the economy.
3. As reflected in their letter of intent, the authorities are committed to the transparent and accountable use of pandemic-related resources. They have already prepared a report on COVID-19 spending during 2020/21, which is being audited by the "Cour des Comptes". Moving forward, they will prepare bi-annual reports on COVID-19 spending and publish them on the Ministry of Finance website. The authorities are also committed to collecting and publishing information on the ultimate beneficial ownership of companies awarded COVID-19 related contracts. Furthermore, they are well on course to fulfill commitments under the CCRT debt relief audit.

Impact of COVID-19 pandemic

4. Since the first case of coronavirus was reported on March 31, 2020, case counts continue to grow. By mid-July 2021, the number of new cases has surpassed 1,000 cases per week. As of October 14, 2021, the number of recorded cases had reached 19,513, with 14 fatalities. Risks

from the pandemic remain elevated with resurgence and more virulent waves affecting neighboring countries.

5. Economic activity across key productive sectors was also negatively affected by restrictive measures adopted to contain the spread of the COVID-19 virus. Economic activity contracted by 1 percent in 2020 due to the slowdown in secondary sectors and in services such as hospitality, commerce and transportation, which were impacted by travel restrictions and supply chain disruptions. At the same time, inflation has risen rapidly from an average -0.7 percent in 2019 to 7.3 percent in 2020, driven by rising food prices prompted by the pandemic. The rise in food prices impacts the poor disproportionately and threatens food security, even as higher inflation in general worsens living standards and social outcomes.
6. While the authorities appreciate the support received in 2020/21 from the IMF's CCRT and to a lesser extent the World Bank; and from the Exim Bank of China and the Kuwait Fund under the G20's DSSI debt service relief, sizable financing gaps remain. Fiscal imbalances are expected to persist in FY 2021/22, in the context of increased sanitary and social spending needs for vulnerable households, and the high cost of vaccine imports. The fiscal financing gap for 2021/22 is estimated at 3.2 percent of GDP. The current account deficit is also estimated to remain sizeable in FY2021/22, reflecting subdued export performance in the context of the rising fuel prices and fuel import bills, alongside rising import needs including vaccines, therapeutics, personal protective equipment, and other COVID-related goods. Against this backdrop, the balance of payment needs for 2021/22 are estimated at 4.4 percent of GDP. While the general SDR allocation provided some policy space and much-needed relief, the external financing gap remains large and could lead to economic disruption if not addressed.

Pandemic Response Measures

7. The newly elected administration developed a robust national COVID-19 response plan, and a national multi-sectoral COVID-19 steering committee oversees the overall coordination and implementation of the national response. Various containment measures were taken, including closing all ports of entry, the Bujumbura airport and land border crossings from March to November 2020 and March to January 11, 2021 respectively. There has also been organization of mass screening campaigns against COVID-19, and the adoption of barrier measures against COVID-19. The authorities have also started vaccinations, using the 500,000 doses of Sinopharm they have received. Meanwhile, they have also applied to the Global Alliance for Vaccination and Immunization (GAVI) to access the COVID-19 Vaccine Access Facility (COVAX).
8. The authorities have also taken measures to strengthen the capacity of the health system and social protection. They allocated US\$150 million (4.7 percent of GDP) as part of their COVID-19 response plan to intensify the fight against pandemic. Of this amount, US\$58 million is apportioned to the Contingency Plan for implementation of sanitary measures. Actions included implementing hygiene measures to protect the population against COVID-19 and increase water supply, activating a reception center for public health emergencies and the COVID-19 coordination mechanism, hiring additional doctors and nurses, and equipping specialized laboratories with COVID-19 diagnostic equipment, test kits and reagents. The

authorities also implemented measures to protect and train health personnel on COVID-19 protocols.

9. For the budget year 2021/22, fiscal policy was calibrated to accommodate increased spending to limit the spread of the virus and mitigate its economic and social impact, while preserving debt sustainability. To contain economic scarring and help support sustainable and inclusive growth, the authorities increased spending on women, youth, people with disabilities, and victims of natural disasters. Furthermore, they plan to spend an additional 2.2 percent of GDP under the recently adopted vaccination strategy.
10. The central bank, Banque de la Republique de Burundi (BRB) has maintained an accommodative monetary policy stance to support the recovery. BRB has also ensured adequate liquidity in the banking sector and created a new refinancing window for banks extending long-term loans to high-growth priority sectors. The BRB also allowed greater flexibility in loan restructuring procedures and time-bound extensions of loan maturities to affected borrowers, especially in the trade sector.

Medium-term Policy Measures

11. Beyond 2021/22, the authorities plan to implement growth-friendly fiscal consolidation to help bring public debt onto a downward trajectory. This includes a combination of revenue mobilization and expenditure management measures. On the monetary policy front, the BRB will continue to monitor inflation risks, informing the duration of its accommodative stance which at this time is needed to support the very weak recovery. In addition, the authorities are working closely with Fund staff to develop a roadmap for an orderly transition to a more flexible exchange rate regime, and to reduce the parallel market premium. The BRB stands ready to recalibrate liquidity provisions and its policy stance as needed, and will monitor the financial sector to identify emerging vulnerabilities, while gradually tightening the implementation of forbearance policies to contain any potential risks.
12. In line with the authorities 2018–27 Development Plan (*PND*), the authorities aim to address key structural weaknesses with the goal of enhancing export diversification, while facilitating infrastructure development, improving access to social safety nets and public services, and improving governance to enhance inclusive and durable growth.

Conclusion

13. Our authorities remain committed to implementing policies geared to ensure macroeconomic stability and support a durable recovery. They are confident that support from the Fund will help catalyze additional donor support to help alleviate strains on the economy and address attendant financing needs. They look forward to Executive Directors' support and approval of the RCF as a critical step in their re-engagement efforts. They have resumed data provision to the Fund and committed to Article IV consultations and Safeguards Assessment missions in the foreseeable future. Further, they plan to strengthen coordination between various agencies for more effective management of economic policies to support the economic recovery. They also look forward to further Fund engagement and technical support.