March 2013
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Burundi: Second Review Under the Extended Credit Facility—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion

In the context of the Second Review Under the Extended Credit Facility, the following documents have been released and are included with in this package:

- The staff report for the Second Review Under the Extended Credit Facility, prepared by a staff team of the IMF, following discussions that ended on December 14, 2012 with the officials of Burundi on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on January 30, 2013. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A staff supplement of January 30, 2013 containing a joint IMF/World Bank Debt Sustainability Analysis

- Press Release dated February 14, 2013.

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

Letter of Intent sent to the IMF by the authorities of Burundi*
Memorandum of Economic and Financial Policies by the authorities of Burundi*
Technical Memorandum of Understanding*

*Also included in Staff Report

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

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International Monetary Fund
Washington, D.C.

BURUNDI

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

January 30, 2013

KEY ISSUES

Context: Program implementation was conducted under very challenging economic circumstances. Real GDP growth decelerated in the face of a sharp deterioration in the terms of trade and the cooling of aggregate demand owing to a tight monetary stance aimed at containing inflationary pressures. Greater exchange rate flexibility permitted the economy to adjust to external shocks.

Program: The Executive Board approved the three-year arrangement under the Extended Credit Facility (ECF) on January 27, 2012, with a total access of SDR 30 million. The first review was completed on July 27, 2012. For the second review, all performance criteria at end-September were met; one indicative target was marginally missed owing mainly to a delay in budget support. Satisfactory progress has been made on structural reforms, albeit with some delays. Policy discussions focused on strengthening revenue mobilization, bolstering public financial and debt management, the monetary stance and associated structural reforms.

Outlook and risks: Although growth is expected to pick up in 2013 and inflation to ease over the medium term, the outlook is subject to risks related to uncertainties in the external environment. Public financial management and debt management need to be reinforced to avoid fiscal risks. Governance slippages and slow implementation of PFM reforms could curtail donor support. Other risks arise from the influx of refugees affected by the conflict in Eastern Congo and the repatriation of refugees from Tanzania.

Staff Views: Staff recommends the completion of the second review under the ECF arrangement, setting of end-March and end-September 2013 performance criteria and structural benchmarks for 2013, and disbursement of SDR 5 million. The authorities have consented to the publication of this report following the completion of the review.

Approved By
Roger Nord and Elliott Harris

A staff team comprising Messrs O. Williams (Head), R. Garcia-Verdu, I. Razafimahefa (all AFR), and A. Roitman (FAD) visited Burundi during December 3–14, 2012. The mission was assisted by Mr. Koffi Yao, the IMF Resident Representative in Burundi. The mission met with the President of the Senate Ntsizerana, Minister of Finance Manirakiza, Central Bank Governor Ciza, other senior government officials, and representatives of labor unions, the private sector, CSOs, the donor community, and the media.

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RECENT DEVELOPMENTS AND PROGRAM IMPLEMENTATION

1. **The Burundian economy faced several adverse shocks.** The confluence of high food and fuel prices and declining coffee prices led to a deterioration of terms of trade by 27 percent, cumulatively during 2011–12.[1] Inflation rose sharply, peaking at 25.3 percent (y-o-y). Budget support from partners fell from 5 percent of GDP in 2010 to 3.2 percent in 2012. These shocks, combined with tight monetary policy, reduced liquidity, which constrained credit to the private sector. The recent repatriation of 35,000 refugees from Tanzania, and spillovers from the conflict in Eastern Congo have added pressures on the political and economic environment.

2. **The authorities responded to the shocks by allowing greater exchange rate flexibility and by tightening monetary policy (Figures 1 and 2).** Real GDP growth was revised from 4.8 percent at the beginning of the year to 4 percent. Inflation declined sharply from its earlier peak to 11.8 percent (y-o-y) in December due to tight monetary policy and the temporary removal of taxes on food products. A tighter monetary stance by the central bank contributed to a deceleration in growth of credit to the private sector from a peak of 40 percent (y-o-y) at end-2011 to 15 percent in October. The exchange rate depreciated by 14 percent (y-o-y) through end-December.

3. **The fiscal stance was in line with the program.** Despite the corrective measures implemented in mid-2012, revenues were lower than expected due mainly to the foregone fuel-related excise taxes and the economic slowdown. The shortfall in revenues was compensated by lower-than-programmed domestically financed current and capital expenditures. As a result, the domestic primary deficit excluding grants (3.7 percent of GDP) was slightly lower than programmed (3.9 percent of GDP).[2]

4. **Program implementation has been broadly satisfactory despite difficult circumstances.** All quantitative performance criteria for September 2012 were observed although the indicative target on pro-poor spending was missed by a small margin (MEFP, Table I-1).[3] Structural reforms are on track, notably, some progress has been made toward controlling discretionary exemptions, the reorganization of the Ministry of Finance, the adoption of a decree on budget governance (MEFP, Table I-2) , and safeguard measures.

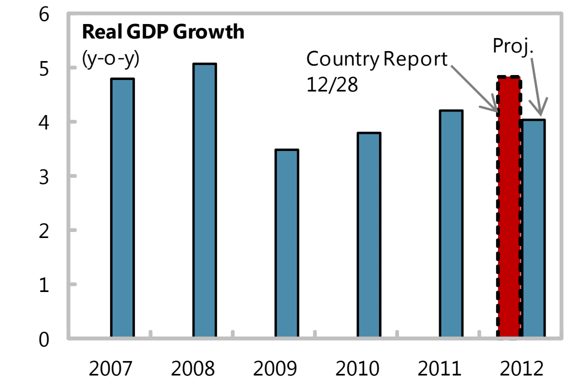
[1] Coffee accounts for about two thirds of Burundi's total exports.

[2] The domestic primary balance excluding grants is defined as total revenues excluding grants minus domestically
[2] The domestic primary balance excluding grants is defined as total revenues excluding grants minus domestically financed primary expenditures.

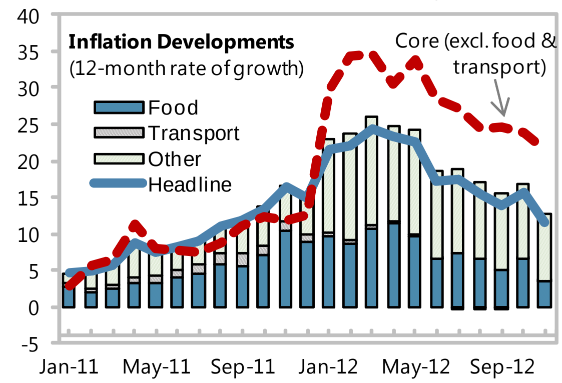
[3] This was mainly due to delays in implementing the new revenue measures and to late disbursement of budget support by some donors.

Figure 1. Burundi: Recent Developments, 2005–12

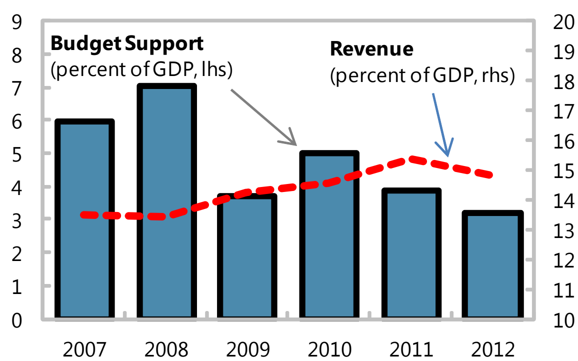
Growth has been adversly affected by various shocks.



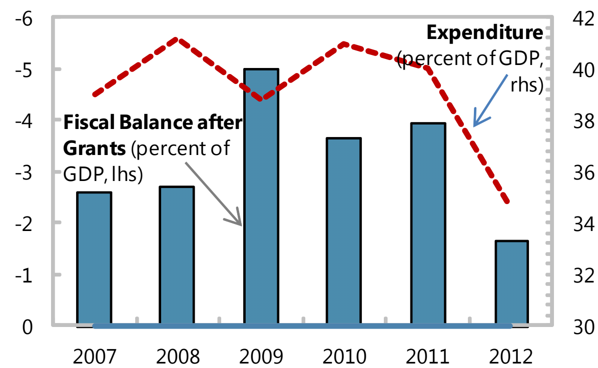
Headline and core measures of inflation are coming down but remain in double digits...



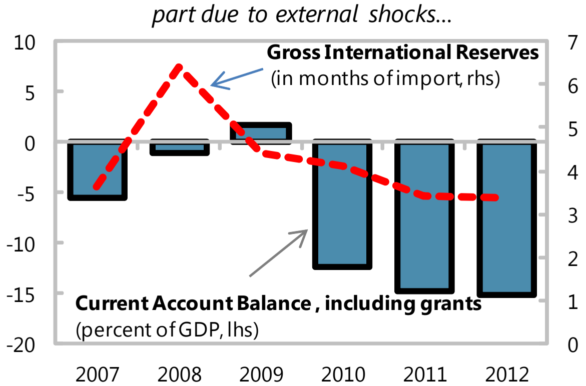
Both revenue collections and budget support flows declined...



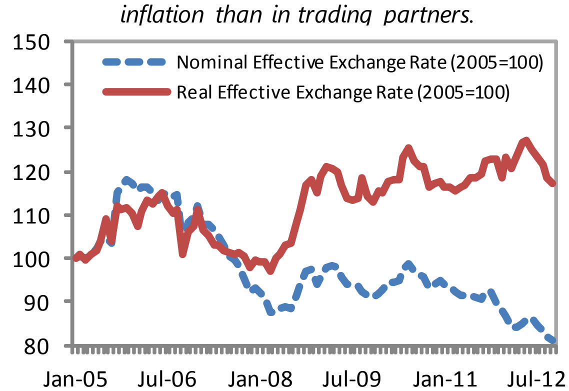
...which led to lower spending in a context of lower financing.



The current account deficit remains elevated in part due to external shocks...

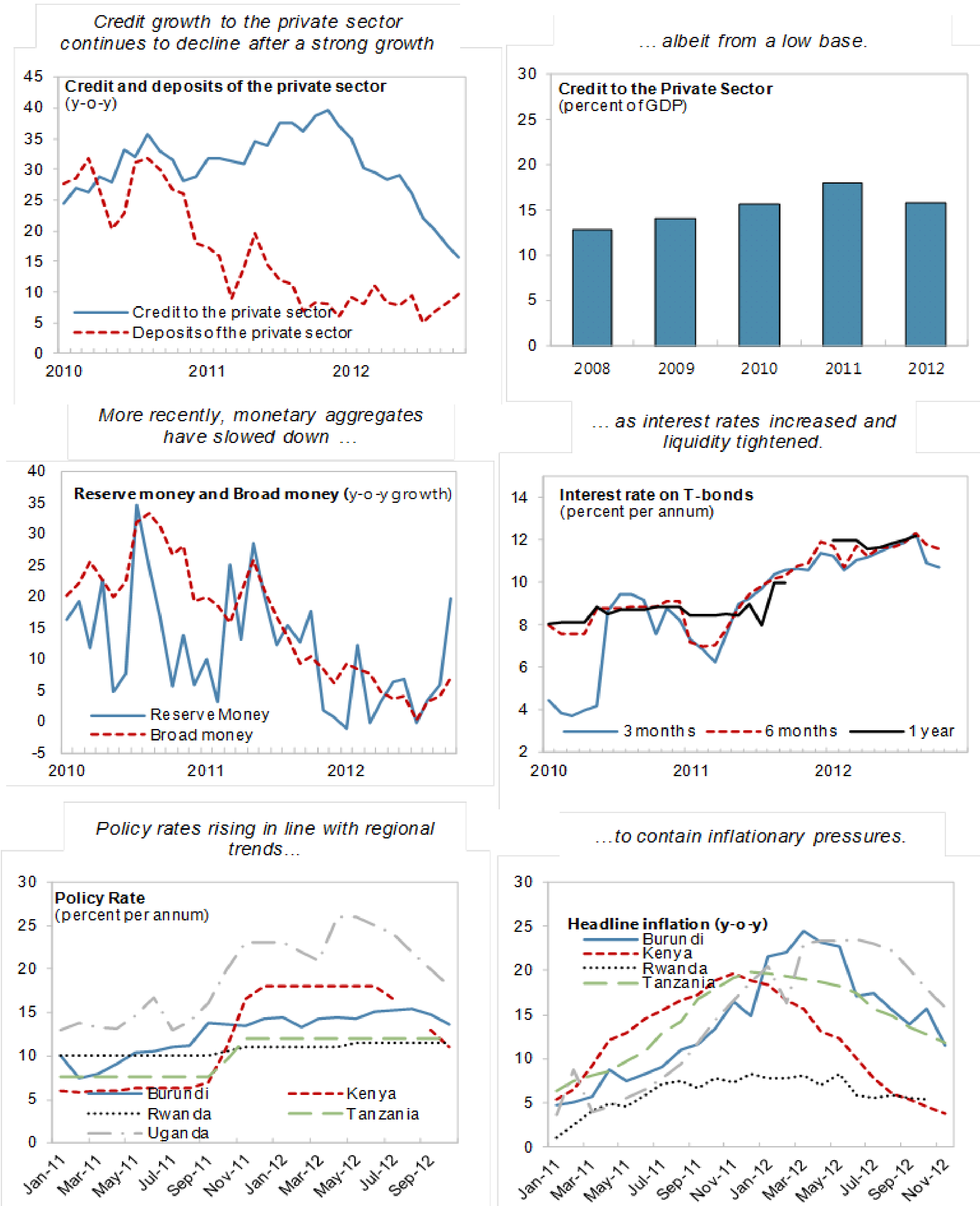


... while the REER appreciated reflecting higher inflation than in trading partners.



Source: Burundi authortities and IMF staff estimates and projections.

Figure 2. Burundi: Monetary Developments, 2008–12



Source: Burundi authorities and IMF staff estimates and projections.

OUTLOOK AND RISKS

5. The outlook for 2013 will remain subject to risks arising from an uncertain external environment and unpredictable donor inflows. Economic growth is expected to rise to 4.5 percent and inflation to decline further to about 9 percent (y-o-y) owing to lower international food and fuel prices. Nevertheless, the terms of trade are expected to deteriorate further as coffee prices are projected to continue to decline. Other risks include managing refugees from the conflict in eastern Congo and reintegrating the recently repatriated refugees from Tanzania.

POLICY DISCUSSIONS

A. Sustaining Revenue Mobilization in a Difficult Environment

6. The 2013 budget that was adopted last December is broadly in line with the program. Relative to previous projections (Country Report No. 12/226), total revenues in 2013 are expected to be lower by 0.7 percentage points of GDP reflecting the impact of adverse shocks to the economy. Spending is projected to be 3¾ percentage points of GDP lower, owing to the impact of revisions to expected foreign financing of capital spending and containing the size of the wage bill by limiting recruitment to priority sectors and constraining wage increases below the growth rate of GDP.[4] The fiscal stance is stronger as indicated by a lower domestic primary balance.[5]

7. Greater efforts are needed to mobilize revenues (MEFP ¶23). While revenues have increased steadily since 2009 and now cover about 88 percent of current domestic spending, they have fallen by about ¾ of a percentage point to 14.8 percent of GDP due to foregone revenues from petroleum products.[6] Staff discussed mechanisms to limit the cost of petroleum-product subsidies (¾ of a percent of GDP), while emphasizing their unsustainability especially in the context of declining budget support, and the impact of foregone revenues on medium-term objectives. The authorities noted that the current fuel pricing policy is a temporary measure aimed at mitigating the impact of high cost of living on the poor. Although prices on gasoline and diesel prices were increased by 3.4 percent and 4.9 percent respectively in October 2012, this adjustment was insufficient to compensate for the noncollection of excise taxes for most of 2012**.** The authorities see the need to close the fuel price gap; but noted that the timing of this measure is being discussed to take into account constraints related to the fragility of the socio-political environment. They also

[4] Revisions to the spending path reflect discussions with the authorities that took into account outcomes from October donors' conference. Commitments will only be firmed up following a number of sectoral conferences regarding the appropriate allocations, underscoring the need for effective aid coordination. Moreover, at the October 2012 donors' conference, Burundi's diverse fragilities, including the deficit in the energy sector, coffee sector reforms, land fragmentation, illiteracy, and infant mortality were discussed at length**.**

[5] The domestic primary balance, a measure of domestic fiscal effort, for 2013 in Country Report No. 12/226 was -3.3 percent of GDP compared with -2.6 percent of GDP in the current projection.

[6] Current domestic spending corresponds to current spending excluding special foreign-financed spending such as technical assistance and Global Funds.

indicated that the exemption of taxes on food products would be lifted in mid-2013 as inflationary pressures have begun to ease.

8. The authorities reiterated their commitment to implementing reforms aimed at strengthening the legal framework and to widen the tax base (MEFP ¶23). The reforms represent a key pillar under the public financial management (PFM) strategy governing revenue mobilization and improved cash flow management. To this end, a decree clarifying responsibilities of the Burundi Revenue Authority (BRA) is envisaged (end-March benchmark 2013 (MEFP Table I. 3)). The income tax, tax procedures and VAT (June 2013 benchmark) laws, which were recently adopted by the government, represent important steps toward further bolstering the legal framework, governing revenue collections and the role of the BRA. These laws address inconsistencies between exemptions under the tax code and under the investment code with a view to limit discretionary exemptions, and are expected to improve the short to- medium-term outlook for revenue collection. Good progress has been made on border posts through the establishment of one-stop clearance windows to facilitate customs procedures. The roll-out of a procedures manual to complement these efforts is envisaged (end-September 2013 benchmark). In a bid to further widen the tax base, the authorities have requested technical assistance (TA) to design a comprehensive excise tax law, and to rationalize the remaining legal texts that could give rise to discretionary exemptions.

B. Bolstering Public Financial Management (PFM) Reforms

9. The recent adoption of the 2012–14 PFM strategy represents an important signal of ownership of reforms by the authorities. The strategy comprises several key objectives to be implemented over the medium term and subject to performance indicators. These include: (i) finalization of the legal and institutional framework; (ii) strengthening revenue mobilization; (iii) strengthening budget preparation and execution; (iv) implementing an efficient information system; and (v) enhancing the implementation capacity of the Ministry of Finance and Planning. A recent evaluation of the previous PFM strategy (2009–11) noted that satisfactory progress was made, notably on the modernization of the legal framework, and budget preparation and execution. However, important weaknesses persist in the effectiveness and control of the expenditure chain, in the preparation and adoption of the budget, and in treasury cash flow management (MEFP ¶8). The authorities recognized the importance of efficient and transparent PFM systems which underpin the poverty reduction strategy (PRSP-II) as a safeguard against governance slippages and the increased emphasis by donors on results-based assistance. A resident PFM advisor was recently selected to facilitate the implementation of these reforms and to strengthen capacity through hands-on training.

10. Corrective measures were taken to address weaknesses in budget execution. The staff noted payment delays on government contracts due to the disconnect between commitment, procurement, and treasury cash flow plans. The authorities pointed out weaknesses in budget execution that led to unpaid extra-budgetary spending from previous fiscal years, mainly related to the procurement of goods and services by the military, health, and education sectors (MEFP ¶8).[7] Agreements were reached with the authorities to correct these weaknesses, including deploying commitment controllers in all ministries, the conduct of an audit of extra-budgetary spending, and the implementation of a joint treasury cash flow and commitment plans (MEFP Table I. 3).

C. Safeguarding Debt Sustainability

11. Safeguarding debt sustainability constitutes a key objective of the program. To this end, the authorities have implemented initial reforms that support this goal, including an evaluation of debt management by the World Bank and the subsequent development of a strategy. Weaknesses remain, however, as illustrated by the recent preliminary agreement on a PPP in the energy sector that was subsequently canceled once it became clear that it posed unacceptable fiscal risks. Hence, a key recommendation of the strategy is the adoption of an overarching debt management legal framework governing the contracting of debt, its purpose, and the role of guarantees (MEFP Table I. 3). The authorities are also seeking assistance from development partners in the design of a legal framework for PPPs (MEFP ¶34). The recent restructuring of the Ministry of Finance and Planning is expected to lead to better coordination with the central bank on cash flow management and the issuance of domestic debt. The quarterly publication of debt reports (MEFP Table I. 3) would signal improvements in capacity, coordination, and transparency.

12. The debt sustainability analysis points to a slight deterioration in key indicators relative to the 2011 DSA, and the classification remains at "high risk of debt distress" (Appendix I). The deterioration is due to (i) the revision of the macroeconomic outlook following recent adverse shocks, mainly due to the terms of trade; (ii) the addition of new loans; and (iii) the lower discount rate. The main conclusion is broadly similar, i.e., under the baseline scenario, the present value (PV) of debt-to-exports ratio breaches the policy threshold during the medium term while other indicators remain below the respective policy thresholds.[8] Burundi's risk of high risk of debt distress warrants retaining a minimum grant element of 50 percent required under the program. Burundi is in a position to service its public and publicly guaranteed debt, and is not accumulating external arrears.

D. Reining in Inflation and Strengthening Liquidity Management

13. The authorities agreed to keep a tight monetary stance until inflation falls to single digits (MEFP ¶28). Interest rates have risen by a cumulative 464 basis points since March 2011, when monetary tightening started, to 11.6 percent. The projected decline in international food and fuel prices in 2013 should contribute to lower domestic inflation (Box 1). The combination of Burundi being landlocked and congestion at ports in neighboring countries appears to contribute to the persistence in inflation. If the current deceleration of key monetary aggregates continues and

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[7] The unpaid extra-budgetary expenditures do not constitute domestic arrears under the ECF-supported program as they were not committed and were not subject to payment orders within the expenditure chain (TMU ¶14).

[8] The debt service-to-exports ratio breaches slightly and temporarily the policy threshold.

inflation expectations are well anchored, the authorities and staff agreed to revisit the monetary stance to address the risks of a slowdown in growth and revenue mobilization. However, in the event inflation accelerates, the monetary stance should be tightened further, through recourse to deposit auctions, a higher reserve requirement ratio, and/or a lower loan-to-deposit ratio. The central bank has established a monetary policy committee to better fulfill its mandate of price stability.

E. Ensuring Soundness of the Financial Sector

14. Tight liquidity conditions and payment delays by the authorities spilled over to the financial sector (Table 8). Staff discussed with the authorities and representatives of commercial banks the causes of the reversal from excess to tight liquidity conditions. This originated mainly from (i) the decline in donor financial assistance since 2010; (ii) the worsening of the trade balance stemming mainly from the deterioration of terms of trade; (iii) delays in the payment of government suppliers; and (iv) the financing needs of the coffee sector.[9] In particular payment delays to government suppliers led to roll-overs of loans which effectively understated the deterioration in macroprudential indicators. As a result, liquidity and profitability ratios have significantly worsened in recent months warranting the need for heightened surveillance of the banking system. Moreover, the commencement of operations by two new large regional banks might strain the financial soundness of smaller banks.

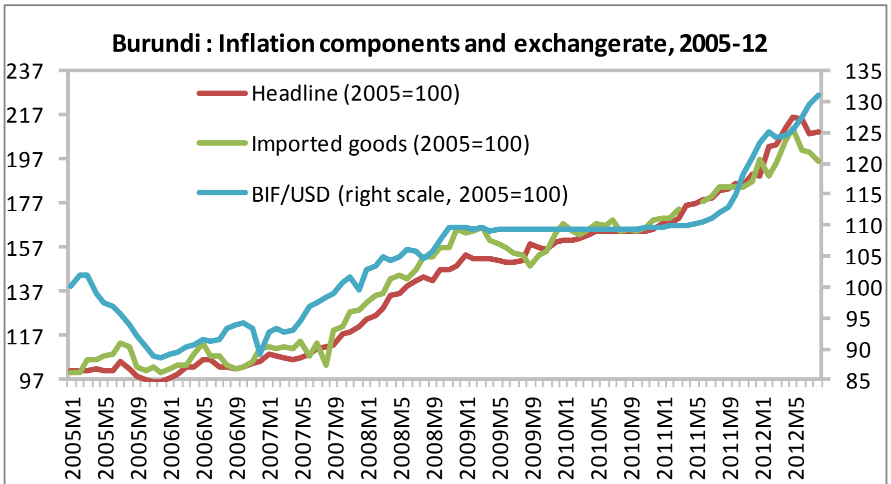
15. The central bank stands ready to take appropriate measures to safeguard the soundness of the financial system (MEFP ¶30). Based on recommendations from recent IMF TA missions, measures included (i) more frequent reports to the central bank on rolled-over loans and justification of the non-classification to non-performing loans (NPLs); (ii) the harmonization of the definition of NPLs in line with international standards; (iii) calculation of liquidity ratios based on local currency deposits (currently the ratio includes foreign deposits); and (iv) a change in the legal framework to allow the central bank to swiftly intervene in troubled banks to prevent and to contain emerging crises.

[9] The delayed payments to government suppliers do not exceed the 60 days as defined in the TMU.

Box 1. Burundi: Inflation From Global to Local Shocks[10]

Burundi's geographic features are important factors that explain the country's inflation patterns. Being a small and landlocked country with poor transport infrastructure and access to markets, increases Burundi's costs of doing business. Households spend about 50 percent of their income on food products, half of which are imported.

Burundi's inflation is persistent and prone to shocks stemming from global food and fuel prices. Imported inflation tends to lead headline inflation. Its components, international food and fuel prices tend to pass-through to domestic inflation with rates of 77 and 48 percent, respectively with lags of between three to six months. Similarly, the pass-through of the exchange rate to headline inflation is strong at about 56 percent.[11] Finally, changes in headline inflation feed through to core inflation relatively quickly. However, core inflation reverts more slowly to headline inflation implying that shocks to headline inflation (e.g. those caused by commodity price spikes) would feed into inflation expectations and price setting (Figure 1).[12] These findings suggest Burundi is prone to sustained inflationary effects stemming from commodity price shocks. In light of the persistence of inflation, these results suggest the need for the central bank to act in a timely manner and to maintain a tight monetary stance in the face of commodity shocks in order to contain inflation expectations.



Source : Burundi authorities and IMF staff estimates

[10] This box was prepared by François Boutin-Dufresne and Rodrigo Garcia-Verdu.

[11] This compares to an average long term pass through of 40 percent for SSA countries. See Razafimahefa (2012), *"Exchange Rate Pass-Through in Sub-Saharan African Economies and its Determinants,"* IMF Working Paper WP/12/14, AFR.

[12] Gelos, Gaston and Yulia Ustyugova, *Inflation Responses to Commodity Price Shocks–How and Why Do Countries Differ?*, IMF Working Paper, WP/12/225.

F. Other Macro-Critical Reforms

16. The privatization in the coffee sector is advancing (MEFP ¶17). Foreign Direct Investment by international firms has generated employment along the value chain in washing, sorting, and drying of coffee beans. Certification of growers by these firms is expected to have a demonstration effect through higher price premia and facilitate the rebranding of Burundi's coffee. The third round of privatization is underway but in the near-term, production is likely to decline owing to aging of existing trees and costliness of their replacement. Unreliable and inadequate electricity supply, however remains an obstacle for the efficient operation of coffee processing plants, even if production were to increase substantially.

17. Measures are being taken to remove bottlenecks to growth (MEFP ¶18, ¶19, and ¶34). In the 2013 Doing Business rankings, Burundi was listed among the top ten reformers having undertaken reforms that facilitated starting a business, ease in obtaining construction permits, registering a property and trade across borders. Notwithstanding this progress, the authorities recognized the need to redouble efforts to improve governance and safeguarding creditor rights. The ongoing construction of a hydroelectric plant (20 mega watts) although insufficient, will help to address the energy shortage before regional hydroelectric plants come on line.[13]

PROGRAM ISSUES

18. The end-March and end-September 2013 quantitative performance criteria are proposed for net foreign assets and net domestic assets of the central bank and net domestic financing of the government, with adjusters to deal with aid volatility. Continuous performance criteria include zero ceilings for (i) new nonconcessional external debt contracted or guaranteed by the government or the BRB; (ii) short-term external debt of the government; and (iii) accumulation of external payment arrears of the government. The end-June and end-December indicative targets are proposed for domestic arrears accumulation, reserve money, and pro-poor spending (MEFP, Table I.2).

19. The fourth special audit of government disbursements and transfers processed by the central bank completed in March 2012 concluded that the recommendations of the previous special audits had generally been implemented, but stressed the need for further enhancements. These will be discussed in the context of the third review under the ECF.

20. Burundi's capacity to repay the Fund is adequate. Obligations to the Fund based on existing and prospective credit, measured in relation to official reserves or exports of goods and services, do not show solvency or liquidity risks (Table 6).

[13] Only about 2–5 percent of the population has access to electricity.

21. The program is subject to several risks. In addition to those mentioned in ¶5, there are risks of fiscal slippage in the run-up to the 2015 presidential elections. Governance slippages or the failure to make measurable progress in PFM reforms could disrupt donor support. Reintegrating repatriated refugees is likely to add to unemployment and could increase social conflict over access to land.

STAFF APPRAISAL

22. Performance under the ECF has been satisfactory under difficult circumstances. Despite a declining trend in donor support, and the deterioration of terms of trade, the authorities undertook corrective measures to keep the program on track.

23. Sustaining revenue mobilization remains a top priority. In the context of declining aid inflows, revenue collection should be stepped up to permit greater financing of public investments critical to growth. The recent adoption of several laws augurs well for strengthening the legal framework and widening the tax base. Nevertheless, greater efforts are needed to control discretionary exemptions and for establishing a sustainable policy on pricing petroleum products.

24. Public financial management needs to be bolstered significantly. Weaknesses in expenditure control, budget prepration and execution, and treasury cash flow management continue to constrain the effectiveness of economic policies. The recent adoption of the 2012‑14 PFM strategy is welcome. Decisive implementation is now needed. In particular, better management of treasury cash flow and expenditure commitments will be critical in preventing payment delays to suppliers and mitigating negative spillovers to the banking system.

25. Burundi remains at high risk of debt distress, underscoring the importance of reinforcing debt management. Staff urges the authorities to adopt an overarching debt management strategy expeditiously, including by adopting a legal framework governing the contracting of debt. Better coordination is needed to avoid instances such as the recent preliminary agreement on a PPP in the energy sector which had to be canceled once it became clear that it posed unacceptable fiscal risks. The development of a solid legal framework for PPPs should be a priority.

26. Monetary policy should remain tight until inflation falls to single digits. Inflation has declined, but remains in double digits and well above levels in neighboring countries. The current stance of monetary policy will help to anchor inflation expectations and help contain second round effects. The recent deterioration in macroprudential indicators reflects rising stresses in the financial sector, partly related to tight liquidity conditions and government payments delays. Staff urges the authorities to reinforce prudential oversight, including by strengthening the central bank's capacity for crisis prevention and management.

27. Staff recommends completion of the second review under the ECF arrangement and supports the setting of the quantitative targets from end-March through end-December 2013 and structural benchmarks for 2013.

Table 1. Burundi: Selected Economic and Financial Indicators, 2010–16

	2010	2011	2012		2013	2014	2015	2016
		Prel.	Prog.[1]	Proj.	Proj.			
			(Annual percentage change)					
National income and prices								
Real GDP growth	3.8	4.2	4.2	4.0	4.5	5.1	5.5	5.5
GDP deflator	12.3	14.3	15.2	15.4	11.1	7.8	6.0	5.5
Consumer prices (period average)	6.4	9.7	19.6	17.9	9.5	5.9	5.2	5.3
Consumer prices (end of period)	4.1	14.9	14.7	11.8	9.0	5.9	5.7	5.5
External sector								
Exports, f.o.b. (US$)	48.0	22.5	3.1	4.7	-17.9	9.2	7.6	0.1
Imports, f.o.b. (US$)	119.0	7.9	-2.9	7.3	-8.2	4.7	4.8	7.5
Terms of trade (deterioration = –)	51.7	-9.0	-17.9	-17.9	-10.4	3.8	1.3	-6.2
			(Change in percent of beginning of period M2, unless otherwise indicated)					
Money and credit								
Net foreign assets	-5.4	-12.1	-0.6	-6.5	8.6			
Domestic credit	25.1	30.7	28.6	12.3	10.0			
Government	7.4	8.0	5.4	4.9	2.8			
Private sector	17.0	24.1	23.3	6.9	8.2			
Money and quasi-money (M2)	19.4	6.1	18.4	7.3	16.0			
Reserve money (12–month growth rate)	5.7	0.6	28.1	26.5	17.9			
			(Percent of GDP)					
General government								
Revenue and grants	37.3	36.1	30.8	33.0	29.5	26.9	26.5	26.5
Tax and nontax revenue	14.6	15.4	15.1	14.8	14.9	15.0	15.3	15.5
Total expenditure	41.0	40.0	33.6	34.6	31.2	30.2	29.4	29.4
Net lending (+) / borrowing (-)	-3.6	-4.0	-2.7	-1.7	-1.7	-3.3	-2.9	-2.9
External sector								
Current account balance	-12.3	-14.8	-11.6	-16.3	-16.0	-15.7	-15.2	-14.8
Overall balance of payments	0.7	-1.6	-0.3	-1.1	1.4	-0.2	-0.2	-0.1
Savings-investment balance	-12.3	-14.8	-11.6	-16.3	-16.0	-15.7	-15.2	-14.8
Private	-8.6	-10.8	-8.8	-14.7	-14.3	-12.4	-12.2	-11.9
Public	-3.6	-4.0	-2.7	-1.7	-1.7	-3.3	-2.9	-2.9
External sector								
Gross official reserves (US$ million)	332	296	288	269	307	343	375	416
Months of imports	4.1	3.4	3.8	3.3	3.6	3.9	4.1	4.4
Memorandum item:								
Nominal Exchange rate (BIF/USD)	1231	1261	…	…	…	…	…	…
GDP at current market prices (BIF billion)	2495	2971	3566	3566	4138	4690	5242	5833
Nominal GDP per Capita (US Dollars)	242	255	289	270	293	319	344	369

Sources: Burundi authorities; IMF staff estimates and projections.

[1] IMF Country Report 12/226.

Table 2a. Burundi: Central Government Operations, 2010–16

	2010	2011		2012		2013	2014	2015	2016
		Prog.	Prel.	Prog.	Proj.		Proj.		
	(BIF billion)								
Revenue and grants	930.6	1,111.9	1,072.0	1,100.0	1,175.7	1,220.2	1,259.8	1,387.0	1,544.8
Tax revenue	341.7	422.4	424.1	501.2	492.0	573.0	659.1	752.6	846.3
Taxes on income, profits, and capital gains	108.7	137.9	131.0	170.5	156.2	182.0	209.4	239.1	268.8
Taxes on goods & services	193.7	243.1	248.6	279.2	285.9	336.4	387.0	441.9	496.9
Taxes on international trade & transactions	39.3	41.4	44.5	51.5	49.9	54.6	62.8	71.7	80.6
Nontax revenue [1]	21.6	33.2	32.9	37.4	35.5	42.0	45.2	50.3	55.8
Grants	567.3	656.3	615.0	561.5	648.2	605.3	555.5	584.1	642.7
Program support	124.7	159.8	115.0	111.3	114.0	93.1	58.2	66.2	67.4
Project support	182.4	323.6	325.9	283.7	321.4	310.0	307.5	342.2	380.1
Other grants and transfers [2]	260.2	173.0	174.1	166.5	212.8	202.2	189.8	175.8	195.2
Total expenditure	1,021.5	1,185.4	1,189.5	1,197.6	1,235.0	1,291.8	1,416.2	1,540.5	1,716.7
Expense	722.6	729.9	726.3	743.8	792.3	830.3	913.0	973.4	1,083.2
Compensation of employees	214.9	256.6	258.2	288.3	283.8	300.8	352.0	387.6	424.5
Regularization of compensation arrears [3]	18.8	22.0	22.0	6.0	6.0	0.0	0.0	0.0	0.0
Purchases/use of goods & services	100.3	98.5	97.9	98.9	99.0	108.9	123.4	140.4	159.2
Subsidies and Social benefits	101.4	145.6	140.0	162.6	159.3	190.2	215.6	241.0	265.6
Interest	14.9	25.7	25.5	34.6	33.1	43.6	23.7	28.6	38.7
of which: Domestic	13.4	22.8	22.0	29.4	29.4	37.9	18.6	22.8	32.2
Other expense	272.3	181.6	182.6	153.4	211.0	186.7	198.3	175.8	195.2
of which: Domestically financed	41.1	8.6	8.6	12.9	12.2	14.1	8.5	0.0	0.0
Net acquisition of nonfinancial assets	298.9	455.5	463.2	453.8	442.8	461.5	503.1	567.2	633.5
of which: Domestically financed	50.6	97.0	104.7	107.7	99.6	109.7	138.6	167.4	195.3
Net lending (+) / borrowing (-)	-91.0	-73.5	-117.4	-97.6	-59.3	-71.5	-156.3	-153.5	-171.9
Errors and omissions	8.9	0.0	17.4	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets [4]	15.1	-14.4	-11.4	-42.6	-16.5	-8.6	-2.0	-1.0	-1.0
Deposits	15.1	-13.4	-10.4	-28.4	-4.6	-1.0	0.0	0.0	0.0
Policy lending	0.0	0.0	0.0	-1.0	-1.0	-1.0	-1.0	0.0	0.0
Shares and other equity	0.0	-1.0	-1.0	-13.2	-10.9	-6.6	-1.0	-1.0	-1.0
Net incurrence of liabilities	97.2	59.1	88.7	55.0	42.9	62.9	85.2	89.2	95.0
Domestic	55.7	28.4	60.3	6.3	26.8	36.6	42.6	47.6	53.0
Foreign	41.5	30.7	28.4	48.8	16.0	26.4	42.6	41.6	42.1
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	69.1	63.3	75.8
Revenue and grants	930.6	1,111.9	1,072.0	1,100.0	1,175.7	1,220.2	1,259.8	1,387.0	1,544.8
Total expenditure	1,021.5	1,185.4	1,189.5	1,197.6	1,235.0	1,291.8	1,416.2	1,540.5	1,716.7
of which: Compensation of employees	214.9	256.6	258.2	288.3	283.8	300.8	352.0	387.6	424.5
Memorandum items:									
Net domestic financing	40.6	41.8	70.7	34.6	34.6	37.6	42.6	47.6	53.0
Public debt[5]	39.7	35.9	39.7	35.6	35.2	31.3	29.6	28.2	26.6
of which: domestic debt	17.2	13.9	16.1	11.6	13.8	12.2	11.5	11.3	11.1
GDP at current market prices (BIF billion)	2,495	2,933	2,971	3,566	3,566	4,138	4,690	5,242	5,833

Sources: Burundi authorities; IMF staff estimates and projections.

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

[2] Includes reimbursement for the Africa Mission to Somalia (AMISOM Fund).

[3] Compensation due to the repayment of wage arrears and arrears in payments to ONATEL.

[4] A negative sign denotes a reduction of financial assets.

[5] As percent of GDP.

Table 2b. Burundi: Central Government Operations, 2010–16

	2010	2011		2012		2013	2014	2015	2016
		Prog.	Prel.	Prog.	Proj.		Proj.		
	(Percent of GDP, unless otherwise indicated)								
Revenue and grants	37.3	37.9	36.1	30.8	33.0	29.5	26.9	26.5	26.5
Tax revenue	13.7	14.4	14.3	14.1	13.8	13.8	14.1	14.4	14.5
Taxes on income, profits, and capital gains	4.4	4.7	4.4	4.8	4.4	4.4	4.5	4.6	4.6
Taxes on goods & services	7.8	8.3	8.4	7.8	8.0	8.1	8.3	8.4	8.5
Taxes on international trade & transactions	1.6	1.4	1.5	1.4	1.4	1.3	1.3	1.4	1.4
Nontax revenue [1]	0.9	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0
Grants	22.7	22.4	20.7	15.7	18.2	14.6	11.8	11.1	11.0
Program support	5.0	5.4	3.9	3.1	3.2	2.2	1.2	1.3	1.2
Project support	7.3	11.0	11.0	8.0	9.0	7.5	6.6	6.5	6.5
Other grants and transfers [2]	10.4	5.9	5.9	4.7	6.0	4.9	4.0	3.4	3.3
Total expenditure	41.0	40.4	40.0	33.6	34.6	31.2	30.2	29.4	29.4
Expense	29.0	24.9	24.4	20.9	22.2	20.1	19.5	18.6	18.6
Compensation of employees	8.6	8.7	8.7	8.1	8.0	7.3	7.5	7.4	7.3
Regularization of compensation arrears [3]	0.8	0.8	0.7	0.2	0.2	0.0	0.0	0.0	0.0
Purchases/use of goods & services	4.0	3.4	3.3	2.8	2.8	2.6	2.6	2.7	2.7
Subsidies and Social benefits	4.1	5.0	4.7	4.6	4.5	4.6	4.6	4.6	4.6
Interest	0.6	0.9	0.9	1.0	0.9	1.1	0.5	0.5	0.7
of which: Domestic	0.5	0.8	0.7	0.8	0.8	0.9	0.4	0.4	0.6
Other expense	10.9	6.2	6.1	4.3	5.9	4.5	4.2	3.4	3.3
of which: Domestically financed	1.6	0.3	0.3	0.4	0.3	0.3	0.2	0.0	0.0
Net acquisition of nonfinancial assets	12.0	15.5	15.6	12.7	12.4	11.2	10.7	10.8	10.9
of which: Domestically financed	2.0	3.3	3.5	3.0	2.8	2.7	3.0	3.2	3.3
Net lending (+) / borrowing (-)	-3.6	-2.5	-4.0	-2.7	-1.7	-1.7	-3.3	-2.9	-2.9
Errors and ommisions	0.4	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets [4]	0.6	-0.5	-0.4	-1.2	-0.5	-0.2	0.0	0.0	0.0
Deposits	0.6	-0.5	-0.4	-0.8	-0.1	0.0	0.0	0.0	0.0
Policy lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	-0.4	-0.3	-0.2	0.0	0.0	0.0
Net incurrence of liabilities	3.9	2.0	3.0	1.5	1.2	1.5	1.8	1.7	1.6
Domestic	2.2	1.0	2.0	0.2	0.8	0.9	0.9	0.9	0.9
Foreign	1.7	1.0	1.0	1.4	0.4	0.6	0.9	0.8	0.7
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.2	1.3
Memorandum items:									
Net domestic financing	1.6	1.4	2.4	1.0	1.0	0.9	0.9	0.9	0.9
Propoor expenditure	13.0	12.6	12.5	11.2	11.2	11.5	11.9	12.4	12.8
GDP at current market prices (BIF billion)	2,495	2,933	2,971	3,566	3,566	4,138	4,690	5,242	5,833

Sources: Burundi authorities; IMF staff estimates and projections.

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

[2] Includes reimbursement for the Africa Mission to Somalia (AMISOM Fund).

[3] Compensation due to the repayment of wage arrears and arrears in payments to ONATEL.

[4] A negative sign denotes a reduction of financial assets.

Table 3. Burundi: Monetary Survey, 2010–13

	2010	2011		2012		2013
		Prog.[1]	Prel.	Prog.[1]	Proj.	Proj.
	(BIF billion)					
Net foreign assets	139.9	123.7	63.3	59.3	19.5	81.2
Central bank	104.3	80.0	26.2	14.1	14.1	65.9
Deposit money banks	35.7	43.7	37.1	45.1	5.4	15.4
Net domestic assets	644.9	790.5	771.1	971.2	879.9	962.5
Domestic credit	692.4	827.3	887.2	1079.7	969.6	1042.0
Net claims on the government	291.9	316.5	342.4	378.4	375.2	395.4
Of which: on the treasury	303.1	327.8	355.9	390.6	387.3	407.5
Credit to the economy	400.5	510.8	544.8	701.3	594.4	646.6
Other items, net (assets = +)	-47.5	-36.7	-116.1	-108.5	-89.7	-79.5
M3	784.8	914.2	834.4	1030.5	899.4	1043.7
Foreign currency deposits	151.4	180.5	162.2	234.5	178.2	206.8
M2	633.5	733.7	672.1	796.0	721.2	837.0
Currency in circulation	139.1	162.0	153.2	189.2	177.0	234.3
Local currency deposits	494.4	571.7	518.9	606.8	544.2	602.7
Demand deposits	341.3	392.2	331.8	393.4	353.8	381.6
Quasi-money	153.1	179.4	187.1	213.4	190.5	221.0
	Change as a percentage of beginning period M2					
Net foreign assets	-5.4	-2.6	-12.1	-0.6	-6.5	8.6
Central bank	-2.7	-3.8	-12.3	-1.8	-1.8	7.2
Deposit money banks	-2.7	1.3	0.2	1.2	-4.7	1.4
Net domestic assets	27.2	23.0	19.9	29.8	16.2	11.5
Domestic credit	25.1	21.3	30.7	28.6	12.3	10.0
Net claims on the government	7.4	3.9	8.0	5.4	4.9	2.8
Credit to the economy	17.7	17.4	22.8	23.3	7.4	7.2
Of which: private sector	17.0	17.4	24.1	23.3	6.9	8.2
M3	21.8	20.4	7.8	29.2	9.7	20.0
Foreign currency deposits	2.5	4.6	1.7	10.7	2.4	4.0
M2	19.4	15.8	6.1	18.4	7.3	16.0
Currency in circulation	3.4	3.6	2.2	5.4	3.5	7.9
Local currency deposits	15.9	12.2	3.9	13.1	3.8	8.1
Demand deposits	10.9	8.0	-1.5	9.2	3.3	3.9
Quasi-money	5.0	4.2	5.4	3.9	0.5	4.2
Memorandum items:						
Reserve money (12–month percent change)	5.7	13.5	0.6	28.1	26.5	17.9
Velocity (GDP/M2; end of period)	3.9	4.0	4.4	4.5	4.9	4.9

Sources: Burundi authorities; IMF staff estimates and projections.

[1] IMF Country Report 12/126.

Table 4. Burundi: Central Bank Accounts, 2011–13

	2011	2012				2013			
	Dec.	Mar.	June	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
				Prel.	Proj.		Proj.		
	(BIF billion)								
Net foreign assets	26.2	16.9	5.5	28.1	14.1	36.3	48.1	33.7	65.9
Assets	411.5	418.0	401.2	431.6	414.1	450.9	462.8	462.8	491.6
Liabilities	385.4	401.1	395.8	403.5	400.0	414.6	414.7	429.2	425.7
Net domestic assets	185.1	176.5	219.4	191.6	231.7	248.4	261.5	277.6	223.9
Domestic credit	299.3	254.0	332.7	242.1	340.4	357.1	370.2	385.0	322.1
Net claims on the government	266.5	213.7	228.6	233.1	293.5	302.6	315.7	332.8	284.4
Other credit	32.8	40.3	104.0	9.0	46.9	54.5	54.5	52.2	37.8
Other items, net (assets = +)	-114.2	-77.4	-113.3	-50.5	-108.7	-108.7	-108.7	-107.4	-98.2
Reserve money	211.2	193.4	224.8	219.8	245.9	284.7	309.6	311.2	289.8
Currency in circulation	153.2	147.4	170.5	162.9	177.0	223.5	243.0	244.3	234.3
Bank reserves	34.9	22.9	27.8	0.0	37.6	24.2	25.4	26.2	26.4
Cash in vault	16.9	18.1	20.7	54.4	19.1	18.4	19.1	19.4	16.9
Other nonbank deposits	6.2	5.0	5.9	2.6	12.2	18.7	22.1	21.4	12.2
Memorandum items:									
Net foreign assets of BRB (US$ million)	19.2	12.1	3.8	19.0	10.1	23.1	30.6	21.4	41.9

Sources: Burundi authorities; IMF staff estimates and projections.

Table 5. Burundi: Balance of Payments, 2010–16

	2010	2011	2012		2013	2014	2015	2016
	Est.	Prel.	Prog.	Proj.	Proj.			
	(US$ million)							
Current account	-248.0	-323.0	-294.2	-386.9	-422.0	-461.8	-491.6	-528.6
(excluding official transfers)	-599.4	-603.6	-497.0	-652.6	-626.3	-643.2	-665.8	-694.9
Trade balance	-614.1	-647.7	-547.5	-697.9	-653.6	-679.3	-708.3	-771.0
Exports, f.o.b.	101.2	124.0	127.8	129.8	106.5	116.4	125.2	125.4
Of which: coffee	69.7	75.6	77.6	77.7	52.6	59.8	65.0	60.6
Imports, f.o.b.	-715.3	-771.7	-675.4	-827.7	-760.2	-795.6	-833.5	-896.4
Of which: petroleum products	-98.4	-164.0	-167.2	-172.2	-175.9	-177.4	-179.9	-184.1
Services (net)	-88.0	-99.3	-101.1	-103.4	-122.3	-119.4	-122.7	-99.7
Income (net)	-11.8	-19.1	-13.4	-16.3	-18.3	-15.6	-12.9	-9.8
Current transfers (net)	466.0	443.1	367.8	430.7	372.2	352.4	352.3	351.8
Of which: official (net)	351.4	280.6	202.7	265.6	204.3	181.4	174.2	166.3
Capital account[1]	148.2	258.4	201.3	223.1	194.2	189.6	209.1	331.8
Financial account	139.1	150.4	85.7	137.1	265.0	266.2	275.2	191.6
Direct investment	0.8	3.4	31.6	2.6	68.0	71.4	75.0	78.7
Other investment	138.3	147.1	54.1	134.4	197.0	194.8	200.2	112.9
Assets	-43.6	-46.8	-36.2	-21.6	-35.5	-35.4	-35.5	-34.4
Liabilities	181.9	193.9	90.2	156.1	232.5	230.1	235.7	147.3
Errors and omissions	-25.8	-121.2	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	13.5	-35.3	-7.3	-26.8	37.2	-6.1	-7.4	-5.2
Financing (increase in assets = –)	-13.5	35.3	7.3	26.8	-37.2	-36.5	-31.3	-40.6
Of which: change in official reserves	-9.2	36.7	7.1	26.2	-37.5	-36.6	-31.4	-40.7
Fund Purchases and loans	20.3	20.4	15.2	15.4	15.4	15.3	7.6	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	42.6	38.7	45.9
	(Percent of GDP, unless otherwise indicated)							
Memorandum items:								
Current account	-12.3	-14.8	-11.6	-16.3	-16.0	-15.7	-15.2	-14.8
Gross official reserves								
US$ million	332	296	288	269	307	343	374.8	415.5
Months of imports	4.1	3.4	3.8	3.3	3.6	3.9	4.1	4.4
PV of external debt (percent of exports of GS)	198	196	162	187	226	220	212	209
Total external debt (percent of GDP)	22	24	22	21	19	18	17	16
Coffee price (US cents per lb)	194	273	187	188	159	172	178	158
Oil (US$/barrel)	79	104	102	105	103	99	95	92
Nominal GDP (US$ million)	2,024	2,182	2,540	2,372	2,632	2,938	3,240	3,562

Sources: Burundi authorities; IMF staff estimates and projections.

[1] Based on preliminary information provided by donors.

Table 6. Burundi: Indicators of Capacity to Repay the Fund, 2013–25

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
							Projections						
Fund obligations based on existing credit													
(SDR million)													
Principal	6.7	10.6	12.5	13.0	12.0	12.0	9.3	6.6	4.0	1.4	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit													
(SDR million)													
Principal	6.7	10.6	12.5	13.0	12.0	12.5	11.8	11.1	9.0	6.4	4.5	2.5	0.5
Charges and interest	0.0	0.0	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit													
SDR million	6.7	10.6	12.7	13.2	12.2	12.6	11.9	11.2	9.0	6.4	4.5	2.5	0.5
Percent of exports of goods and services	5.3	7.6	8.5	8.7	7.2	6.7	5.6	4.7	3.3	2.1	1.3	0.6	0.1
Percent of debt service[1]	43.9	56.3	59.1	59.2	58.1	55.5	51.9	48.3	39.9	30.2	22.6	13.4	2.6
Percent of gross official reserves	3.4	4.7	5.2	4.8	3.9	3.6	2.9	2.6	1.9	1.0	0.7	0.3	0.1
Percent of GDP	0.4	0.6	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.1	--	--
Percent of quota	8.7	13.7	16.5	17.1	15.8	16.4	15.4	14.5	11.7	8.3	5.9	3.2	0.6
Outstanding Fund credit													
SDR million	91.2	90.7	83.2	70.2	58.2	45.7	34.0	22.9	13.9	7.5	3.0	0.5	0.0
Percent of exports of goods and services	72.0	65.5	55.7	46.1	34.7	24.2	16.0	9.5	5.1	2.4	0.9	0.1	--
Percent of debt service[1]	594.6	483.7	386.4	315.3	278.5	201.6	148.7	98.8	61.3	35.1	15.0	2.6	-0.1
Percent of gross official reserves	45.7	40.5	33.9	25.8	18.9	13.1	8.3	5.2	3.0	1.2	0.4	0.1	--
Percent of GDP	5.3	4.7	3.9	3.0	2.2	1.5	1.0	0.6	0.3	0.1	0.1	--	--
Percent of quota	118.5	117.7	108.0	91.2	75.6	59.4	44.1	29.7	18.0	9.7	3.9	0.6	--
Net use of Fund credit (SDR million)	3.3	-0.6	-7.5	-13.0	-12.0	-12.5	-11.8	-11.1	-9.0	-6.4	-4.5	-2.5	-0.5
Disbursements	10.0	10.0	5.0	--	--	--	--	--	--	--	--	--	--
Repayments and repurchases	6.7	10.6	12.5	13.0	12.0	12.5	11.8	11.1	9.0	6.4	4.5	2.5	0.5
Memorandum items:													
Exports of goods and services (US$ million)	194.7	212.1	228.3	232.2	255.6	287.3	323.6	365.4	412.5	465.8	523.1	586.1	655.3
Debt service (US$ million)	23.6	28.7	32.9	34.0	31.8	34.5	34.8	35.3	34.5	32.4	30.4	28.5	29.2
Gross official reserves (US$ million)	307	343	375	416	469	533	625	665	707	940	1033	1135	1248
Nominal GDP ((US$ million)	2,632.1	2,938.2	3,239.9	3,562.5	4,037.1	4,602.9	5,254.9	6,015.9	6,869.9	7,828.0	8,888.0	10,071.0	11,361.4
Quota (SDR, million)	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0

Sources: IMF staff estimates and projections.

[1] Total debt service includes IMF repurchases and repayments.

Table 7. Burundi: Tentative Schedule of ECF Disbursements and Reviews, 2012–15

Date	Disbursement (SDR million)	Percent of quota	Conditions
January 27, 2012	1.00	1.3	Executive Board approval.
July 15, 2012	4.00	5.2	Completion of first review, based on observance of performance criteria at end-March 2012.
January 15, 2013	5.00	6.5	Completion of second review, based on observance of performance criteria at end-September 2012.
July 15, 2013	5.00	6.5	Completion of third review, based on observance of performance criteria at end-March 2013.
January 15, 2014	5.00	6.5	Completion of fourth review, based on observance of performance criteria at end-September 2013.
July 15, 2014	5.00	6.5	Completion of fifth review, based on observance of performance criteria at end-March 2014.
January 15, 2015	5.00	6.5	Completion of sixth review, based on observance of performance criteria at end-September 2014.
Total for the ECF arrangement	30.00	39.0	

Source: IMF staff estimates.

Table 8. Burundi: Banking Systems Soundness Indicators, 2009–2012

(percent, unless otherwise indicated)

	2009 Dec.	2010 Dec	2011 Mar	2011 Jun	2011 Sept	2011 Dec	2012 Mar	2012 Jun	2012 Sep
Capital Requirement									
Capital requirement over weighted assets (solvency ratio)	19.1	19.7	21.7	20.7	20.0	19.8	19.8	18.9	19.7
Core capital (Tier 1 capital) over weighted assets	15.5	16.9	18.9	18.1	17.6	17.3	17.3	16.6	17.5
Quality of assets									
Nonperforming loans (percent of total gross loans granted	13.0	10.0	8.8	7.6	7.3	7.7	8.1	7.3	8.0
Provisions (percent of nonperforming loans)	88.7	87.6	90.5	90.6	81.9	83.3	76.7	83.1	78.0
Nonperforming loans net of provisions (percent of capital)	5.4	4.3	2.8	2.6	5.0	4.9	7.1	5.0	6.7
Large exposures (percent of capital)	28.2	28.6	25.8	27.3	21.7	23.5	20.8	23.4	20.8
Profitability rates									
Return on assets	2.6	2.5	1.0	1.9	2.9	3.2	0.7	1.1	1.5
Return on equity capital	22.8	21.8	6.7	13.2	20.3	23.0	4.6	8.0	10.2
Net interest (percent of gross results)	207.0	191.3	168.3	164.8	165.7	175.6	176.9	184.9	192.7
Costs excluding interest (percent of gross outturn)	172.3	143.4	101.4	100.0	121.4	114.0	128.6	112.1	153.7
Liquidity									
Liquid assets (percent of all loans granted)	91.4	90.5	77.7	55.8	49.5	59.5	56.0	45.8	26.7
Liquid assets (percent of short-term commitments)	168.8	153.5	133.0	91.2	79.4	93.1	88.6	70.8	74.2

Sources: Burundi authorities.

LETTER OF INTENT

Bujumbura, January 28 , 2013

Ms. Christine Lagarde

Managing Director

International Monetary Fund

Washington, D.C., 20431

Dear Ms. Lagarde:

On January 27, 2012, the Executive Board of the International Monetary Fund (IMF) approved a new three-year arrangement under the Extended Credit Facility (ECF) in favor of the Republic of Burundi. This arrangement is intended to support our medium-term program and to strengthen macroeconomic stability, expedite growth, and reduce poverty. Under this arrangement, the government of Burundi and an IMF mission recently assessed implementation of the program as part of the second review of the arrangement. This review focused on program implementation from April 1, 2012 to September 30, 2012, as well as on the outlook and the economic and financial measures to be implemented in 2013.

In 2012, Burundi continued to endure the effects of external shocks related to rising food and oil prices and the slowing global economy. These shocks led to higher living costs, declining budgetary assistance, terms of trade deterioration, and sluggish domestic demand, which adversely affected our macroeconomic policy.

These shocks notwithstanding, program implementation at end-September 2012 was satisfactory overall. All performance criteria and indicative targets were observed, with the exception of the indicative target on pro-poor expenditure, owing to spending cuts and the delay in the disbursement of budgetary assistance. Nevertheless, the government intends to press ahead with the program in pursuit of the objectives of fiscal and debt sustainability and the country's economic recovery in the medium term. In particular, the government intends to conduct prudent fiscal and monetary policies in the short term in an effort to curb inflationary pressures and maintain a sustainable debt position, while safeguarding pro-poor expenditure.

In light of the appreciable progress in implementing the program supported by the ECF arrangement, the government is requesting completion of the second review as well as the third disbursement of SDR 5 million under the ECF arrangement.

The government is convinced that the policies defined in this MEFP are sufficient for attainment of the program objectives and are consistent with the orientations of the second-generation Poverty Reduction and Growth Strategy Paper (PRSP-II). It also stands ready to adopt any additional measures that may be required for this purpose. The government will consult with the IMF in advance of the adoption of such measures and/or of revisions to the policies contained in the MEFP, in accordance with the IMF's policies on such consultations.

The government will provide the IMF with such information as it may request to ensure implementation of the program. That information as well as arrangements for monitoring implementation of the program and the performance criteria, quantitative targets, and structural benchmarks are detailed in the Technical Memorandum of Understanding, which is also attached to this letter. We expect the third review based on the end-March 2013 performance criteria to be completed by July 31, 2013 and the fourth review based on the end-September performance criteria to be completed by January 31, 2014.

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

Sincerely yours,

Tabu Abdallah MANIRAKIZA	Jean CIZA
Minister of Finance and	Governor, Bank of the Republic of Burundi
Economic Development Planning	

Gervais RUFYIKIRI

Attachments: Memorandum of Economic and Financial Policies (MEFP)

Technical Memorandum of Understanding (TMU)

ATTACHMENT I. AMENDEMENTS TO THE MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

I. INTRODUCTION

1. Burundi's economic and financial program, supported by the International Monetary Fund (IMF) under the Extended Credit Facility (ECF), aims to consolidate economic and political gains, promote inclusive economic growth, contain inflation, and strengthen policies designed to combat endemic poverty in rural and urban areas. This Memorandum supplements the December 2011 and July 2012 MEFPs. It reports on implementation of the program's quantitative targets and benchmarks through end-September 2012 and defines the economic policies and reforms the government intends to implement in 2013 to achieve the objectives of its economic and financial program. The program measures and objectives are consistent with the Poverty Reduction and Growth Strategy Paper (PRSP-II)

2. Burundi faces the negative effects of commodities price shocks, which complicate the formulation and implementation of macroeconomic policies. The combined effects of these shocks and the country's social fragility threaten to derail the significant progress made thus far. More specifically, because the country's narrow tax base, the terms of trade deterioration and the marked decline in budgetary assistance cannot be wholly offset by the increased mobilization of domestic resources. Consequently, Burundi still needs technical and financial support from the U.N. agencies and from other bilateral partners to complete the transformation of its economy and strengthen its political institutions.

3. The Burundi development partners conference held in Geneva in October 2012 also provided a forum for the government to apprise its partners of the considerable advances Burundi has made, particularly with regard to good governance, peace consolidation, and social services. Despite this progress, the government is aware that much remains to be done in these areas. The authorities have therefore requested political support and additional resources to promote sustainable economic growth, curb unemployment, and reduce endemic poverty.

II. ECONOMIC DEVELOPMENTS AND IMPLEMENTATION OF THE ECONOMIC PROGRAM IN 2012

4. Economic performance was severely affected by external shocks. GDP growth stood at 4.0 percent, in contrast to the initial program forecast of 4.8 percent. This slump in economic activity reflects the cutback in investment spending prompted by the decline in budgetary assistance, terms of trade deterioration, and the tightening of monetary policy to contain inflation, which fell 13 percentage points in December 2012 from a high of 25 percent in March. The exemption of food products also helped slow the prices of goods and services in the household basket.

5. The external current account (including transfers) widened slightly to 16.3 percent of GDP in 2012. The combined effects of terms of trade deterioration and the decline in budgetary assistance are largely to blame for this negative development. Gross official reserves fell to the equivalent of 3.3 months of imports in 2012.

6. Reflecting the decline in budgetary assistance, the terms of trade deterioration, and the increased need for public and private sector imports, the monetary situation at end-September 2012 was characterized by a contraction in net foreign assets of approximately -6.5 percent of the money supply at the start of 2012. The growth of credit to the economy slowed to 15 percent, compared to 40 percent at end-2011. The money supply, however, remained stable. To mitigate the effects of external shocks on domestic production, the country's foreign exchange policy became more flexible. The daily reference exchange rate is now determined by the weighted average of foreign exchange buying and selling rates set the preceding day by the commercial banks. Foreign exchange auctions are held twice weekly and foreign exchange is allocated at the rates offered by the banks. To protect international reserves, the BRB recently reduced the amounts of its interventions. Facing a banking sector liquidity crisis, the central bank received technical assistance from the IMF Money and Capital Markets Department, the conclusions and recommendations of which will enable the monetary authorities to improve the monetary and exchange policy framework.

7. On the fiscal front, domestic resource mobilization improved significantly but is below forecasts, and expenditures were cut to remain within the envelope of available resources. As a result, the overall deficit was in line with projections, despite the decline in budgetary assistance in 2012. At end-December 2012, the overall budget deficit (cash basis, non-HIPC grants included) is estimated at 1.7 percent of GDP. The tax burden eased and now stands at 14.8 percent of GDP, owing to the elimination of oil excises, the exemption of foodstuffs, and the slowing of economic activity. Total expenditure exceeds projections by approximately 1.0 percent point of GDP, due in large measure to the increase in current spending, particularly other externally financed expenditure (Global Fund). Pro-poor spending remains below the fiscal targets owing to the low level of budgetary assistance disbursements.

8. Improvement of the public financial management system led to the identification of extra-budgetary commitments covering the 2003-11 period. The outstanding amount of these commitments, estimated at FBu 90 billion, results from extrabudgetary spending on cartage, goods and services for the army, education, and health. The government will audit these commitments in 2013 in order to develop a payment plan (new structural benchmark). To avoid the accumulation of new arrears, the new Public Financial Management Strategy (PFMS-II) calls for the appointment of expenditure commitment auditors in all ministries by end-June 2013, following reconfiguration of the SIGEFI system to take account of the decentralization of the expenditure chain. The cash flow committee will be strengthened to ensure consistency between commitment plans and available cash (new structural benchmark).

9. The downward trend of the wage bill as a percentage of GDP continued. It was 8.0 percent of GDP in 2012, a decrease of 0.7 percent from 2011. The roll-out of payroll software led to the elimination of ghost workers from the payroll.

10. At end-September 2012, revenue grew more slowly than projected (about 0.6 percent of GDP) despite measures to eliminate the additional deficit created by exemptions to counter the high cost of living. The amount of forgone revenue, estimated at FBu 20 billion, was larger than expected. The taxes on alcoholic beverages, beer, and telephone communications adopted in the context of revising the 2012 Budget Law yielded mixed results, with FBu 22 billion collected instead of the initially projected FBu 27 billion.

11. Program implementation is broadly satisfactory. By end-September 2012, the quantitative performance criteria had been met. All the indicative targets were met, except the target on pro-poor spending. Significant progress was also made in implementing structural measures.

A. Implementation of structural measures

12. In the area of public financial management (PFM), the government adopted a new strategy for 2012-14, developed in collaboration with Burundi's technical and financial partners to consolidate the gains achieved through implementation of the first Public Financial Management Strategy (PFMS-1). Indeed, early assessments indicate substantial progress in many aspects of PFM, particularly the modernization of the legal and institutional framework of PFM and budget programming and preparation. The implementing texts of the decree establishing the general regulation on budget management – such as the decree on fiscal governance and the order concerning the appointment of commitment controllers in three ministries – have been adopted, but implementation of the measure was delayed by the pending reconfiguration of the SIGEFI system to take account of the decentralization of the expenditure chain. The new organizational chart of the Ministry of Finance and Economic Development Planning (MFPDE) has also been adopted. The government is continuing its efforts to make a lasting impact on revenue. In addition to the taxpayer awareness campaign, the government simplified the customs clearance procedures and are creating three one-stop border posts on the borders with Tanzania and Rwanda to facilitate the flow of goods across those borders and promote foreign trade (new structural benchmark).

13. Efforts to improve debt management continue. A World Bank debt management performance assessment (DEMPA) mission was carried out in April and a final assessment report was submitted to the authorities. A second mission visited Bujumbura in August to help the Burundi authorities prepare an action plan for the implementation of debt management reforms based on the results of the DEMPA. The final action plan is expected from the World Bank at end-December 2012. The reorganization of the MFPDE included the establishment of a modern debt management unit.

14. To improve the monetary policy framework, the central bank (BRB) introduced repo operations, the development of which was impeded by the contraction of banking system liquidity observed in 2012. As part of the financial system reform, the BRB continues to implement the project designed to strengthen the financial infrastructure and modernize the payment systems (RTGS and electronic clearing). The contract for the modernization of the computing room was signed with the winning bidder on October 3, 2012. Implementation of the project began on October 4, 2012, with the work scheduled to be completed by end-February 2013. The task of wiring the BRB buildings began on October 1, 2012 and is expected to be completed by end-June 2013. In addition, the bidding documents for the establishment of the clearing and settlement infrastructure and the e-money system were forwarded to the World Bank to obtain its non-objection. However, because the September 2012 competitive bidding procedure for the provision and installation of an automated banking system was unsuccessful, the BRB is waiting for the World Bank's non-objection to reissue the international call for bids. The financial sector development plan was adopted by the government.

15. In the field of banking supervision, business continuity planning was adopted by the banking sector, and the banking supervision department was reorganized to include the function of financial stability assessment. However, preparation of the methodology and of the detailed risk-based supervision manual and the relevant draft circular was delayed. The final migration to IFRS reporting is also behind schedule as it requires banks to incorporate the sectoral chart of accounts into their IT systems and purchase the necessary software. To date, only one bank (ECOBANK) and one financial institution (BNDE) have done so. The revision of the banking law is nearing completion. To ensure consistency in financial sector regulation, it will take into account the legal framework governing mobile banking and microfinance institutions. The draft regulations on the role of

16. e-money, payment services, and commercial agents in Bank operations and payment services are being finalized to expand the legal framework of mobile banking and e-money. They will be published following promulgation of the revised banking law, from which they derive. A draft revision of the decree governing microfinance institutions was reviewed and will be finalized following validation of the draft revised banking law by the Bank's management, to avoid contradictions in the two texts, especially with regard to payment services (including mobile banking). Two new banks from Kenya and Tanzania opened branches in Burundi, thus strengthening financial integration in the EAC (East African Community).

17. In line with the safeguards recommendations, the BRB hired an international audit firm 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 contained in the 2011 report of the audit firm, Deloitte GPO. Although some progress has been made, especially in the area of central bank internal controls, the audit findings continue to indicate ongoing control weaknesses that need to be addressed, including the lack of supporting documents for certain transactions and the partial implementation of the decree establishing the General Regulation on Government Budget Management. The final audit report has been forwarded to the General Council, the Audit Committee, and the Minister of Finance. In keeping with the safeguards recommendations, the central bank will submit quarterly reports on reserve operations to its General Council.

18. In the coffee sector, the government plans to pursue its program of privatizing washing stations, 41 of which were sold to domestic and international private investors in two bidding procedures, while at the same time ensuring the access of coffee growers to reserved shares in keeping with the government's commitment (25 percent of the capital). A new invitation to bid will be issued in 2013 for the remaining 76 washing stations, following an assessment of their value. The government recognizes the preponderant role that the private sector should play in the coffee sector, as part of its strategy to boost production and minimize the cyclical effects of coffee production.

19. With respect to good governance, the policy of zero tolerance toward acts of corruption is beginning to produce results. The 2012 version of the Transparency International report ranks Burundi second among the EAC member countries. This achievement is attributable in particular to the actions of the anti-corruption committees established in all public institutions and, more specifically, to the involvement of the country's highest authorities in the fight against economic malfeasance. Regarding implementation of the Good Governance and Anti-Corruption Strategy, an initial interim assessment is now available and the technical secretariat responsible for executing the relevant action plan is already functioning. To enhance effectiveness in the fight against corruption, the government is currently preparing a draft law revising the legal framework. A workshop to discuss, exchange views, and raise awareness of governance issues was held in mid-December 2012.

20. Government reforms to make the business climate more attractive to private investors continue. Substantial progress has been made in eliminating constraints related to: (i) business start-ups; (ii) the issuance of building permits; (iii) property transfers; and (iv) regional trade, which no longer pose an obstacle to entrepreneurship. Thanks to government efforts to improve the business climate, Burundi is ranked seventh among the most reform-oriented countries in the Doing Business 2013 report, rising 13 places from 172nd to 159th, respectively, in the 2012 and 2013 rankings.

III. ECONOMIC OUTLOOK AND POLICIES FOR 2013

A. Macroeconomic Framework

21. The uncertainties weighing on the global economy represent a major challenge for implementation of the program. The slowing of global economic activity, particularly in Europe, a strategic partner of Burundi, and sociopolitical tensions in the subregion (in the DRC) are downside risks that could affect the level of economic activity, the external accounts, and the public finances of Burundi.

22. Despite these risks, GDP growth is estimated to climb to 4.5 percent, compared to 4.0 percent in 2012. This recovery would be driven essentially by the secondary and tertiary sectors.

Moreover, the start of construction of the hydroelectric dam (Kabu 16) in 2013 and work on the road projects financed by Japanese cooperation and the African Development Bank should support this growth. Agricultural exports, however, are expected to fall off sharply, owing to the cyclical nature of coffee production. Inflation is expected to slow to around 9 percent in 2013. The current account deficit is likely to widen (in nominal terms) as a result of the drop in coffee export receipts and the growth of imports related to petroleum products and investments in the energy sector. Official reserves are projected to increase to 3.6 months of imports, reflecting the cutback in BRB interventions on the foreign exchange market.

B. Fiscal Policies

23. The aim of fiscal policy is to support growth and improve the composition of expenditure, with a view to mitigating the effects of shocks on the most vulnerable segments of the population. Total government revenue and expenditure are estimated at 29.5 percent and 31.2 percent of GDP, respectively, thanks to expenditure controls and improved revenue collection. The overall fiscal balance deficit (cash basis, including grants) should be contained at 1.7 percent of GDP. Thus, pro-poor spending will continue to grow without jeopardizing fiscal consolidation, and the wage bill will be brought under control.

24. Fiscal revenue is expected to total FBu 615 billion, compared to FBu 527.5 billion in 2012, an increase of 0.1 percent of GDP. The administrative reforms implemented in prior years, such as expansion of the tax base, measures to combat fraud and tax evasion, and efforts to control exemptions, will drive revenue growth. Other initiatives will also boost revenue mobilization, particularly the introduction of a 10 percent tax on the remuneration of political representatives; the gradual expansion of the use of the tax identification number (TIN), including in the informal sector, and of the effects of the excise tax on beer; and the elimination or reduction of exemptions for foodstuffs and petroleum products. The income tax law that was adopted is designed to correct the existing inconsistencies between exemptions granted under the tax code and under the investment code. The creation of one-stop border posts will facilitate regional trade and, in so doing, boost customs revenue. Finally, the government will submit a draft law on the VAT to parliament, designed to expand the base of that tax and reduce the size of the informal sector. It will also request IMF technical assistance for drafting an excise code and for restructuring the system of tax exemptions to strengthen domestic revenue collection.

25. Total expenditure in 2013 could rise by 4.5 percent, to FBu 1,290.9 billion. This increase, following the 3.8 percent growth expected in 2012, reflects the need to strengthen economic and social infrastructures. The wage bill is projected at FBu 300.8 billion, or 7.3 percent of GDP, in response to the human resource requirements of the key sectors of education, health, and agriculture. Overall, domestically-financed capital expenditure is expected to increase to

26. FBu 108.8 billion, or approximately 2.6 percent of GDP.

27. In the health sector, the government will continue the policy of providing free healthcare for children under 5 years of age and covering the costs of childbirth. Additional infrastructure investments are planned to meet the growing demand for health services. The government will continue to give priority to the hiring of medical personnel in a context of wage bill stabilization. These measures will contribute to higher quality medical care,

28. In the education sector, the government also intends to continue the program of free primary school tuition and will expand it to include higher education. It plans to build new classrooms and hire teachers in order to reduce the teacher-student ratio.

29. In the agricultural sector, the government, in close collaboration with donors, plans to combat the high cost of living and eliminate food insecurity. Accordingly, the government will implement the National Agricultural and Livestock Investment Plan, the priorities of which are as follows: (i) sustainable growth of food production and security; (ii) professionalization of producers and promotion of innovation; (iii) development of industries and agribusiness, including livestock and fishery activities; and (iv) institution building.

C. Monetary and Exchange Policies

30. Inflation reduction will remain the focus of monetary policy. Given the relatively high rate of inflation, a tight monetary policy stance will be maintained. The BRB will carefully monitor the growth of inflation and improve its capacity to forecast this macroeconomic indicator. If inflationary pressures pose no threat to economic activity, the BRB, in consultation with IMF staff, will weigh the possibility of gradually easing monetary policy to provide the economy with the resources necessary to function without reigniting inflationary pressures. The liquidity condition is expected to improve gradually, mainly as a result of the repatriation of coffee export receipts.

31. The BRB will take steps to revitalize the interbank foreign exchange market and, in order to preserve international reserves, will continue cutting back on the frequency and amounts of its interventions on the foreign exchange market.

32. The BRB will analyze the conclusions and recommendations of the IMF Monetary and Capital Markets Department mission of December 2012 with a view to promoting the health of the financial sector. It will also continue to monitor trends and will take appropriate steps to mitigate the effects of the accumulation of public sector arrears, which are siphoning off bank liquidity and weakening the financial health of primary banks.

D. Structural measures

33. The government intends to build on the progress made in the reform of public financial management. Accordingly, the decree on the appointment and legal status of the Commissioner of the Burundian Revenue Office (OBR) will be submitted for review by the Council of Ministers. This decree defines the function of the OBR Commissioner and determines the scope of his authority and his relations with the senior government accountant (new structural benchmark). The OBR Commissioner also assumes the functions the office's Receiver General.

34. The government is committed to maintaining a prudent debt policy to avoid overindebtedness and therefore intends to request funds in the form of grants or highly concessional loans with a grant element of at least 50 percent, sufficient to cover its financing requirements. Measures to strengthen public debt management capacity will be pursued in 2013, based essentially on the recommendations of the World Bank DEMPA mission of August 2012, with special emphasis on the preparation of a legal framework governing debt management. These measures would encompass the publication of quarterly debt reports by the Ministry of Finance (new structural benchmark). The law on debt management will be submitted to parliament by December 30, 2013 (new structural benchmark).

35. A national survey on financial inclusion was carried out, revealing the difficulties experienced by the poorest segments of the population in gaining access to formal sector financial institutions. The causes of the low rate of financial inclusion are: (i) income poverty (ii) the inadequate banking network in rural areas, (ii, *sic*) the large minimum deposits demanded by banks to open an account, (iii) the collateral required for borrowing, and (iv) bank products unsuited to rural needs. Based on these findings, the BRB and the financial institutions plan to develop strategies to expand access to financial services for a larger number of people.

36. Energy issues such as low power generation capacities and frequent power cuts stand in the way of the economic transformation described in the PRSP-II. The government plans to pursue its policy aimed at supplying more of the country with electricity and improving the financial position of REGIDESO. The government envisages launching a public-private partnership program to diversify energy production possibilities, with assistance from the World Bank and the African Development Bank. Power generation capacity is expected to be boosted by approximately 157 MW over the next four years, thanks to financing provided by the European Development Fund, the World Bank, and Exim Bank of India. In addition to a rate adjustment, the management of REGIDESO was strengthened with a view to more effectively combating fraud. The collection of consumer bills was also improved by greatly expanding the prepaid meter system. An organizational audit of REGIDESO is scheduled for 2013.

IV POVERTY REDUCTION AND GROWTH STRATEGY PAPER

37. To mobilize the political support and resources necessary to finance the priority action program contained in the Poverty Reduction and Growth Strategy Paper (PRSP-II), the government organized a donor conference in Geneva in October 2012. The financial commitments of our development partners are encouraging in light of the sluggish global economy. In collaboration with its partners, Burundi will organize sectoral conferences to facilitate disbursement of the commitments made in Geneva and thus mobilize all the funds needed to ensure successful implementation of the PRSP-II.

38. The PRSP-II, which is a key component of the effort to consolidate peace and kick-start economic growth, is structured around four strategic pillars:

- Strengthening of the rule of law, consolidation of good governance, and promotion of gender equality;
- Transformation of the Burundian economy to achieve sustained, job-creating growth;
- Improvement of the accessibility and quality of basic services and strengthening of national solidarity; and
- Management of land and the environment in keeping with sustainable development principles.

A. Improvement of Statistics

39. To ensure that reliable socioeconomic indicators are regularly available, the government is determined to strengthen its data collection units. To that end, an appropriation for hiring 12 statisticians was included in the 2013 budget and a draft decree on the establishment, organization, and composition of the central ministerial statistics services was reviewed by the National Statistical Information Board and will be submitted to the Council of Ministers in the first quarter of 2013.

40. In addition, the government plans to launch a national survey on household living conditions in the first quarter or 2013, with a view to updating the household basket and achieving national CPI coverage.

I. PROGRAM MONITORING

41. Semiannual monitoring of the program by the IMF Executive Board will continue, based on the quantitative monitoring indicators and structural benchmarks set out in Tables 1 and 3. These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The semi-annual reviews will be based on the data at end-March and end-September. The third program review will be based on the performance criteria for end-March 2013. To ensure the success of the program, the authorities will take all the steps necessary to meet the new proposed quantitative targets and structural benchmarks on which understandings were reached with IMF staff.

Table 1. Burundi: Performance Criteria and Indicative Targets for 2012-13

	2012					2013			
	Sep.			Dec.[1]		Mar.	Jun.[1]	Sep.	Dec.[1]
	Rev. Prog.	Prel.	Status	Rev. Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Performance criteria									
Net foreign assets of the BRB (cumulative floor; US$ million) [2]	11.1	19.0	Met	10.1	10.1	23.1	30.6	21.4	41.9
Net domestic assets of the BRB (cummulative ceiling) [2]	235.0	191.6	Met	234.8	231.7	248.4	261.5	277.6	223.9
Net domestic financing of the government (cummulative ceiling) [2]	49.0	-61.0	Met	34.6	34.6	21.4	46.8	76.2	37.6
External payments arrears of the government (ceiling; US$ million) [3]	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
Short-term external debt of the government (ceiling; US$ million) [3, 4]	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; US$ million, cumulative from beginning of calendar year) [3, 4]	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets									
Accumulation of domestic arrears (ceiling; cumulative from beginning of calendar year)	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
Reserve money (ceiling)	250.7	219.8	Met	249.0	245.9	284.7	309.6	311.2	289.8
Pro-poor spending (floor; cumulative from beginning of calendar year)	288.3	276.0	Not met	398.0	398.0	100.7	201.4	302.2	402.9

Sources: Burundi authorities; IMF staff estimates and projections.

[1] Indicative targets.

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

[3] Continuous performance criterion.

[4] See definitions in TMU.

Table 2. Structural benchmarks for 2012

Proposed measures	Dates	Status	Objective
Public Financial management			
Adopt a decree on fiscal governance	June 30, 2012	Completed.	Facilitate alignment of the budget with the organic budget law.
Dispatch commitment controllers in two pilot ministries (health and agriculture)	September 30, 2012	Completed	Improve fiscal discipline in line ministries.
Approve the plan for reorganization of the Ministry of Finance and Economic Development Planning.	September 30, 2012	Completed.	The current allocation of administrative resources is not well-suited for implementation of the medium-term reforms defined in the organic budget law (program budget and medium-term budget programming).
Tax policy			
Prepare a report identifying and assessing the impact of the exemptions contained in the various codes and legal texts and identify those that need to be revised.	September 30, 2012	Completed.	Enhance coordination among the various units involved in granting exemptions and other tax concessions.
Debt management			
Implement the World Bank Debt Management Performance Assessment (DEMPA) program and develop an action plan to improve debt management capacity.	September 30, 2012	Completed.	Improve the debt management capacity of the Ministry of Finance.

Central bank and Treasury safeguard measures			
Recruit an international auditor to: (i) monitor implementation of the recommendations formulated in the 2011 Deloitte GPO special audit report; (ii) verify on a test basis the controls on significant domestic disbursements and transfers on behalf of the government or its creditors in the July 2011-March 2012 period, and (iii) assess the status of implementation of the new decree on public financial management replacing the 1964 RGCP.	March 31, 2012	Completed with delay.	Enhance safeguard measures in force at the central bank and the Treasury
Submit to the General Council, the Audit Committee, and the Minister of Finance the report on the special audits of controls on large domestic disbursements and transfers on behalf of the government or its creditors in the July 2011-March 2012 period.	June 30, 2012	Completed with delay.	Enhance safeguard measures in force at the central bank and the Treasury

Table 3. Structural Benchmarks for 2013

Proposed measures	Dates	Objective
Public financial management		
Adopt a decree on the appointment and legal status of the Commissioner of the Burundian Revenue Office (MEFP ¶31)	March 30, 2013	Clarify the division of responsibilities between the commissioner of the OBR and the senior government accountant (pursuant to the Organic Budget Law and Article 6 governing the OBR).
Implement a monthly cash flow plan in line with commitment plans (MEFP ¶8)	March 30, 2013	Improve budget execution management and avoid end-period arrears.
Prepare an audit of arrears on extrabudgetary expenditure (not committed and without payment order) in prior years (to be performed by an independent auditor, for example the Audit Office or IGE [State Inspectorate General]); and adopt a payment plan (MEFP ¶18)	June 30, 2013	Identify and verify the amounts actually due and disputed invoices.
Tax policy		
Submit a law on the VAT to parliament (MEFP ¶23).	June 30, 2013	Establish legal framework governing the collection of VAT.
Prepare an expedited customs clearance procedure and establish 3 one-stop border posts.	September 30, 2013	Reduce fraud and increase customs revenue.

Debt management		
Prepare a quarterly report on domestic debt forecasting with a view to improving budget and cash management (MEFP ¶32) .	March 30, 2013	Make debt management a key element of the government's budgetary process and of cash requirements planning in line with World Bank recommendations.
Submit a new law on debt management to parliament. (MEFP ¶32)	December 30, 2013	Establish a legal framework governing public debt.
Central bank and Treasury safeguard measures		
Each quarter, submit a report on reserve operations to the General Council of the BRB (MEFP ¶16) .	March 30, 2013	Improve BRB Board of Directors supervision of reserves management.

ATTACHMENT II. AMENDMENTS TO THE TECHNICAL MEMORANDUM OF UNDERSTANDING

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

A. QUANTITATIVE PROGRAM TARGETS

Quantitative performance criteria and indicative targets

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

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

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

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

Definitions and measurement

4. The net foreign assets of the BRB are defined as the difference between (i) gross official reserves (valued at market prices) and other claims; and (ii) foreign exchange liabilities to nonresident entities (including the use of Fund resources, and liabilities arising from the use of any SDR allocation). The gross official reserves of the BRB are defined as those foreign assets that are liquid and freely available to the BRB.

5. The net domestic assets of the BRB are defined as the difference between (i) reserve money, comprising currency in circulation, reserves of commercial banks, and other deposits held at the BRB; and (ii) net foreign assets of the BRB.

Adjustor for changes in the compulsory reserves coefficients

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

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

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

Definition of debt

9. The program includes a ceiling on new nonconcessional external debt contracted or guaranteed by the government or the BRB. For the purpose of this program, external debt is defined as all debt contracted in a currency other than the Burundian Franc. This performance criterion applies to the contracting or guaranteeing by the government, local governments, the BRB and REGIDESO of new nonconcessional external debt (as specified below) with an original maturity of one year or more, including commitments contracted or guaranteed for which value has not been received (including leases). The coverage of government is defined as central government and any other special funds or operations that are part of the budgetary process or have a direct impact on the government's financial position. Debt contracted by state-owned enterprises is included in the overall ceiling, if guaranteed by the government.

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

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

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

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

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

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

14. The grant element of debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of contracting is calculated by discounting the future stream of payments of debt service due on this debt. The calculation of concessionality will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions, and management fees. For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates (CIRRs) published by the OECD should be used as the discount rate for assessing the level of concessionality, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and the 6-month average CIRRs, the following margins should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–29 years; and 1.25 percent for 30 years or more. The performance criterion is defined to exclude rescheduling arrangements, borrowings from the IMF and any Burundi franc-denominated treasury securities held by nonresidents.

15. The stock of short-term external debt with a maturity of less than one year owed by the government is to remain at zero under the program. The coverage of government is defined as central government and any other special funds or operations that are part of the budgetary process or have a direct impact on the government's financial position. Normal import credits are excluded from this ceiling. Loans with an initial maturity, as recorded in the original loan agreement, of one year or more are considered medium-term or long-term loans. This performance criterion applies not only to debt as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received (including leases). Excluded from this performance criterion are rescheduling arrangements, borrowing from the IMF, and any Burundi franc-denominated treasury securities held by nonresidents. As of September 2007, the stock of short-term debt outstanding was nil.

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

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

External financial assistance adjustor

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

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

20. The floor on the stock of net foreign assets of the BRB will be adjusted downward, and the ceilings on the net domestic assets of the BRB and on net domestic financing to the government will be adjusted upward to accommodate a financing shortfall up to a maximum of US$40 million. External financial assistance will be converted to Burundi francs using the program-specified BIF/US$ exchange rate. The program exchange rate for end-March 2013 is 1572.1.

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

B. Provision of Information to IMF Staff

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

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

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

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

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

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

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

INTERNATIONAL MONETARY FUND

BURUNDI

January 30, 2013

UNDER THE EXTENDED CREDIT FACILITY—INFORMATIONAL ANNEX

Prepared By | The African Department

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RELATIONS WITH THE FUND

(As of December 31, 2012)

Membership Status: Joined: September 28, 1963; Article XIV

General Resources Account:	**SDR Million**	**%Quota**
Quota	77.00	100.00
Fund holdings of currency (Exchange Rate)	76.64	99.53
Reserve Tranche Position	0.36	0.47

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	73.85	100.00
Holdings	84.04	113.80

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	87.96	114.23

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Jan 27, 2012	Jan 26, 2015	30.00	5.00
ECF [1/]	Jul 07, 2008	Jan 23, 2012	51.20	51.20
ECF [1/]	Jan 23, 2004	Jan 22, 2008	69.30	69.30

[1/] Formerly PRGF.

Projected Payments to Fund [2/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2013	2014	2015	2016	2017
Principal	6.73	10.56	12.49	12.98	11.99
Charges/Interest	0.00	0.00	0.16	0.13	0.09
Total	6.73	10.56	12.64	13.11	12.08

[2/] 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:

	Enhanced Framework
Commitment of HIPC assistance	
Decision point date	Aug 2005

Assistance committed	
by all creditors (US$ Million) [1/]	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 [2/]	3.07
Total disbursements	22.35

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

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

Implementation of Multilateral Debt Relief Initiative (MDRI):

MDRI-eligible debt (SDR Million)[1/]	26.40
Financed by: MDRI Trust	9.01
Remaining HIPC resources	17.39

[1/] 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.

Debt Relief by Facility (SDR Million):

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

Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Safeguards Assessments

While initial action has been taken to improve the financial autonomy of the central bank, the update safeguards assessment of the Banque de la République du Burundi (BRB), completed in July 2012 in the context of the current ECF arrangement, identified some vulnerabilities and concluded that governance arrangements require 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 remain to be addressed. Against these findings, the assessment recommended (i) continuing the special audits of government transactions, and (ii) enhancing oversight and accountability measures. The (BRB) has started to address those vulnerabilities. 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 audit report saw the need to integrate into existing procedures, a requirement to analyze risks in terms of the parties involved in the execution of payments, both at the level of the Ministry of Finance and the central bank, to ensure that only transactions with supporting documentation are executed. It also emphasized the importance of: (i) improving information on the nature of transactions and on the beneficiary of transfer orders to facilitate an initial risk analysis; (iii) requiring formal and written procedures in dealings with the Ministry of Finance to ensure that all accounts go through the normal public spending liquidation channels; (iv) requesting all institutions receiving periodical transfers to their accounts to justify how the previous transfer was used and to provide a utilization program for the transfer requested; and (v) improving the filing system at the Ministry of Finance to ensure that all transactions can be checked against the documentary justification supporting them. The submission of a report on reserves operation to the Board was agreed as an additional program measure for 2013.

Exchange Arrangements

While the de jure exchange rate arrangement is floating, the de facto exchange rate arrangement has been reclassified to other managed arrangement from stabilized arrangement against the dollar, effective July 26, 2011, due to increased flexibility of the Burundi franc. The US dollar is the intervention currency. The Burundian franc continued to demonstrate a greater flexibility in 2012. On December 28, 2012, the official exchange rate was BIF 1544.67 to the US dollar.

In 2003 the central bank eliminated most remaining exchange restrictions on current international transactions and delegated authority to commercial banks to approve standard transactions. In early 2004, the surrender requirement was lowered to 50 percent and in early 2005 it was eliminated. The central bank has admitted foreign exchange bureaus to the weekly auctions. Most external arrears to bilateral and multilateral creditors were cleared by the end of 2005. In December 2006 the government published a new foreign exchange regulation, the Foreign Exchange Regulation of 2006 that liberalized access to foreign exchange for current transactions and removed one multiple currency practice. In June 2010, the government replaced the Foreign Exchange Regulation of 2006.

Burundi has availed itself of the transitional arrangements of Article XIV since it joined the Fund in 1962 but no longer maintains any exchange restrictions or multiple currency practices that relate to that article. It does have one multiple currency practice that is inconsistent with Article VIII, Section 2(a): the exchange rate used for government transactions differ at times by more than 2 percent from market exchange rates. Burundi maintains certain foreign exchange restrictions for security reasons and has notified the Fund of those restrictions pursuant to Decision 144-(52/51). Burundi modified the 2010 foreign exchange regulation on March 3, 2011. Consequently the two foreign exchange restrictions mentioned in EBS/11/29 Sup. 1 relating to: (i) a tax clearance requirement for certain current international transactions such as payments of moderate amounts for amortization

of loans or for depreciation of direct investments by nonresidents and (ii) the limitations on the availability of foreign exchange for the making of payments and transfers for current international transactions based on noncompliance with obligations that are unrelated to such transactions are no longer in place.

Article IV Consultation

In accordance with Decision No. 14747-(10/96), adopted September 28, 2010, Burundi is on the 24-month Article IV cycle. The 2012 Article IV consultation was completed by the Executive Board on July 27, 2012 (IMF Country Report No. 12/226), along with the first review under the ECF arrangement.

In concluding the 2012 consultation, Executive Directors commended the Burundian authorities for progress in implementing their Fund-supported economic program in a difficult post-conflict environment. However, Directors considered that the external and internal risks weighing on the outlook called for a faster pace of fiscal and structural reforms, and encouraged the authorities to persist in their prudent approach to macroeconomic management.

Technical Assistance

March 2013	MCM mission on harmonization of monetary and Foreign exchange operations in EAC
March 2013	MCM mission on risk based bank supervision
February 2013	MCM mission on EAC financial stability framework
February 2013	AFRITAC mission on bank supervision (database)
November 2012	MCM mission on crisis management framework
November 2012	FAD mission on cash management and financing
November 2012	STA mission on migration to GFSM 2001

October 2012	FAD mission on accounting and fiscal reporting
October 2012	AFRITAC mission on customs risk analysis
October 2012	MCM mission on liquidity forecasting
October 2012	MCM mission on bank supervision
August 2012	AFRITAC mission on PFM reform
July 2012	STA mission on migration to GFSM 2001
July 2012	AFRITAC mission on VAT operations
July 2012	AFRITAC mission on bank supervision and regulation
June 2012	AFRITAC mission on consumer price index
June 2012	AFRITAC mission on tax and customs administration
June 2012	AFRITAC mission on tax administration
May 2012	FAD on accounting and fiscal reporting
May 2012	FAD and AFRITAC missions on PFM reform
April 2012	AFRITAC mission on national accounts
April 2012	AFRITAC mission on bank supervision and regulation
March 2012	FAD mission on budget policy and program budgeting

February 2012	FAD mission on cash management
January 2012	MCM mission on liquidity management and forex operations
January 2012	MCM mission on bank supervision
December 2011 November 2011	AFRITAC mission on PFM reform MCM mission of foreign exchange operations
October 2011	AFRITAC mission on PFM reform
July 2011	STA mission on Balance of Payments statistics
March 2011 January 2011	FAD mission on implementing the organic budget law MCM mission on Foreign exchange operations
September 2010	FAD mission on implementing the organic budget law
November 2010	MCM mission on monetary operations
June 2009	MCM multitopic mission
April 2009	FAD mission on implementing the organic budget law
March 2009	MCM mission on monetary operations
March 2009	MCM mission on foreign exchange
March 2009	MCM mission on internal audit
March 2009	MCM mission on reserve management

February 2009	AFRITAC mission on banking regulation and supervision
February 2009	FAD PSIA mission on fuel pricing policy and social protection
January 2009	MCM FSAP mission
December 2008	AFRITAC mission on fiscal administration
December 2008	MCM multitopic mission
December 2008	MCM mission on internal audit
August 2008	MCM mission on organizational, human resources, and communication reforms
July 2008	MCM mission on foreign exchange
June 2008	AFRITAC mission on banking regulation and supervision
Oct 2008	FAD mission for installation of a PFM resident advisor

Resident Representative:

A part-time resident representative took up the post in Oct 2005 and an office with an administrative assistant opened in January 2006 in Bujumbura. Mr. Koffi Yao has been the resident representative since January 2010.

JOINT WORLD BANK–IMF WORK PROGRAM, 2011–13

Title	Products	Provisional Timing of Mission	Expected Delivery Date
A. Mutual Information on Relevant Work Programs			
Bank work program	1. Public Expenditure Review 2. Public Expenditure Review Policy Note 3. ERSG-5 (Budget support) 4. ERSG-6 (Budget support) 5. Diagnostic Trade Integration Study - Update (DTIS)	February 2012 (identification) June 2012 (Main mission) Dec. 2010 – Jan. 2011 (Identification) June 2011 (pre- appraisal) September 2011 (appraisal) January-February 2012 (identification) April 2012 (pre- appraisal) May 2012 (appraisal) November 2011 (Identification) May 2012 (main mission)	September 2012 May 2012 December 2011 August 2012 June 2012
IMF work program	1st Review of ECF 2nd Review of ECF	July 2012 February 2013	July 2012 February 2013
	3rd Review of ECF	July 2013	July 2013
B. Requests for Work Program Inputs			
Fund request to Bank	Progress report on reform implementation in REGIDESO and in the coffee sector		
C. Agreement on Joint Products and Missions			
Joint products	Debt Sustainability Analysis		February 2013

RELATIONS WITH THE AFRICAN DEVELOPMENT BANK GROUP (As of January 2013)

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

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

The 2012-2016 Burundi Country Strategy Paper (CSP) was approved by the Board in January 2012. It analyzes the development perspectives and challenges facing the country and identifies the role the Bank can play, in close collaboration with the Government of Burundi (GoB) and development partners, in supporting the country to meet its development objectives; as articulated in the CS*LPP-II* and *Burundi Vision 2025*. The CSLP-II was prepared by the GoB in a participatory manner including civil society and the private sector and with support by the development partners. The AfDB funded several analytical studies that fed the CSLP-II. The strategy emphasizes selectivity and complementarity between the two pillars, namely strengthening state institutions and infrastructure improvements. The selection of these pillars is consistent with the Bank's comparative advantage in the infrastructure sector, as well as its value-added in the area of sector reforms, good governance and institutional capacity building. It also provides incentives for private sector development by ensuring the build-up of a necessary business climate and infrastructure; with the overall objective of promoting growth and inclusive development.

The Bank ongoing portfolio comprises seven (7) national operations for a total UA 117.2 million. The road sector accounts for 56.4% of the portfolio, followed by the social sector (16.9%). There are six (7) active multinational operations for UA 127.9 million, mostly in the road sector (61.5%).The first disbursement (7 million UA) of the fifth phase of Burundi's "Programme d'Appui aux Réformes Economiques" (PARE V, total amount is UA 12 million UA) has been disbursed in 2012. The second disbursement is planned in second quarter 2013. The Bank also approved in December 2012 several institutional capacity building projects for a total amount of UA 6 million in the area of Public Financial Management, Private Sector Development, Capacity Building, Statistics and Human Development. The Bank is also undertaking several analytical studies including microfinance and poverty reduction in Burundi and relationship between growth and employment.

The following table provides an overview of AfDB's current ongoing operations in Burundi.

Sector	**Project Name**	**Amount (*million UA*)**
Energy	Electricity Infrastructure Rehabilitation/ Expansion	7.32
Water and Sanitation	Water Infrastructure Rehabilitation/ Expansion	12.00
Social Sector	Multisector Reintegration Project	9.81
	Employment Creation Project	10.00
Transport	Gitega-Nyangungu-Ngozi phase 1 Project	24.1
	Gitega-Nyangungu-Ngozi phase 2 Project	42.00
Multi Sector	Economic Reform Support Programme V	12.00
Multinational	Lake Tanganyika Integrated Management Project	4.96
	Lake Victoria and Sanitation Programme	14.1
	Mugina-Mabanda-Nyanza Lac and Rubavu-Gisiza road project	27.5
	Isaka-Kiga/Keza-Musongati Railway project	1.70
	Bugesera Multinational Project	15.02
	Nyamitanga-Ntendezi-Mwityazo Road	49.38
	NELSAP Interconnection Project	15.20
Total (National Public Sector only)		**117.2**
Total (National and Multinational)		**245.1**

STATISTICAL ISSUES

(As of January 2013)

I. Assessment of Data Adequacy for Surveillance
General: Data provision has serious shortcomings that significantly hamper surveillance. The most serious shortcomings affect national accounts and balance of payments statistics. Insufficient funding, staffing shortages and lack of equipment, along with coordination difficulties among responsible institutions, impede the timely production and dissemination of macroeconomic statistics.
Real sector statistics: National accounts statistics are compiled infrequently by ISTEEBU, the national statistical office. Source data on agriculture, the most important economic activity, is inadequate. Consequently, there is a high degree of uncertainty regarding estimates of the level and the growth rate of GDP. Rebased national accounts for 2005–08 were adopted by the government in November 2011. The revisions included improved data sources, a change in the base year from 1986 to 2005, and updated compilation methodologies (the *1993 UN System of National Accounts*). Under the new data, nominal national incomes have been revised up by an average of 36 percent during 2005–08, while the average real growth rate for these years is about 1.5 percentage point higher than earlier estimated. Official national accounts data have not been released since 1998 due to years of conflict and weak institutional capacity. Since 2006, Burundi has become a member of the Observatoire économique et statistique d'Afrique Subsaharienne (Afristat). This membership has benefitted Burundi in several regards, including in terms of technical assistance in updating national accounts. National accounts data for 2009 and 2010 were initially planned to be released in 2012, but this release has been delayed.
Government finance statistics: **Government finance statistics**: Burundi has benefitted from technical assistance provided by the World Bank and Fiscal Affairs Department in the areas of public financial management information systems and public expenditure management, as well as Statistics Department (STA) training in the compilation of government finance statistics. Nevertheless, government finance statistics (GFS) continue to suffer from weaknesses in coverage, accuracy, consistency, and timeliness. Burundi has accepted to participate in the GFS module under the Enhanced Data Dissemination Initiative (EDDI) project for Africa funded by the United Kingdom Department for International Development (DFID). The GFS module has as its main objective to improve the quality and dissemination of fiscal statistics using the guidelines of the *Government Finance Statistics Manual 2001* (*GFSM 2001*). The support under the module consists mostly of a series of technical assistance missions that started in 2011, continued in 2012 and will continue in the next two to three years.
Monetary and financial statistics: The monetary and financial statistics are now compiled following the recommended methodologies of the IMF's *Monetary and Financial Statistics Manual (2000)*, and are broadly adequate for both surveillance and harmonization with the monetary statistics of other East African Community member countries.

External sector statistics: Annual balance of payments and international investment position statistics are compiled by the Banque de la République du Burundi (BRB) according to the fifth edition of the *Balance of Payments Manual* (*BPM5*). However, severe coverage and measurement difficulties impart a high degree of uncertainty to external sector statistics and surveillance. For example, there are significant divergences with other sources on imports and exports. Also, donor inflows are not appropriately recorded. A balance of payments reconciliation committee does not exist to cross check data from various sources (central bank, customs, national institute of statistics). Measurement of capital and financial account transactions relies on Burundi's International Transaction Reporting System, which is known to have incomplete coverage. Further actions are required to improve the accuracy and reliability of external sector data.	
II. Data Standards and Quality	
Participant in the General Data Dissemination System (GDDS) since August 2011.	No data ROSC is available.
III. Reporting to STA	
Summary government finance transactions data are reported for publication in *International Finance Statistics* (*IFS*). The BRB has completed migration to the Standardized Report Forms for the submission of its monetary statistics to the Fund; detailed monetary statistics are published in the *IFS*. Balance of payments and international investment position data are published in *IFS* and in the *Balance of Payments Yearbook*.	

TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE (As of January 2013)

	Date of Latest Observation	Date Received	Frequency of Data[8]	Frequency of Reporting[8]	Frequency of Publication[8]
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Oct. 2012	Dec. 2012	M	M	M
Reserve/Base Money	Oct. 2012	Dec. 2012	M	M	M
Broad Money	Oct. 2012	Dec. 2012	M	M	M
Central Bank Balance Sheet	Oct. 2012	Dec. 2012	M	M	M
Consolidated Balance Sheet of the Banking System	Oct. 2012	Dec. 2012	M	M	M
Interest Rates[2]	Oct. 2012	Dec. 2012	M	M	M
Consumer Price Index	Dec. 2012	Jan. 2013	M	M	M
Revenue, Expenditure, Balance and Composition of Financing—General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[4]—Central Government	Nov. 2012	Dec. 2012	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt[5]	NA	NA	NA	NA	NA
External Current Account Balance	2011	Dec. 2012	A	A	A
Exports and Imports of Goods and Services	Aug. 2012	Dec. 2012	M	M	M
GDP/GNP[6]	2009	Mar. 2012	A	A	A
Gross External Debt	2011	Dec. 2012	M	M	A
International Investment Position[7]	2011	Dec. 2012	A	A	A

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

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

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

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

[5] Including currency and maturity composition.

[6] Last observed data was Dec 2008.

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

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

INTERNATIONAL MONETARY FUND

BURUNDI

SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

January 30, 2013

Approved By
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Prepared by the Staffs of the International Monetary Fund and the International Development Association.

Based on the external LIC DSA, Burundi's risk of debt distress remains high, unchanged from the 2011 assessment. Debt sustainability remains highly sensitive to shocks, due mainly to the narrow export base. Debt sustainability indicators have somewhat worsened as Burundi's terms of trade have substantially deteriorated in recent years, economic activities are hindered by external shocks, the discount rate has been revised downward, and new loans have been contracted. The public DSA suggests that Burundi's overall public sector debt sustainability indicators are projected to improve in the medium and long run. However, the large downside risks and the vulnerability of the indicators to shocks point to the need for prudent fiscal and debt policies, and for structural reforms to promote private sector-led growth and exports diversification.[1]

[1] The DSA has been produced jointly by Bank and Fund staffs. The fiscal year for Burundi is January to December.

BACKGROUND

1. **The last Low Income Country Debt Sustainability Analysis (LIC DSA) conducted in 2011 concluded that Burundi would continue to face a high risk of debt distress**.[2] The Present Value (PV) of debt-to-exports ratio remained above the 100 percent policy threshold over the medium term and decline below the threshold only toward the end of the projection period. In contrast, the PV of debt-to-GDP, the PV of debt-to-revenue, the debt service to exports ratio, and the debt service to revenue ratio were below the respective policy thresholds throughout the projection period.

2. **Burundi is a weak policy performer for the purpose of determining the debt burden thresholds under the Debt Sustainability Framework (DSF).** Burundi's rating on the World Bank's Country Policy and Institutional Assessment (CPIA) has slightly improved in recent years. However, the performance is still low, and the average for the last three years—3.08 on a scale of 1 to 6—puts Burundi in the group of weak policy performer.[3]

3. **At end-2011, Burundi's public and publicly guaranteed external debt stood at US $476 million or 23.6 percent of GDP.**[4] Burundi's stock of external debt has declined significantly since 2009 as a result of the debt relief under the enhanced Highly Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). About 90 percent of Burundi's outstanding nominal external PPG debt is owed to multilateral creditors, with bilateral creditors accounting for the remainder.

Text Table 1. Burundi: Stock External Debt, end-2011
(Millions of US dollars)

	Nominal	Percent of Total	Percent of GDP
Total Debt	476	100	23.6
Multilateral	442	92.9	21.9
Bilateral	34	7.1	1.7
Paris club	0	0.0	0.0
Non-Paris club	34	7.1	1.7
Commercial	0	0.0	0.0

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

[2] See supplement in Country Report No. 12/28

[3] A score below 3.25 corresponds to a poor policy performance, according to the LIC Debt Sustainability Framework (DSF).

[4] General government, on a gross basis. As noted in the Technical Memorandum of Understanding, debt contracted by state-owned enterprises (SOEs) with a government guarantee is included in debt limits and therefore in the DSA.

4. Domestic debt accounts for about 42 percent of total public debt at end-2011. This corresponds to about 15 percent of GDP, similar to the ratio in 2010.The share of domestic debt in total PPG debt has enlarged following the cancellation of external public debt under the HIPC Initiative and MDRI debt relief. Most domestic public debt is owed to the central bank, as a result of the financing of the government's treasury needs. The Ministry of Finance and the Central Bank agreed on a convention determining the repayment of outstanding Government debt to the central bank. The rest of domestic debt is owed to commercial banks and non-bank creditors.

UNDERLYING ASSUMPTIONS

5. Macroeconomic developments in 2011–12 underperformed the estimates and projections in the 2011 DSA, mainly due to external shocks. The economic growth estimate for 2012 has been revised downward from 4.8 percent in the 2011 DSA to 4 percent currently, as donor support is dwindling and the country faces tight liquidity conditions. Trade deficit exceeded initial projections by about 8 percentage points of GDP in 2011 and 6 percentage points in 2012, as the terms of trade deteriorated by about 27 percent cumulatively in 2011–12. The price of coffee, which accounts for about two-thirds of exports, declined by about 30 percent during 2011–12. Consequently, gross international reserves fell short of projections by about one month of imports. Inflation is slightly higher than projections owing to the persistently high food and fuel international prices.

6. The macroeconomic outlook has been revised accordingly. The average medium-term (2012–17) GDP growth is revised slightly downward compared to the 2011 DSA, although the

long-term growth is broadly kept unchanged as the growth outlook remains unaltered. Due to this revision, *i.e.* lower nominal GDP base in the medium term, the size of the economy is also projected to be smaller in the long run, implying a lower level of sustainable debt that can be carried. As the decline in coffee prices is projected to continue in 2013, medium-term exports growth is also revised downward. Prices are expected to bottom out towards the middle of the decade; thus, long-run growth is kept unchanged compared to the 2011 DSA.[5] Combined with oil price projections, which surpass the projections in the 2011 DSA, the trade deficit is projected to be more pronounced in the medium term. The various shocks to economic activities are expected to hinder revenue collection; thus, central government revenue projections have also been adjusted downward. In particular, the Burundian authorities decided to forego some taxes on fuel and some food items to attenuate the pass-through from the elevated international prices to domestic markets; this is expected to be phased out in June 2013. Financial assistance

[5] In the medium and long terms, coffee prices are assumed to increase by 5 percent per year (which corresponds broadly to the average of the last two decades). Also, coffee production is assumed to expand by 5 percent per year, reflecting the expected outcome of the on-going reforms in the sector.

from donors, all types considered, is assumed to decline from about 20 percent of GDP in 2012 to 13 percent in the long run.[6]

7. Compared to the 2011 DSA, a new credit line is added and the discount rate is lower. The Burundian government signed a credit line of US$80 million with the Exim Bank of India to finance the construction of power plant; the loan has a grant element of 31.6 percent.[7] The discount rate has been revised from 4 percent to 3 percent, in line with interest rate developments on international markets.

8. Risks to the macroeconomic outlook stem mostly from the fragile social and security situation and the external environment. The protracted Euro Area debt crisis and the decelerating economic growth in emerging markets are likely to engender negative spillovers through the trade and investment channels. Uncertainty in donor support also poses risks. Despite the projected easing of oil and food international prices, uncertainty remains. Moreover, socio-political developments are highly unpredictable.

[6] Financial assistance from donors includes budget support, project loans and grants, humanitarian assistance, technical assistance, and financing related to elections and regional conflicts.

[7] See EBS 11/151.

Box 1. Burundi: Main Macroeconomic Assumptions, 2012–32

Real GDP growth is expected to accelerate from an average of 4 percent during the last ten years to 5 percent in the medium term and 7 percent in the long run.[1] The projections reflect an expected consolidation of peace and security, the easing of infrastructure bottlenecks including higher electricity generation, swift reforms in the coffee sector, improvement of the investment climate, accelerated implementation of other structural reforms including PFM, and EAC integration. Public investments are expected to focus on infrastructure rehabilitation (power, transport, and communications) to address existing bottlenecks to unlocking growth potential. Power generation is projected to increase from 30 MW to 160 MW by 2016. Sectors that could contribute to the diversification of foreign currency earning might also benefit from public investments (e.g. tourism and mining).

Inflation is assumed to decline gradually over the medium term, as it is a main priority of the Burundian authorities. It is projected to stabilize at about 6 percent over the long term.

Fiscal policy would be supportive of economic growth and poverty reduction, while ensuring macroeconomic stability in line with EAC convergence requirements and debt sustainability. Primary deficit is expected to hover 2 percent of GDP during the projection period. Revenues, excluding grants, are projected to improve to about 15 percent of GDP in the medium term and reach about 16 percent of GDP over the end of the projection period owing to the widening of the tax base. Current expenditures are expected to decline by 4 percentage points of GDP on average over the medium term, as a number of special programs are unwound. Despite the decline in external financing, the revenue collection effort and control of current spending are expected to allow room for public investments to hover 10 percent of GDP in the medium term, a level considered to be supportive of long-term economic growth.

Exports and imports of goods and services: exports are projected to increase by an average of 3 percent over the medium term reflecting the impact of coffee sector reforms, and by about 10 percent over the longer term as a result of investments in new export sectors (horticulture, mining, and tourism). Imports will accelerate from an annual average growth of about 3 percent over the medium term to about 10 percent over the longer term, expected to be driven by strong growth in infrastructure and construction sector with the support of the Burundian Diaspora. With emergency and reconstruction-related imports winding down, merchandise imports are expected to move broadly in line with real GDP growth in the later years.

The non-interest current account deficit, including budget support grants, is expected to hover at 14 percent of GDP over the medium term. It will subsequently improve to about 10 percent of GDP on average in the long run as Burundi diversifies and expands its exports base.

External financing will rely largely on grants and highly concessional loans to finance the current account deficit in the medium term, except for the financing of the new power plant Kabu 16 that has a grant element of 31.6 percent (below the 50 percent threshold required for Burundi). In the long term, Burundi will likely rely increasingly on highly concessional loans, as availability of grants is expected to be constrained. Current official transfers (budget support and special forms of grants) are assumed to decline from 12 percent of GDP in 2011 to about 3.5 percent of GDP in the long run as humanitarian assistance gradually declines. The projections assume improvements of political conditions considering that donors are increasingly tying their support to improvements in governance, as reiterated during the October 2012 donor conference.

[1] Economic growth might exceed the current projections if prospective investments in the mining sector materialize.

EXTERNAL DSA

9. **Under the baseline scenario, one indicator breaches the policy threshold during the medium term**. The PV of debt-to-exports ratio, although gradually declining, is projected to stay

above the 100 percent policy threshold until around 2020. The debt service-to-exports ratio slightly and temporarily breaches the threshold. These projected developments are mostly due to Burundi's narrow export base and the relatively limited export potential at this time. In contrast, the PV of debt-to-GDP ratio, the PV of debt-to-revenues ratio, and the debt service-to-revenue ratio are expected to remain well below the indicative policy dependent thresholds throughout the projection period. Moreover, those indicators are somewhat stabilizing in the medium term and show a declining trend in the long run, indicating an improvement of the debt sustainability profile in the long run (Text Table 2, Figure 1 and Table 1). This stems from the intention of the authorities to pursue sound macroeconomic and prudent debt policies. The combination of such policies is expected to alleviate debt burden indicators. The reduction of debt burden is a key pillar of the program currently implemented by the government and supported under the IMF's Extended Credit Facility (ECF).

Text Table 2. Burundi: Summary of Baseline External Debt Sustainability Indicators
(percent)

	Indicative Thresholds	2012	2022	2032
PV of debt to GDP	30	18.6	5.4	2.7
PV of debt to exports	100	186.5	91.1	47.5
PV of debt to revenue	200	120.6	34.8	17.1
Debt service to exports	15	6.2	8.6	2.0
Debt service to revenues	25	4.0	3.3	0.7

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

10. Alternative scenarios and stress tests highlight the high vulnerability of the debt sustainability profile to adverse shocks. Under a scenario of combined adverse shocks on GDP growth, exports, and FDI flow, the debt indicators worsen significantly compared to the baseline scenario; four of the debt indicators breach the threshold in the medium term and return broadly close to the baseline in the long run.[21] However, under a scenario that assumes continuation of policies during the last ten years, two indicators breach the threshold; most indicators would double compared to that under the baseline scenario and would not improve even in the long run.[22] These

[21] The combination of shocks assumes that, during 2013-14, GDP growth, export growth, USD GDP deflator and non-debt creating flows will be at their historical averages minus one-half standard deviation.

[22] The historical scenario assumes that, throughout the projection period, key macroeconomic variables will stay at their respective average during the last ten years. The some economic variables in 2009 were adjusted as Burundi

(continued)

results underscore the need to foster a sound macroeconomic environment that would promote growth, export diversification, and inflow of foreign direct investment, and to continue the reform measures to avoid returning to policies in the past.[23]

11. **All scenarios suggest that Burundi's narrow export base is the most significant factor of vulnerability of Burundi's debt sustainability.** The PV of debt-to-exports ratio remains above the policy threshold of 100 percent in the baseline, historical, and stress tests scenarios. Although, the trend declines in the long term, the ratio stays stubbornly high, particularly under the historical scenario.

PUBLIC DSA

12. **Public debt indicators, including external and domestic, are expected to gradually improve under the baseline scenario**. The improvement is due primarily to a decline in the public sector borrowing requirement, reflecting the widening of the revenue base and the gradual decline in government spending in the post reconstruction period. The ratios of the PV of public debt to GDP and public debt to revenues remain low, reflecting Burundi's reliance on grants and highly concessional loans to finance reconstruction and poverty reduction.

13. **However, public debt indicators are highly vulnerable to shocks.** Under a shock scenario that combines a lower GDP growth and a larger primary deficit, the PV of debt-to-GDP ratio is projected to enlarge by 6 percentage points (above the baseline scenario) throughout the projection period, and the PV of debt-to-revenue ratio by about 20 percentage points.[24] These results underscore the need for prudent fiscal policy and avoidance of past unsustainable borrowing policies. A swift adoption and implementation of a strategy based on the recent Debt Management Performance Assessment (DeMPA) would be crucial. The debt service to revenue ratio is not significantly affected by alternative scenarios and shocks because additional borrowing is expected to be on highly concessional terms.

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benefited from the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative during that year.

[23] In the event the assumption on coffee production does not materialize and the country falls back into a fragility trap, the debt indicators would significantly worsen.

[24] The scenario assumes that, in 2013-14, GDP growth and primary balance will be at their historical average minus one-half standard deviation.

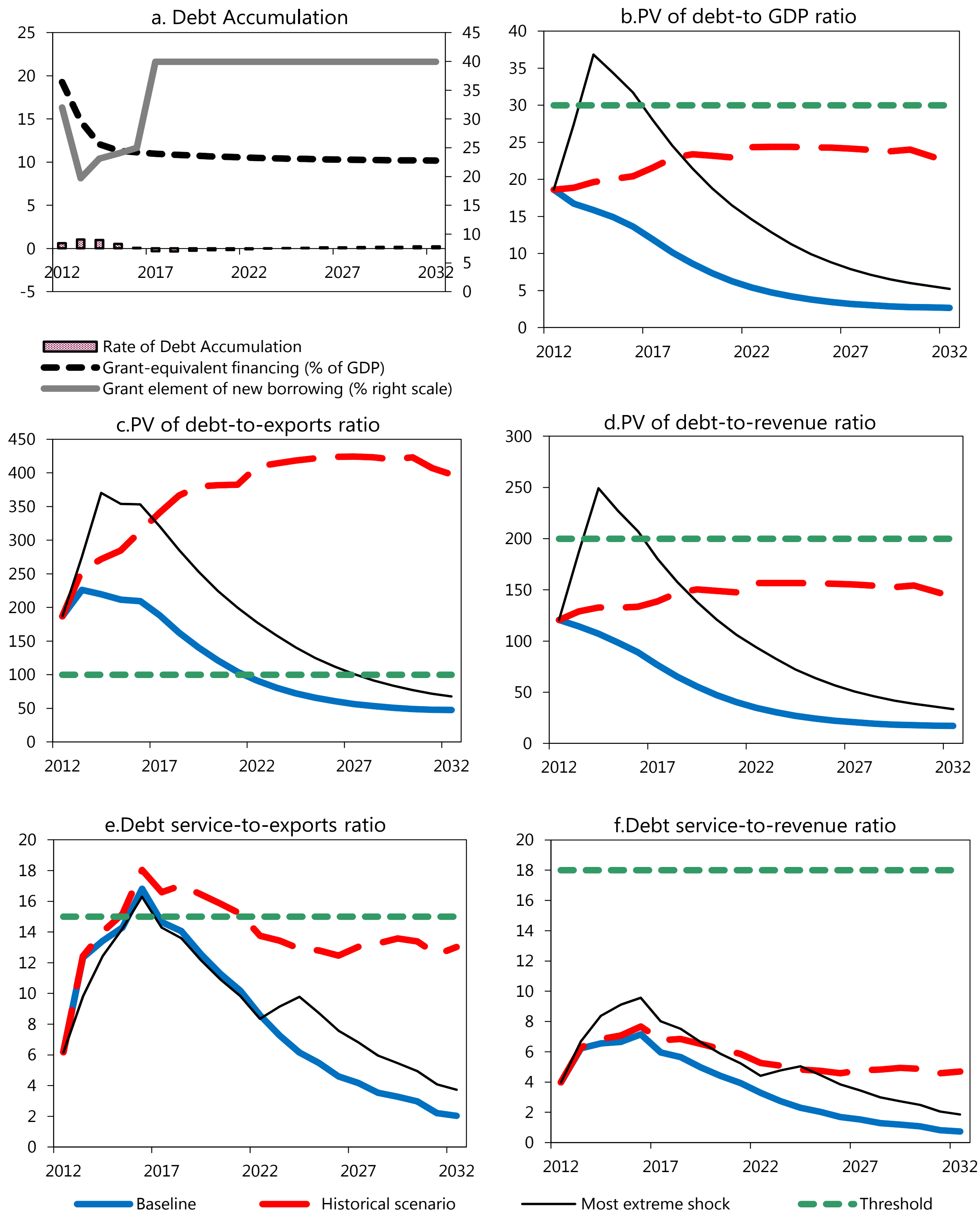
CONCLUSION

14. **Based on this LIC-DSA, staffs are of the view that Burundi continues to face a high risk of debt distress**. The debt sustainability indicators somewhat deteriorated compared to the 2011 DSA as (i) the macroeconomic outlook has been revised downward, owing to adverse shocks, (ii) a new credit line has been contracted, and (iii) the discount rate has been lowered. However, the classification remains unchanged, considering that, as in the 2011 DSA, only the PV of debt-to-export ratio remains above the policy threshold under the baseline scenario whereas other indicators are comfortably below their respective threshold. Burundi would not be classified downward to "in debt distress" as the country continues to service its debt and does not accumulate any arrears.

15. **Based on this high risk classification and on the vulnerabilities shown through the alternative and stress tests scenarios, Burundi should pursue sound macroeconomic and prudent debt policies.** In particular, the analysis points to the importance of enlarging export base and diversifying export markets. This would include swift implementation of reforms in the coffee sector and unlocking export potential in other sectors (mining, tea, horticulture, and tourism). It would also be key to continue sound policies as policy reversals are shown in the analysis as having serious hindering effect on debt sustainability. Finally, given the high risk of debt distress and the vulnerabilities, staffs encourage the authorities to continue to rely on grants and highly concessional loans to meet financing needs. The Debt Management Performance Assessment (DeMPA) and the debt management mission conducted by the World Bank in 2012 can guide the authorities in the preparation of a medium term debt strategy (MTDS). A first key step would be to adopt a new law on public debt determining the objective, the strategy, the signing authority, and other aspects of debt management. Control over sources of contingent liabilities should also be strengthened.

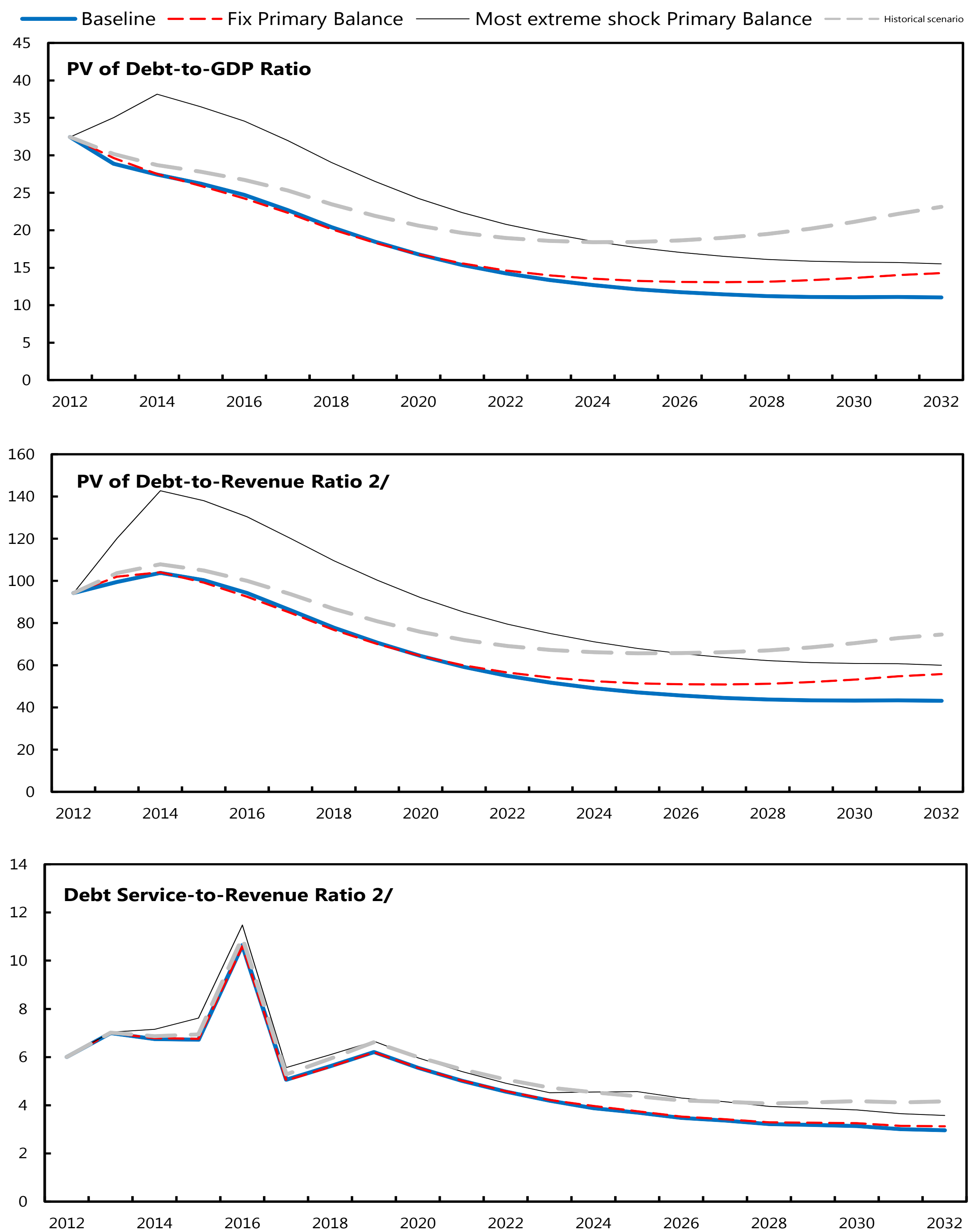
16. **The authorities broadly share staffs' assessment**.

Figure 1. Burundi: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2012-2032



Sources: Country authorities; and staff estimates and projections.

Figure 2.Burundi: Indicators of Public Debt Under Alternative Scenarios, 2012-2032 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2022.
2/ Revenues are defined inclusive of grants.

Table 1: External Debt Sustainability Framework, Baseline Scenario, 2009-2032 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2009	2010	2011			2012	2013	2014	2015	2016	2017	2012-2017 Average	2022	2032	2018-2032 Average
External debt (nominal) 1/	**21.6**	**22.5**	**23.6**			**21.4**	**19.1**	**18.1**	**16.9**	**15.5**	**13.7**		**6.8**	**4.1**	
of which: public and publicly guaranteed (PPG)	21.6	22.5	23.6			21.4	19.1	18.1	16.9	15.5	13.7		6.8	4.1	
Change in external debt	-80.6	0.9	1.0			-2.1	-2.3	-1.1	-1.1	-1.4	-1.9		-0.9	-0.1	
Identified net debt-creating flows	-7.8	-0.8	2.4			0.0	-1.5	-1.3	-1.4	-1.8	-3.5		-3.3	0.1	
Non-interest current account deficit	**-2.3**	**12.2**	**14.7**	**6.2**	**7.1**	**16.2**	**15.9**	**15.6**	**15.1**	**14.6**	**12.4**		**7.6**	**10.9**	9.7
Deficit in balance of goods and services	22.0	34.7	34.2			33.8	29.5	27.2	25.6	24.4	21.7		14.4	15.4	
Exports	6.8	8.9	10.3			10.0	7.4	7.2	7.0	6.5	6.3		6.0	5.6	
Imports	28.8	43.6	44.6			43.8	36.9	34.4	32.7	31.0	28.0		20.4	21.0	
Net current transfers (negative = inflow)	-24.8	-23.0	-20.3	-19.7	4.8	-18.2	-14.1	-12.0	-10.9	-9.9	-9.3		-6.8	-4.7	-6.2
of which: official	-15.7	-17.4	-12.9			-11.2	-7.8	-6.2	-5.4	-4.7	-4.5		-4.0	-3.6	
Other current account flows (negative = net inflow)	0.5	0.5	0.7			0.6	0.5	0.4	0.3	0.0	0.0		0.0	0.2	
Net FDI (negative = inflow)	**5.2**	**-10.0**	**-10.8**	**-4.5**	**6.5**	**-15.4**	**-16.6**	**-16.1**	**-15.7**	**-15.8**	**-15.3**		**-10.6**	**-10.5**	-10.7
Endogenous debt dynamics 2/	**-10.7**	**-3.0**	**-1.5**			**-0.8**	**-0.7**	**-0.8**	**-0.8**	**-0.6**	**-0.5**		**-0.3**	**-0.3**	
Contribution from nominal interest rate	0.6	0.1	0.1			0.1	0.2	0.1	0.1	0.2	0.2		0.1	0.0	
Contribution from real GDP growth	-3.2	-0.7	-0.9			-0.9	-0.9	-0.9	-0.9	-0.8	-0.7		-0.4	-0.3	
Contribution from price and exchange rate changes	-8.1	-2.3	-0.8			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-72.7**	**1.7**	**-1.4**			**-2.2**	**-0.8**	**0.2**	**0.3**	**0.5**	**1.6**		**2.4**	**-0.2**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	20.3			18.6	16.7	15.9	14.9	13.6	11.9		5.4	2.7	
In percent of exports	...	...	196.4			186.8	226.2	219.6	211.6	209.2	188.2		91.0	47.5	
PV of PPG external debt	**...**	**...**	**20.3**			**18.6**	**16.7**	**15.9**	**14.9**	**13.6**	**11.9**		**5.4**	**2.7**	
In percent of exports	**...**	**...**	**196.4**			**186.8**	**226.2**	**219.6**	**211.6**	**209.2**	**188.2**		**91.0**	**47.5**	
In percent of government revenues	**...**	**...**	**122.1**			**120.6**	**114.4**	**107.3**	**98.5**	**89.1**	**76.6**		**34.8**	**17.1**	
Debt service-to-exports ratio (in percent)	**901.4**	**1.3**	**2.8**			**6.2**	**4700.0**	**13.4**	**14.3**	**16.8**	**14.6**		**8.6**	**2.0**	
PPG debt service-to-exports ratio (in percent)	**901.4**	**1.3**	**2.8**			**6.2**	**12.3**	**13.4**	**14.3**	**16.8**	**14.6**		**8.6**	**2.0**	
PPG debt service-to-revenue ratio (in percent)	**430.7**	**0.8**	**1.7**			**4.0**	**6.2**	**6.6**	**6.7**	**7.2**	**6.0**		**3.3**	**0.7**	
Total gross financing need (Millions of U.S. dollars)	1116.4	46.8	91.2			33.5	9131.2	13.7	11.9	-5.0	-82.6		-196.6	124.1	
Non-interest current account deficit that stabilizes debt ratio	78.3	11.3	13.6			18.4	18.2	16.7	16.2	16.0	14.2		8.5	11.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.5	3.8	4.2	4.0	1.0	4.0	4.5	5.1	5.5	5.5	5.5	5.0	5.9	8.2	6.6
GDP deflator in US dollar terms (change in percent)	8.6	12.1	3.5	6.4	11.8	4.5	6.2	6.2	4.5	4.2	7.4	5.5	7.6	3.0	5.7
Effective interest rate (percent) 5/	0.6	0.3	0.6	0.7	0.2	0.5	0.9	0.6	0.6	1.6	1.7	1.0	2.2	0.6	1.7
Growth of exports of G&S (US dollar terms, in percent)	-22.6	52.3	25.1	20.3	27.1	4.9	-17.6	8.9	7.6	1.7	10.0	2.6	12.9	10.0	11.8
Growth of imports of G&S (US dollar terms, in percent)	-14.1	76.0	10.2	25.6	32.9	6.7	-6.5	4.1	4.8	4.1	2.6	2.6	6.5	16.7	10.7
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	32.0	19.7	23.1	24.0	25.0	39.9	27.3	39.9	39.9	39.9
Government revenues (excluding grants, in percent of GDP)	14.2	14.6	16.6			15.4	14.6	14.8	15.1	15.3	15.5		15.6	15.6	15.6
Aid flows (in Millions of US dollars) 7/	1218.5	490.9	513.5			465.1	388.3	360.6	374.0	403.8	453.3		844.4	2513.5	
of which: Grants	1205.1	460.9	487.7			450.0	379.1	342.4	356.8	388.6	435.8		810.6	2409.4	
of which: Concessional loans	13.4	30.0	25.8			15.1	9.2	18.1	17.1	15.1	17.4		33.8	104.1	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			19.3	14.7	12.1	11.3	11.2	11.0		10.5	10.2	10.4
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			96.7	91.6	89.7	91.5	93.8	97.7		97.6	97.5	97.6
Memorandum items:															
Nominal GDP (Millions of US dollars)	1739.3	2024.0	2181.9			2371.8	2632.1	2938.2	3239.9	3562.5	4037.1		7828.0	24079.0	
Nominal dollar GDP growth	12.4	16.4	7.8			8.7	11.0	11.6	10.3	10.0	13.3	10.8	13.9	11.4	12.7
PV of PPG external debt (in Millions of US dollars)			410.0			423.2	447.3	473.1	488.6	490.6	478.4		421.3	638.2	
(PVt-PVt-1)/GDPt-1 (in percent)						0.6	1.0	1.0	0.5	0.1	-0.3	0.5	-0.1	0.2	0.0
Gross workers' remittances (Millions of US dollars)	...	...	...			...	...	...	...	...	...		...	...	
PV of PPG external debt (in percent of GDP + remittances)	...	...	20.3			18.6	16.7	15.9	14.9	13.6	11.9		5.4	2.7	
PV of PPG external debt (in percent of exports + remittances)	...	...	196.4			186.8	226.2	219.6	211.6	209.2	188.2		91.0	47.5	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.8			6.2	12.3	13.4	14.3	16.8	14.6		8.6	2.0	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

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. The large residual in 2009 corresponds to HIPC-MDRI debt relief.

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

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

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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

8/ 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).

Table 2.Burundi: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2012-2032
(In percent)

	Projections							
	2012	2013	2014	2015	2016	2017	**2022**	2032
PV of debt-to GDP ratio								
Baseline	19	17	16	15	14	12	**5**	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	19	19	20	20	20	22	**24**	22
A2. New public sector loans on less favorable terms in 2012-2032 2	19	17	17	16	15	13	**7**	4
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	19	17	17	16	14	12	**6**	3
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	19	17	16	15	14	12	**5**	3
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	19	19	20	19	17	15	**7**	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	19	30	39	36	33	30	**16**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	19	27	37	34	32	28	**15**	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	19	24	22	21	19	17	**7**	4
PV of debt-to-exports ratio								
Baseline	187	226	220	212	209	188	**91**	47
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	187	255	272	285	313	341	**409**	398
A2. New public sector loans on less favorable terms in 2012-2032 2	187	233	233	228	230	208	**114**	78
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	187	230	223	214	211	187	**90**	47
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	187	205	249	239	236	209	**101**	53
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	187	230	223	214	211	187	**90**	47
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	187	401	536	513	512	468	**265**	95
B5. Combination of B1-B4 using one-half standard deviation shocks	187	275	370	354	353	321	**178**	68
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	187	230	223	214	211	187	**90**	47
PV of debt-to-revenue ratio								
Baseline	121	114	107	98	89	77	**35**	17
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	121	129	133	132	133	139	**157**	143
A2. New public sector loans on less favorable terms in 2012-2032 2	121	118	114	106	98	84	**44**	28
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	121	118	113	104	94	79	**36**	18
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	121	113	109	100	90	77	**35**	17
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	121	131	138	126	114	97	**44**	22
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	121	203	262	239	218	190	**101**	34
B5. Combination of B1-B4 using one-half standard deviation shocks	121	187	249	227	207	180	**94**	34
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	121	162	152	139	125	106	**48**	24

Table 2.Burundi: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2012-2032 (continued)

(In percent)

			Debt service-to-exports ratio					
Baseline	6	12	13	14	17	15	**9**	2
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	6	12	14	15	18	17	**14**	13
A2. New public sector loans on less favorable terms in 2012-2032 2	6	12	14	15	18	16	**9**	4
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	6	12	13	14	17	15	**9**	2
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	6	11	15	16	19	16	**10**	2
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	6	12	13	14	17	15	**9**	2
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	6	12	15	18	21	18	**11**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	6	10	12	14	16	14	**8**	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	6	12	13	14	17	15	**9**	2
			Debt service-to-revenue ratio					
Baseline	4	6	7	7	7	6	**3**	1
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	4	6	7	7	8	7	**5**	5
A2. New public sector loans on less favorable terms in 2012-2032 2	4	6	7	7	8	6	**3**	1
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	4	6	7	7	7	6	**3**	1
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	4	6	7	7	7	6	**3**	1
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	4	7	8	8	9	8	**4**	1
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	4	6	8	8	9	7	**4**	2
B5. Combination of B1-B4 using one-half standard deviation shocks	4	7	8	9	10	8	**4**	2
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	4	9	9	9	10	8	**5**	1
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	34	34	34	34	34	34	**34**	34

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly a
an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 3.Burundi: Public Sector Debt Sustainability Framework, Baseline Scenario, 2009-2032

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2009	2010	2011	Average 5/	Standard Deviation 5/	2012	2013	2014	2015	2016	2017	2012-17 Average	2022	2032	2018-32 Average
Public sector debt 1/	25.5	39.7	39.7			35.2	31.3	29.6	28.2	26.6	24.4		15.6	12.4	
of which: foreign-currency denominated	21.6	22.5	23.6			21.4	19.1	18.1	16.9	15.5	13.7		6.8	4.1	
Change in public sector debt	-81.2	14.2	0.0			-4.5	-4.0	-1.6	-1.4	-1.6	-2.2		-1.1	-0.1	
Identified debt-creating flows	-110.3	-0.7	1.8			-4.6	-4.3	-0.2	0.1	0.3	-0.6		0.1	0.2	
Primary deficit	-46.0	2.3	2.5	-4.3	14.7	0.6	0.6	2.8	2.4	2.1	1.7	1.7	1.5	0.9	1.3
Revenue and grants	83.5	37.4	39.0			34.4	29.0	26.4	26.2	26.2	26.3		25.9	25.6	
of which: grants	69.3	22.8	22.4			19.0	14.4	11.7	11.0	10.9	10.8		10.4	10.0	
Primary (noninterest) expenditure	37.6	39.7	41.5			35.0	29.7	29.2	28.5	28.3	28.0		27.4	26.5	
Automatic debt dynamics	-14.3	-3.0	-0.7			-4.8	-4.7	-2.9	-2.3	-1.8	-2.2		-1.3	-0.7	
Contribution from interest rate/growth differential	-10.3	-3.0	-4.3			-6.1	-4.5	-3.2	-2.6	-2.1	-2.5		-1.4	-0.7	
of which: contribution from average real interest rate	-6.8	-2.1	-2.7			-4.6	-3.0	-1.7	-1.0	-0.6	-1.1		-0.5	0.2	
of which: contribution from real GDP growth	-3.6	-0.9	-1.6			-1.5	-1.5	-1.5	-1.5	-1.5	-1.4		-0.9	-0.9	
Contribution from real exchange rate depreciation	-4.0	0.1	3.6			1.3	-0.2	0.3	0.3	0.2	0.3		...	...	
Other identified debt-creating flows	-50.0	0.0	0.0			-0.4	-0.2	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			-0.4	-0.2	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	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)	-50.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	...	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	29.1	14.9	-1.8			0.1	0.3	-1.4	-1.5	-1.8	-1.6		-1.3	-0.3	
Other Sustainability Indicators															
PV of public sector debt	...	...	36.5			32.4	28.9	27.4	26.2	24.7	22.7		14.3	11.0	
of which: foreign-currency denominated	...	...	20.3			18.6	16.7	15.9	14.9	13.6	11.9		5.4	2.7	
of which: external	...	...	20.3			18.6	16.7	15.9	14.9	13.6	11.9		5.4	2.7	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	19.2	5.7	7.5			5.5	5.1	8.0	8.8	10.5	10.0		9.8	9.0	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	93.6			94.3	99.4	103.8	100.3	94.3	86.1		55.0	43.1	
PV of public sector debt-to-revenue ratio (in percent)	...	...	219.6			210.2	197.3	185.7	173.2	161.4	145.9		91.6	70.8	
of which: external 3/	...	...	122.1			120.6	114.4	107.3	98.5	89.1	76.6		34.8	17.1	
Debt service-to-revenue and grants ratio (in percent) 4/	74.2	1.8	2.8			6.0	7.0	6.7	6.7	10.6	5.1		4.6	3.0	
Debt service-to-revenue ratio (in percent) 4/	435.5	4.5	6.6			13.4	13.9	12.1	11.6	18.2	8.6		7.6	4.9	
Primary deficit that stabilizes the debt-to-GDP ratio	35.2	-11.9	2.5			5.1	4.6	4.4	3.8	3.7	3.9		2.6	1.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.5	3.8	4.2	4.0	1.0	4.0	4.5	5.1	5.5	5.5	5.5	5.0	5.9	8.2	6.6
Average nominal interest rate on forex debt (in percent)	0.6	0.3	0.6	0.7	0.2	0.5	0.9	0.6	0.6	1.6	1.7	1.0	2.2	0.6	1.7
Average real interest rate on domestic debt (in percent)	4.6	3.6	-0.8	-1.5	8.3	-10.7	-8.2	-4.0	-1.3	0.1	-2.4	-4.4	-0.4	4.3	1.4
Real exchange rate depreciation (in percent, + indicates depreciation)	-4.3	0.3	19.1	6.1	16.0	6.7	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	12.7	12.2	6.0	10.8	11.3	19.4	17.7	7.9	5.5	5.3	6.7	10.4	8.5	4.0	6.6
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.1	0.1	0.1	0.1	0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	32.0	19.7	23.1	24.0	25.0	39.9	27.3	39.9	39.9	...

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ 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.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

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Table 4. Burundi: Sensitivity Analysis for Key indicators of Public Debt 2012-2032

		Projections										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2032
PV of Debt-to-GDP Ratio												
Baseline	32	29	27	26	25	23	20	18	17	15	14	11
A. Alternative scenarios												
A1. Real GDP growth and primary balance are at historical averages	32	30	29	28	27	25	23	22	21	20	19	23
A2. Primary balance is unchanged from 2012	32	30	28	26	24	22	20	18	17	16	15	14
A3. Permanently lower GDP growth 1/	32	29	28	27	25	23	21	19	18	16	15	14
B. Bound tests												
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	32	29	29	28	27	25	23	21	19	18	17	15
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	32	39	47	44	41	38	34	31	28	25	23	14
B3. Combination of B1-B2 using one half standard deviation shocks	32	35	38	36	35	32	29	27	24	22	21	16
B4. One-time 30 percent real depreciation in 2013	32	36	34	32	30	27	24	22	20	18	16	12
B5. 10 percent of GDP increase in other debt-creating flows in 2013	32	35	33	32	30	27	25	22	20	18	17	12
PV of Debt-to-Revenue Ratio 2/												
Baseline	94	99	104	100	94	86	78	71	64	59	55	43
A. Alternative scenarios												
A1. Real GDP growth and primary balance are at historical averages	94	104	108	105	100	94	87	81	76	72	69	75
A2. Primary balance is unchanged from 2012	94	102	104	99	93	85	77	70	64	60	57	56
A3. Permanently lower GDP growth 1/	94	100	104	101	95	88	80	73	67	63	59	55
B. Bound tests												
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	94	101	108	105	100	93	85	79	73	69	65	58
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	94	136	176	168	158	144	130	118	107	98	90	56
B3. Combination of B1-B2 using one half standard deviation shocks	94	120	143	138	130	120	110	100	92	85	79	60
B4. One-time 30 percent real depreciation in 2013	94	124	128	122	114	104	93	84	76	69	64	45
B5. 10 percent of GDP increase in other debt-creating flows in 2013	94	122	126	121	114	104	94	85	78	71	66	47
Debt Service-to-Revenue Ratio 2/												
Baseline	6	7	7	7	11	5	6	6	6	5	5	3
A. Alternative scenarios												
A1. Real GDP growth and primary balance are at historical averages	6	7	7	7	11	5	6	7	6	5	5	4
A2. Primary balance is unchanged from 2012	6	7	7	7	11	5	6	6	6	5	5	3
A3. Permanently lower GDP growth 1/	6	7	7	7	11	5	6	6	6	5	5	3
B. Bound tests												
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	6	7	7	7	11	5	6	6	6	5	5	3
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	6	7	7	8	12	6	6	7	6	5	5	4
B3. Combination of B1-B2 using one half standard deviation shocks	6	7	7	8	11	6	6	7	6	5	5	4
B4. One-time 30 percent real depreciation in 2013	6	8	8	8	13	7	7	8	7	6	6	3
B5. 10 percent of GDP increase in other debt-creating flows in 2013	6	7	7	7	11	5	6	6	6	5	5	3

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND EXTERNAL RELATIONS DEPARTMENT

Press Release No. 13/50
FOR IMMEDIATE RELEASE
February 14, 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Second Review Under the Extended Credit Facility Arrangement for Burundi and Approves US$7.6 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) has completed the second review of Burundi's performance under the program supported by the Extended Credit Facility (ECF). The Executive Board's decision will allow for the disbursement of an amount equivalent to SDR 5 million (about US$7.6 million), bringing disbursements under the arrangement to an amount equivalent to SDR 10 million (about US$15.3 million). The Executive Board's decision was taken on a lapse of time basis.[1] Burundi's three-year ECF arrangement was approved on January 27, 2012 (See Press Release No.12/35).

Real gross domestic product growth is estimated to have decelerated to 4 percent in 2012, in the face of a sharp deterioration in the terms of trade by a cumulative 27 percent during 2011–12. Inflation peaked at 25.3 percent (year-on-year) in March 2012 before declining sharply to 11.8 percent at end-2012, owing in part to tight monetary policy and the temporary removal of taxes on food products. Lower liquidity within the banking system contributed to a slowdown in growth in credit to the private sector.

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

The fiscal deficit was lower than programmed owing to tighter financing conditions. Despite the adoption of corrective measures in mid-2012, revenues were lower than expected due mainly to the foregoing of fuel-related excise taxes for most of 2012 and the effects of the economic slowdown. Spending on priority areas was slightly lower than expected owing to delays in implementing new revenue measures and disbursements by some donors.

Progress under the program has been satisfactory under difficult circumstances. All targets and structural reforms under the program through end-September were met except the indicative target on pro-poor spending, which was missed by a small margin. For the remainder of the program, the policy agenda focuses on increasing revenue mobilization, strengthening public financial and debt management, and strengthening the central bank's oversight of the financial system.

Key risks to the outlook arise mainly from the deterioration of terms of trade, slower than expected global growth, any decline in external assistance, and regional insecurity. However, absent these risks materializing, growth of economic activities is expected to rebound and inflation would continue to ease owing to lower international food and fuel prices.