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Burundi: Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Extension of the Arrangement—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion.

In the context of the Burundi: fifth review under the three-year arrangement under the Extended Credit Facility and request for extension of the arrangement, the following documents have been released and are included in this package:

- The staff report for the Burundi: Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Extension of the Arrangement, prepared by a staff team of the IMF, following discussions that ended on December 11, 2010, 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 February 28, 2011. 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 Press Release summarizing the views of the Executive Board.

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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BURUNDI

Fifth Review Under the Three-Year Arrangement
Under the Extended Credit Facility and Request for Extension of the Arrangement

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

Approved by Michael Atingi-Ego and Dominique Desruelle

February 28, 2011

ECF arrangement:	On July 7, 2008, the Executive Board approved a three-year ECF arrangement with access of SDR 46.2 million (60 percent of quota). The fourth review of the ECF-supported program was completed on July 23, 2010.
Discussions:	A mission comprising Messrs. Akitoby (head), Ioannou, Thomas (all AFR), and Gruss (FAD) visited Bujumbura December 1–11, 2010, to conduct the fifth review of the ECF-supported program. The discussions were concluded January 12–14, 2011 in Washington DC. The staff met with President Nkurunziza, First Vice-President Sinunguruza, Second Vice-President Rufyikiri, Minister of Finance Nizigama, Central Bank Governor Sindayigaya, other senior government officials, and representatives of labor unions, the private sector, CSOs, the donor community, and the media.
Program review:	All quantitative performance criteria for September 2010 and all continuous performance criteria were met, and structural reforms are on track. Staff recommends completion of the fifth review and extension of the ECF arrangement to August 31, 2011.
Publication:	The authorities consent to the publication of this report, the letter of intent, the Memorandum of Economic and Financial Policies (MEFP), and the Technical Memorandum of Understanding (TMU).

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EXECUTIVE SUMMARY

The economy is emerging from the effects of the global crisis. Economic growth is estimated to rise to 3.9 percent in 2010, from 3.5 percent in 2009. Because of falling nonfood prices, headline inflation (end of period) fell to 4.1 percent in 2010 from 4.6 percent in 2009. The external current account deficit is estimated to decline to around 12 percent of GDP, because of higher exports and official transfers. Gross official reserves stood at about five months of imports in 2010.

In a difficult postconflict environment, performance on the ECF-supported program was broadly satisfactory. All September quantitative performance criteria have been met, and structural reforms are moving ahead. Notably, the authorities have moved closer to having a single treasury account and have taken further steps to improve governance. The Burundi Revenue Authority (BRA) completed staffing and is now operational. In accordance with the new Organic Law on Public Finance, a draft General Regulation on Public Budget Management has been finalized and sent to the cabinet. In the financial sector, a draft financial sector reform strategy, along with an action plan, has also been finalized.

The economy is expected to continue to recover from the effects of the global crisis. Real GDP growth is projected to rise to 4.5 percent in 2011, the pre-crisis growth rate, supported by donor-financed investment. Headline inflation (end of period) in 2011 is projected to increase to 9 percent, because of higher international food and oil prices. Gross official reserves would remain at about five months of imports.

The program for 2011 seeks to consolidate economic stability and support recovery of the economy. Prudent monetary policy will help anchor inflation expectations while allowing scope for economic growth. Fiscal policy will consolidate progress on increasing domestic revenue and reallocating spending to sectors related to the Millennium Development Goals. Structural reforms will continue to focus on public financial management (PFM) and central bank safeguards.

Because Burundi is a postconflict country, risks to the program remain significant. The foremost risk would be a worsening external environment with higher food and oil prices than currently projected. Second, governance slippages may disrupt donor support.

Staff recommends completion of the fifth ECF review and extension of the ECF arrangement to August 31, 2011, based on Burundi's performance and the strength of the program.

I. BACKGROUND

1. **Burundi is one of the poorest countries in the world**. GDP per capita is about US$140, and about 67 percent of the population lives below the poverty line. While the country is making some progress toward the Millennium Development Goals (MDGs), it is unlikely that any will be achieved by 2015 (Table 1).

2. **The country is emerging from more than a decade of civil conflict**. The ruling party won the 2010 elections with a large majority at all levels of government, including the National Assembly. However, the still-fragile security and political situation presents risks, as shown by violence by armed groups against security forces. In a difficult postconflict environment, Burundi has made steady, though uneven, progress in implementing its ECF-supported economic reforms.

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

II. RECENT DEVELOPMENTS AND PERFORMANCE UNDER THE ECF

4. **The economy is emerging from the effects of the global crisis** (Table 2). Economic growth is estimated to rise to 3.9 percent in 2010, from 3.5 percent in 2009. Because of falling nonfood prices, headline inflation (end of period) fell to 4.1 percent in 2010, from 4.6 percent in 2009. The external current account deficit is estimated to decline to around 12 percent of GDP in 2010, because of higher exports and official transfers. Gross official reserves stood at about five months of imports in 2010.

5. **Performance under the ECF-supported program has been satisfactory** (MEFP, Tables I.1 and I.3), despite delayed budget support and risks posed by the four-month electoral cycle. All September quantitative performance criteria were met. However, the continuous structural benchmark on Interpetrol, a petroleum company involved in a governance incident in 2007, was breached because Interpetrol property deeds which were to remain under seal pending a court ruling, were released following a decision by the attorney general.[1] As corrective measure, the authorities have reiterated their commitment to bring back the case before a court. In this regard, the government is preparing to ask the supreme court to deal with the case. In the meantime, the Fbu 6 billion belonging to Interpetrol and taken as security, will remain under seal.

6. **Fiscal performance was generally satisfactory** (text table 1). For 2010, revenue is estimated at 19.1 percent of GDP, 0.8 percent of GDP higher than programmed because of improved collection of VAT and better enforcement stemming from the creation of the Burundi Revenue Authority (BRA). Current spending was lower than programmed, partly because implementation of the new law on defense and security forces pay has been

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[1] Under Burundi law, the attorney general is not independent from the government, and as such his decision is interpreted as administrative.

postponed to 2011. Externally financed programs were substantially higher than programmed because of updated information on externally financed special programs.[2] Overall, the fiscal deficit (cash basis, including non-HIPC grants) was slightly lower than programmed.

7. **Structural reforms are moving ahead** (MEFP, ¶8-16). Notably, the authorities have moved closer to having a single treasury account and have completed staffing of the BRA, which is now operational. In accordance with the new Organic Law on Public Finance, a new convention between the government and the Bank of the Republic of Burundi (BRB) has been signed and a draft General Regulation on Public Budget Management has been finalized and sent to the cabinet. In the financial sector, a draft financial reform strategy, along with an action plan, also has been finalized. In the coffee sector, a new institutional framework has been adopted to support the liberalization policy. To improve the business climate, approval procedures for new investments have been streamlined, with the creation of the Investment Promotion Agency.

Text Table 1. Burundi: Government Operations, 2008–10

(In percent of GDP)

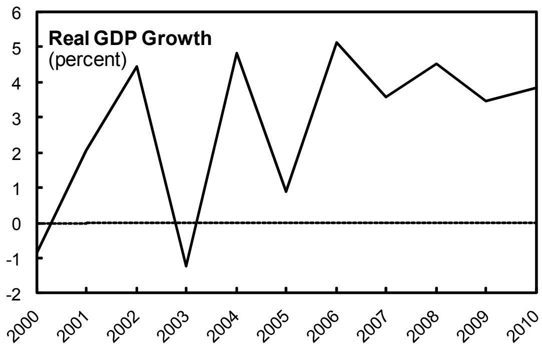
	2008	2009	2010	
			Rev. Prog.	Est.
Revenue	18.5	18.6	18.3	19.1
Total expenditure and net lending	56.7	50.7	49.5	50.8
Current Spending	25.8	25.8	27.0	24.0
Capital spending and net lending	19.5	17.0	17.0	15.7
Externally financed special programs	11.3	7.9	5.5	11.1
Overall balance (commitment basis, including non-HIPC grants)	-2.4	-5.2	-3.1	-2.9
Change in arrears (reduction = -)	-0.8	0.0	-1.1	-1.0
Overall balance (cash basis, including non-HIPC grants)	-3.2	-5.2	-4.3	-4.0
Financing	37.7	30.4	32.3	32.7
External grants	37.5	90.6	28.0	28.8
Of which: HIPC relief	3.0	65.3	0.0	0.0
External borrowing, net	-1.1	-64.4	2.7	1.9
Privatization proceeds	0.0	0.0	0.1	0.1
Domestic	1.4	4.2	1.5	2.0
Errors and omissions	1.2	1.7	0.0	0.0

Sources: Burundi authorities; and IMF staff estimates.

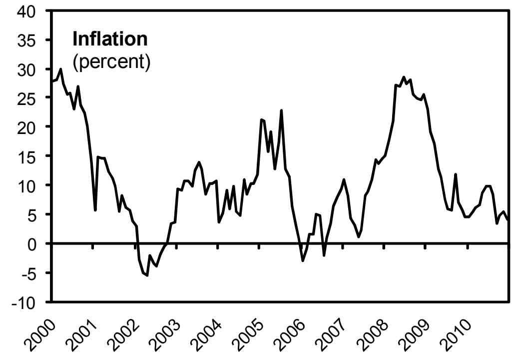
[2] External financing has been revised from 2007 onward to take into account the updated figures from the National Committee for the Coordination of Aid (CNCA report, June 2010). Externally financed special programs include technical assistance and one-off spending on elections and crisis-related social programs (3.6 percent of GDP).

Figure 1. Burundi: Macroeconomic Performance, 2000–10

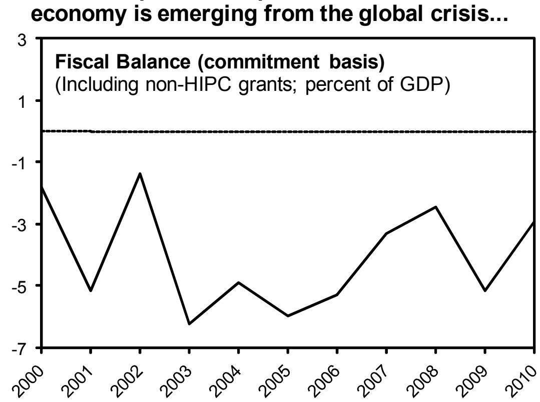
Growth was volatile but trended upward...



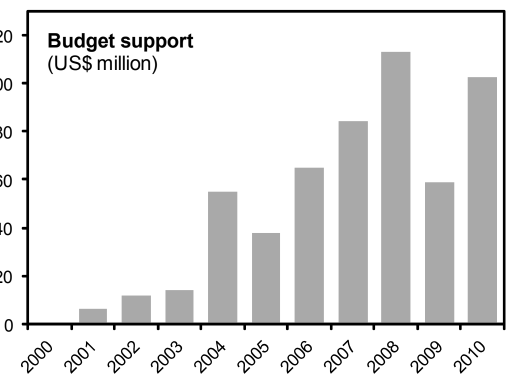
…while inflation decelerated mainly because of lower food prices.



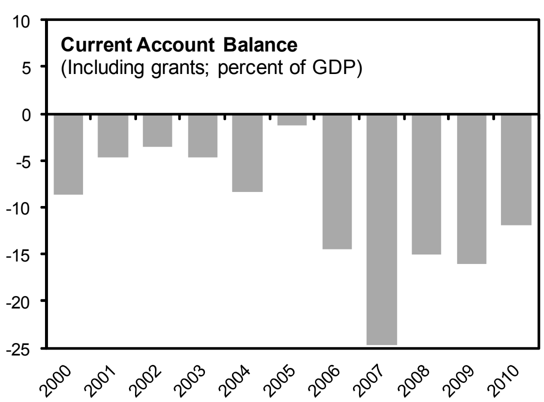
The fiscal position improved in 2010 as the economy is emerging from the global crisis...



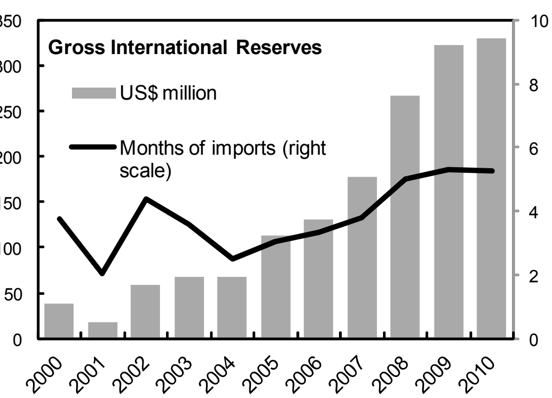
… also supported by higher budget support.



The current account improved in recent years...



…and official inflows helped rebuild international reserves.



Sources: Burundi authorities and IMF staff estimates.

III. Consolidating Economic Stability and Sustaining Growth

8. **The discussions focused on the appropriate policy mix to consolidate economic stability and support recovery of the economy, following the global crisis**. The authorities recognize that, because of Burundi's high risk of debt distress, they should continue to maintain prudent fiscal and monetary policies and mainly rely on grants and highly concessional loans to avoid unsustainable debt.

A. Macroeconomic Outlook

9. **The economy is expected to continue to recover from the effects of the global crisis** (text table 2). Real GDP growth is projected to rise to 4.5 percent in 2011, the rate before the crisis, supported by donor-financed investment. Headline inflation (end of period) in 2011 is projected to increase to 9 percent, because of higher international food and oil prices. Gross official reserves would remain at about five months of imports. Burundi's medium-term economic outlook is positive but subject to risks from the uncertain external environment.

Text Table 2. Burundi: Medium-Term Outlook, 2009–13

	2009	2010		2011	2012	2013
		Rev. Prog.	Est.	Prog.	Proj.	
	(Annual percentage change, unless otherwise indicated)					
National income and prices						
Real GDP growth	3.5	3.9	3.9	4.5	4.8	5.0
Consumer prices (end of period)	4.6	9.5	4.1	9.0	7.5	6.5
	(Percent of GDP, unless otherwise indicated)					
General government						
Revenue (excluding grants)	18.6	18.3	19.1	19.3	19.6	19.8
Total expenditure and net lending	50.7	49.5	50.8	44.0	41.5	39.9
Overall balance						
Commitment basis (including non-HIPC grants)	-5.2	-3.1	-2.9	-2.6	-1.5	-0.9
Cash basis (including non-HIPC grants)	-5.2	-4.3	-4.0	-3.6	-1.5	-0.9
External sector						
Current account balance	-16.1	-9.0	-11.9	-15.6	-15.9	-14.9
Overall balance of payments	4.1	-0.8	0.8	-0.5	0.5	0.1
Gross official reserves						
In US$ million	323	311	331	321	347	368
In months of imports	5.3	6.0	5.2	5.1	5.5	5.5

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

B. Fiscal Policy and Related Reforms

10. **Understandings were reached on the 2011 budget** (Table 3). The budget aims at an overall fiscal deficit (on a cash basis, including non-HIPC grants) of about 3.5 percent of GDP. To sustain spending in areas critical to meeting the MDGs, fiscal policy will continue

to support the use of aid, taking into account absorptive capacity. Moreover, capital spending will be refocused on key infrastructure that will help relieve major supply bottlenecks (for example, electricity and irrigation).

11. **The need to achieve debt sustainability will anchor medium-term fiscal policy** (MEFP, ¶28). Given Burundi's debt burden, external financing of the budget will be limited to grants and highly concessional loans. Fiscal reforms during the past three years will also help ensure debt sustainability. These include the new budget law and the reforms of tax policy, revenue administration, expenditure policy, treasury management, and debt management.

12. **The authorities recognize that mobilizing domestic revenue is critical for fiscal sustainability and increased poverty-reducing expenditure** (MEFP, ¶18-19). The revenue target is expected to rise to about 19.3 percent of GDP, supported by the newly established BRA and strengthening of tax and customs administration. Revenue reforms over the medium term will continue to have support from Fund, World Bank, and DFID TA. In particular, the authorities are (i) computerizing all of BRA's revenue collection procedures and services with World Bank and DFID TA; (ii) broadening the tax base through a census of all taxpayers; and (iii) developing a robust new Taxpayer Identification Number system.

13. **The 2011 budget provides additional resources for priority sectors** (MEFP, ¶21-25). In line with Burundi's poverty reduction strategy, additional resources are being spent on health and education. In this context, budgetary allocations have been made for worthy initiatives such as free health care for children under 5 and for women during childbirth and free schooling at the primary level. The program also includes spending of about 2 percent of GDP on agriculture, water, and rural infrastructure to boost agricultural production and alleviate the impact of higher food prices on the most vulnerable groups. Overall, pro-poor spending is expected to increase by 14 percent, from BIF 346.9 billion in 2010 to BIF 395.5 billion in 2011. Creating more fiscal space hinges on reducing security spending. The authorities and donors think that, given the still fragile political and security situation, the defense and security forces should be rightsized in the medium term, taking into account the political and social implications.

14. **Controlling the wage bill is a key medium-term challenge** (MEFP, ¶26**)**. As projected in (IMF Country Report No. 10/313), the wage bill for 2011 is budgeted at about BIF 250 billion (about 12 percent of GDP), taking into account additional recruitment in the social sectors. Staff advised the authorities to avoid any general wage increase and continue reforms of wage and employment, in consultation with the World Bank. The medium-term objective of the government is to bring the wage bill below 11 percent of GDP. Achieving the medium-term objective, while continuing to recruit in priority sectors, critically hinges on reducing the size of defense and security forces.

15. **The authorities are committed to PFM reform** (MEFP, ¶40). The government will continue implementing its PFM strategy and action plan with the aim of consolidating progress in the areas of fiscal governance and transparency. Notably, the cabinet soon will adopt the general regulations on public budget management. These regulations will permit effective application of the organic budget law. In the area of revenue administration, the

BRA operations will be consolidated through the rollout of its five-year corporate plan, with development partners' assistance.

C. Monetary Policy and Financial Sector Issues

16. **Monetary policy will continue to be geared toward stabilizing prices while supporting economic recovery** (Tables 5 and 6). A key policy challenge for 2011 is to anchor inflation expectations in the face of rising international food and oil prices. Broad money will continue to rise in line with nominal GDP, to allow sufficient credit to the private sector to support economic recovery. The program foresees that reserve money in 2011 will grow by 13 percent and broad money by about 16 percent.

17. **Close collaboration between the central bank and the Ministry of Finance is essential for achieving the inflation target** (MEFP, ¶32). Such cooperation is needed to improve the central bank's liquidity forecast and ensure that aid-financed spending is adequately absorbed through sales of foreign exchange.[3] The Cash Flow Management Committee (made up of Ministry of Finance and central bank officials) will hold regular meetings to provide timely information for liquidity management operations. The meetings between officials of both institutions would focus on how the government's cash outlays affect reserve money and foreign exchange market operations.

18. **The central bank continues to enhance banking supervision** (MEFP, ¶13, 41). Supervision of banks and microfinance institutions has benefited from capacity building in the auditing of prudential and financial statements prepared in accordance with International Financial Reporting Standards (IFRS). Efforts are also underway to fully implement on-site inspections according to risk-based supervision procedures. To mitigate concentration risk, a key vulnerability of the banking system (Table 8), the BRB will continue to scrutinize closely bank risk management practices and lending standards and start conducting stress tests, with the help of Central AFRITAC TA.

19. **The financial sector strategy is expected to guide the reform of the financial sector** (MEFP, ¶10, 41). The authorities have prepared a draft financial sector reform strategy and an action plan, expected to be adopted by the cabinet in the first quarter of 2011. Priority reforms include (i) modernizing the infrastructure for the payment system, in keeping with East African Community (EAC) action plans and international standards and (ii) revamping the payment system's legal framework.

20. **The central bank will continue to strengthen its internal controls and safeguards** (MEFP, ¶34). It will recruit an international auditor to (i) monitor the full implementation of all recommendations made by the 2010 special audits and (ii) verify on a test basis the controls on important domestic disbursements and transfers executed by the central bank on behalf of the government and its creditors during the first half of 2011.

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[3] With MCM TA, the central bank is working to prepare monthly and subsequently weekly monetary targets, consistent with the quarterly program objectives.

D. External Sector Policies

21. **Staff stressed that ongoing reforms in liquidity and foreign exchange markets could help increase flexibility in the exchange rate** (MEFP, ¶33). The exchange rate seems to be broadly in line with its equilibrium rate (IMF Country Report No. 10/313). MCM TA is expected to improve Treasury bill and foreign exchange auctions, while preparing the groundwork for an interbank foreign exchange market. It will also improve coordination between the treasury and the central bank to strengthen liquidity management. These reforms could make interest rates more responsive to market conditions. The central bank introduced a new foreign exchange regulation which became operational in July 2010. The new regulation eases controls on foreign exchange transactions, while codifying existing foreign exchange regulatory practices, which give rise to foreign exchange restrictions that are subject to approval under Article VIII, Section 2(a). In line with LEG and MCM advice, the authorities agreed to revise the new regulation to comply with their obligations under Article VIII.

22. **The authorities are continuing to firm up public debt management** (MEFP, ¶28, 30). According to the Fund's policy on debt limits, Burundi is considered a low capacity, high debt vulnerability country. The latest low-income country debt sustainability analysis (IMF Country Report No. 10/313), found that Burundi faces a high risk of debt distress (Table 7).[4] This underscores the importance of continuing to seek only highly concessional loans and grants. The authorities have committed to draw on MCM and other donor recommendations to strengthen debt management. They are drafting a public debt strategy for 2011–30, which will define sectoral priorities and set annual debt ceilings.

23. **The authorities have established an interministerial committee to coordinate EAC integration efforts and facilitate decision-making** (MEFP, ¶38-39). They expect adoption of a national strategy and action plan, prepared with the assistance of development partners, in the first quarter of 2011. Burundi must undertake significant reforms over the medium term to integrate itself into the EAC. This will test the authorities' administrative capacity. If implemented successfully, these reforms should contribute to improving the business and policy environments.

E. Structural Reforms

24. **In addition to the structural reforms discussed, the authorities are pursuing reform of the coffee sector** (MEFP, ¶14, 35). After the recent privatization of 13 coffee washing stations, the authorities plan to relaunch the bidding for the remaining coffee stations, in consultation with the World Bank.

25. **The authorities are aware of the need to continue to enhance transparency and good governance** (MEFP, ¶37). They concurred with staff that continued progress in this area is critical to securing donors' financial support and promoting private sector

[4] The high risk of debt distress reflects mainly the country's narrow export base and vulnerability to shocks.

development. They pointed out that the Fund-supported program has strengthened transparency and good governance by

- Improving central bank and treasury safeguards;
- Improving the management of public resources, including administrative procedures (e.g., expenditure control, budget management, revenue collection); and
- Supporting a transparent and stable economic environment conducive to private sector activities (e.g., exchange and trade regimes, the banking system, related regulations).

26. **The authorities reiterated their determination to take on the daunting challenge of fighting corruption in Burundi, a country that is emerging from years of conflict** (MEFP, ¶16, 37). They are working on an anticorruption strategy in consultation with donors. The objective is to translate the president's stated goal of "zero tolerance" on corruption into concrete action. The authorities have already established an interministerial committee to finalize the first draft of the strategy by end-March 2011. The draft strategy will be discussed in a workshop with all stakeholders. In the meantime, the minister in charge of Good Governance and Privatization has planned a public campaign to sensitize all civil servants about the fight against corruption in day-to-day activities. The campaign includes the following:

- A media campaign for six months on governance and the fight against corruption;
- Two months of workshops on leadership, performance, accountability, transparency and the fight against corruption; and
- Preparation of ministerial work programs on the implementation of the president's directives and the workshop recommendations.

27. **The authorities are preparing a new Poverty Reduction Strategy Paper (PRSP) building on implementation lessons from 2007 to 2009**. During the Annual Feedback Process, staff encouraged the authorities to continue efforts to improve conditions for private sector–led growth, while safeguarding fiscal sustainability.[5] Additional revenue mobilization and improvements in the composition of spending would contribute to poverty reduction. In preparing a new PRSP, staff also encouraged the authorities to consider how EAC integration, export diversification, and financial sector modernization could help poverty reduction.

[5] Fund and World Bank staffs conducted an Annual Feedback Process covering the Second Annual Progress Report of the PRSP, published in December 2009, and the 2007–09 PRSP Implementation Report, published in October 2010.

F. Program Monitoring

28. **End-March quantitative performance criteria focus on net foreign assets and net domestic assets of the central bank and net domestic financing of the government, with adjusters to deal with aid volatility**. 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. Indicative targets have been established for domestic arrears accumulation, reserve money, and pro-poor spending (MEFP, Table I.2).

29. **The proposed structural conditionality (MEFP, Table I.4) is linked to the first strategic axis of the Poverty Reduction Strategy Paper**, strengthening economic governance, especially bringing transparency to financial management.

30. **The authorities have requested an extension of the ECF arrangement to August 31, 2011**. The extension will ensure adequate time to complete the sixth review.

G. Risks

31. **Although the authorities have reiterated their firm commitment to the program, there are two main risks**. The foremost risk would be a worsening external environment with higher food and oil prices than currently projected. To mitigate this risk, the program includes spending to boost agricultural production and alleviate the impact of higher food prices on the most vulnerable groups. If needed, additional spending could be considered through the use of the reserve fund. Second, governance slippages could disrupt donor support. To mitigate this risk, the program emphasizes prudent management of public finances and firmer controls at the central bank.

IV. Staff Appraisal

32. **In a difficult postconflict environment, Burundi has made steady, though uneven, progress**. Most monetary and fiscal reforms have progressed. However, structural reform has generally been slow, because of limited institutional capacity and political instability. The economic outlook is generally positive but subject to risks arising from the external environment.

33. **The 2011 program further consolidates economic stability and reduces poverty while supporting recovery of the economy from the global crisis**. Staff agrees that fiscal and monetary policies should remain supportive of economic recovery in the near term. Spending on MDG-related sectors will be boosted with donor support**.**

34. **Staff urges the authorities to anchor medium-term fiscal policy to debt sustainability**. Given the high risk of debt distress and low capacity, the budget should be financed only by grants and highly concessional external financing. Improvements in governance will be critical for donor support. In this regard, the authorities should further strengthen PFM.

35. **Staff encourages the authorities to continue their efforts to reform the financial sector**. Key priorities include improving banking supervision, modernizing the payment system, and addressing weaknesses in the banking system, notably concentration risk.

36. **Sustained growth and poverty reduction depend on accelerating structural reforms**. Staff urges the authorities to pursue appropriate growth-enhancing reforms by refocusing capital spending on key infrastructure, accelerating EAC integration, and advancing financial sector reform. Preparation of a new PRSP is an opportunity to reenergize efforts to accelerate poverty reduction.

37. **As a postconflict country, Burundi still faces significant risks**. However, so far the authorities have demonstrated their ability to manage economic and social pressures. Staff fully endorses their efforts.

38. **Staff recommends completion of the fifth ECF review and extension of the ECF arrangement to August 31, 2011, based on Burundi's performance and the strength of the program**.

Table 1. Burundi: Millennium Development Goals

	1990	1995	2000	2005	2008	Target
Goal 1: Eradicate extreme poverty and hunger						
Employment to population ratio, 15+, total (%)	84	85	85	83	83	..
Employment to population ratio, ages 15-24, total (%)	*74*	76	77	74	73	..
GDP per person employed (annual % growth)	-1	-9	-3	-4	0	..
Income share held by lowest 20%	8	..	5	9	9	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	39	..	..	..
Poverty gap at $1.25 a day (PPP) (%)	*40*	..	*47*	*36*	*36*	..
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	*84*	..	*86*	*81*	*81*	..
Prevalence of undernourishment (% of population)	44	57	..	63	..	..
Vulnerable employment, total (% of total employment)	..	..	..	..	..	..
Goal 2: Achieve universal primary education						
Literacy rate, youth female (% of females ages 15-24)	48	..	70	..	75	100
Literacy rate, youth male (% of males ages 15-24)	59	..	77	..	77	100
Persistence to last grade of primary, total (% of cohort)	..	..	53	*58*	*54*	..
Primary completion rate, total (% of relevant age group)	41	..	25	36	45	..
Total enrollment, primary (% net)	..	..	43	63	99	100
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliaments (%)	..	..	6	31	31	..
Ratio of female to male enrollments in tertiary education	36	..	35	38	46	..
Ratio of female to male primary enrollment	80	80	80	86	95	..
Ratio of female to male secondary enrollment	58	..	..	74	71	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	14	..	..	..	..	..
Goal 4: Reduce child mortality						
Immunization, measles (% of children ages 12-23 months)	74	80	76	87	84	..
Mortality rate, infant (per 1,000 live births)	113	111	107	104	102	37.7
Mortality rate, under-5 (per 1,000)	189	184	178	171	168	63.1
Goal 5: Improve maternal health						
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	40	34	24	19	..
Births attended by skilled health staff (% of total)	..	..	25	34	..	..
Contraceptive prevalence (% of women ages 15-49)	..	..	16	9	..	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	1,100	..	..
Pregnant women receiving prenatal care (%)	..	..	78	92	..	..
Unmet need for contraception (% of married women ages 15-49)	..	..	..	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	31	30	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	154	223	321	387	367	..
Prevalence of HIV, female (% ages 15-24)	..	..	..	*1.3*	*1.3*	..
Prevalence of HIV, male (% ages 15-24)	..	..	..	*0.4*	*0.4*	..
Prevalence of HIV, total (% of population ages 15-49)	1.7	5.2	3.8	2.4	2.0	..
Tuberculosis cases detected under DOTS (%)	..	20	30	25	27	..
Goal 7: Ensure environmental sustainability						
CO2 emissions (kg per PPP $ of GDP)	0.1	0.1	0.1	0.1	..	..
CO2 emissions (metric tons per capita)	0.0	0.0	0.0	0.0	..	..
Forest area (% of land area)	11.3	9.5	7.7	5.9	*5.2*	..
Improved sanitation facilities (% of population with access)	44	43	42	41	41	..
Improved water source (% of population with access)	70	70	71	71	71	..
Marine protected areas, (% of surface area)	..	..	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	6	6	..
Goal 8: Develop a global partnership for development						
Aid per capita (current US$)	46	47	14	49	59	..
Debt service (PPG and IMF only, % of exports, excluding workers' remittances)	42	27	38	34	7	..
Internet users (per 100 people)	0	0	0.1	0.5	0.8	..
Mobile cellular subscriptions (per 100 people)	0	0	0	2	6	..
Telephone lines (per 100 people)	0	0	0	0	0	..
Other						..
Fertility rate, total (births per woman)	7.0	6.0	6.0	5.0	5.0	..
GNI per capita, Atlas method (current US$)	200	150	120	100	140	..
GNI, Atlas method (current US$) (billions)	1.1	0.9	0.8	0.7	1.1	..
Gross capital formation (% of GDP)	15	6	6	11	16	..
Life expectancy at birth, total (years)	46	45	47	49	50	..
Literacy rate, adult total (% of people ages 15 and above)	37	..	59	..	66	..
Population, total (millions)	5.7	6.2	6.5	7.4	8.1	..
Trade (% of GDP)	35.6	40.2	27.7	56.7	57.7	..

Source: World Development Indicators database.

Table 2. Burundi: Selected Economic and Financial Indicators, 2008–13

	2008	2009	2010		2011	2012	2013
			Rev. Prog.	Est.	Prog.	Proj.	
			(Annual percentage change)				
National income and prices							
Real GDP growth	4.5	3.5	3.9	3.9	4.5	4.8	5.0
GDP deflator	25.1	14.1	8.3	8.5	10.7	9.4	7.7
Consumer prices (period average)	24.4	10.7	7.0	6.4	7.0	8.2	7.0
Consumer prices (end of period)	25.7	4.6	9.5	4.1	9.0	7.5	6.5
External sector							
Exports, f.o.b. (US$)	15.1	21.5	20.2	50.4	-15.3	11.7	-7.1
Imports, f.o.b. (US$)	26.5	-19.6	32.3	32.1	19.1	-1.0	0.8
Export volume	0.4	16.0	26.4	21.5	-19.2	23.7	-3.1
Import volume	12.7	6.3	8.0	3.4	2.1	2.2	5.1
Terms of trade (deterioration = –)	2.1	38.5	-22.4	-3.1	-10.3	-6.8	0.0
			(Change in percent of beginning of period M2, unless otherwise indicated)				
Money and credit							
Net foreign assets	21.9	-2.9	3.0	-5.4	0.2		
Domestic credit	18.8	27.8	11.3	24.2	17.4		
Government	5.8	17.1	0.7	6.6	2.3		
Private sector	8.5	13.7	10.6	16.9	15.2		
Money and quasi-money (M2)	34.2	19.8	12.0	18.2	15.6		
Reserve money (12–month growth rate)	25.1	26.6	10.6	6.0	13.0		
			(Percent of GDP)				
General government							
Revenue (excluding grants)	18.5	18.6	18.3	19.1	19.3	19.6	19.8
Total expenditure and net lending	56.7	50.7	49.5	50.8	44.0	41.5	39.9
Overall balance (commitment basis)							
Excluding grants	-38.2	-32.1	-31.2	-31.7	-24.8	-21.9	-20.1
Including grants (excl. HIPC)	-2.4	-5.2	-3.1	-2.9	-2.6	-1.5	-0.9
External sector							
Current account balance	-15.0	-16.1	-9.0	-11.9	-15.6	-15.9	-14.9
Overall balance of payments	7.4	4.1	-0.8	0.8	-0.5	0.5	0.1
Savings-investment balance	-15.0	-16.1	-9.0	-11.9	-15.6	-15.9	-14.9
Private	-12.6	-10.9	-5.9	-9.0	-13.0	-14.4	-14.0
Public	-2.4	-5.2	-3.1	-2.9	-2.6	-1.5	-0.9
			(US$ million, unless otherwise indicated)				
External sector							
Gross official reserves							
US$ million	267	323	311	331	321	347	368
Months of imports	5.0	5.3	6.0	5.2	5.1	5.5	5.5
Debt-service to exports ratio (percent)	3.2	1.7	2.5	2.7	7.2	8.0	9.7
Memorandum item:							
GDP at current market prices (BIF billion)	1386	1637	1841	1844	2132	2443	2763

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

Table 3. Burundi: General Government Operations, 2008–13

	2008	2009	2010 Rev. Prog.	2010 Est.	2011 Prog.	FY2012 Proj.	FY2013 Proj.
			(Percent of GDP)				
Revenue	18.5	18.6	18.3	19.1	19.3	19.6	19.8
Tax revenue	16.6	17.0	16.8	17.9	18.1	18.4	18.6
Income tax	4.7	5.2	4.6	5.4	5.5	5.6	5.6
Taxes on goods and services	8.8	9.0	8.9	10.5	10.5	10.7	10.8
Taxes on international trade	2.9	2.7	3.0	1.9	2.1	2.1	2.2
Other tax revenue	0.2	0.1	0.3	0.0	0.0	0.0	0.0
Nontax revenue	1.9	1.6	1.5	1.2	1.2	1.2	1.2
Expenditure and net lending	56.7	50.7	49.5	50.8	44.0	41.5	39.9
Current expenditure [1]	25.8	25.8	27.0	24.0	25.6	23.3	22.4
Salaries	11.4	11.7	12.2	11.3	11.7	11.6	11.2
Of which: priority sectors	6.1	7.0	7.3	7.3	7.3	7.4	7.4
Of which: security related	3.6	3.4	3.8	2.9	3.4	3.2	2.9
Of which: others	1.8	1.3	1.1	1.1	1.1	1.0	0.9
Other current expenditures	14.4	14.1	14.8	12.6	13.9	11.7	11.2
Of which: Election			0.8	0.5			
Externally financed special programs [2]	11.3	7.9	5.5	11.1	2.7	2.5	2.3
Of which: Election			2.5	2.4			
Capital expenditure & Net lending	19.5	17.0	17.0	15.7	15.7	15.7	15.1
Of which: MDRI-related	0.0	1.8	1.2	1.6	0.0	0.0	0.0
Overall balance (commitment basis)	-38.2	-32.1	-31.2	-31.7	-24.8	-21.9	-20.1
Overall balance (after grants, excl. HIPC)	-2.4	-5.2	-3.1	-2.9	-2.6	-1.5	-0.9
Change in arrears (reduction = –)	-0.8	0.0	-1.1	-1.0	-1.0	0.0	0.0
Overall balance (cash basis)	-39.0	-32.1	-32.3	-32.7	-25.8	-21.9	-20.1
Overall balance (after grants, excl. HIPC)	-3.2	-5.2	-4.3	-4.0	-3.6	-1.5	-0.9
Financing	37.7	30.4	32.3	32.7	25.8	21.1	19.1
External grants	37.5	90.6	28.0	28.8	22.2	19.6	18.2
Of which: HIPC relief	3.0	65.3	0.0	0.0	0.0	0.0	0.0
Of which: MDRI grant from IMF	0.0	1.8	2.1	1.6	0.0	0.0	0.0
External borrowing, net	-1.1	-64.4	2.7	1.9	1.9	2.0	1.9
Privatization proceeds	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Domestic	1.4	4.2	1.5	2.0	1.7	-0.6	-1.0
Banking sector	1.4	4.6	0.2	1.6	0.7	-0.6	-1.0
Nonbank sector	0.0	-0.4	1.3	0.3	1.0	0.0	0.0
Financing gap and errors and omissions [3]	1.2	1.7	0.0	0.0	0.0	0.8	1.0
			(BIF billion)				
Total revenue	256.7	304.6	336.9	352.0	410.4	478.0	546.4
Total expenditure and net lending	785.9	829.7	910.8	936.7	938.8	1013.9	1101.7
Of which: salaries	158.4	191.8	224.5	209.2	250.4	283.0	310.0
Financing gap and errors and omissions [3]	17.2	28.0	0.0	0.0	0.0	20.7	26.5
Total financing	522.9	497.1	595.0	603.5	550.4	515.3	528.9
			(US$ million, unless otherwise indicated)				
Memorandum items:							
MDRI stock relief from IDA and AfDB	...	84.8	0.0	0.0	0.0	0.0	0.0
MDRI savings from IDA and AfDB:							
Amortization	...	2.3	3.0	3.0	3.2	3.3	3.3
Annual interest payments	...	0.5	0.6	0.6	0.6	0.6	0.6
Propoor expenditure (percent of GDP)	15.1	16.8	18.6	18.8	18.6	18.8	19.0
Public debt (percent of GDP)	154	48	51	48	47	43	40
GDP at current market prices (BIF billion)	1386	1637	1841	1844	2132	2443	2763

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

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

[2] These are externally financed expenditures and include spending on elections (in 2010), demobilization, technical assistance, and temporary social safety net programs. The decline in 2011 is due to the withdrawal of one-off spending (elections, crisis related spending on social programs) and will not lead to spending pressures.

[3] Financing expected from additional donor support.

Table 4. Burundi: Commitments of External Grants, 2010–13

	2010		2011	2012	2013
	Rev. Prog.	Est.	Prog.	Proj.	
			(US$ million)		
Total external grants	420.4	429.8	368.2	355.2	353.4
Budget support	186.0	102.3	135.8	78.8	78.8
MDRI	32.7	23.5	0.0	0.0	0.0
Other grants	201.7	304.0	232.5	276.4	274.6
Sectoral budget support	0.0	0.0	13.0		
Project grants	141.2	148.2	156.0	196.0	196.0
Technical assistance	0.0	95.5	45.3	45.3	45.3
Elections	36.7	35.3	0.0	0.0	0.0
DDR	15.9	16.2	0.0	0.0	0.0
Global Fund	8.0	8.8	18.2	35.2	33.3
			(Percent of GDP)		
Total external grants	28.0	28.8	22.2	19.6	18.2
Budget support	12.1	6.8	8.2	4.3	4.1
MDRI	2.1	1.6	0.0	0.0	0.0
Other grants	13.9	20.4	14.0	15.2	14.1
Sectoral budget support	0.0	0.0	0.8	0.0	0.0
Project grants	9.7	9.9	9.4	10.8	10.1
Technical assistance	0.0	6.4	2.7	2.5	2.3
Elections	2.5	2.4	0.0	0.0	0.0
DDR	1.1	1.1	0.0	0.0	0.0
Global Fund	0.5	0.6	1.1	1.9	1.7

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

Table 5. Burundi: Monetary Survey, 2008–11

	2008	2009	2010		2011
			Rev. Prog	Est.	Prog.
	(BIF billion)				
Net foreign assets	181.5	168.8	184.6	139.9	141.4
Central bank	139.4	118.7	129.8	104.3	97.8
Deposit money banks	42.0	50.0	54.8	35.7	43.7
Net domestic assets	368.9	500.3	570.7	638.7	758.7
Domestic credit	436.1	559.2	619.1	687.8	797.3
Net claims on the government	176.5	252.4	255.9	287.3	301.4
Of which: on the treasury		268.8	272.3	298.5	312.7
Credit to the economy	259.7	306.8	363.1	400.5	495.8
Other items, net (assets = +)	-67.2	-58.9	-48.4	-49.1	-38.6
M3	550.4	669.1	755.3	778.6	900.1
Foreign currency deposits	107.3	138.3	160.8	151.4	175.0
M2	443.1	530.8	594.5	627.2	725.1
Currency in circulation	112.6	120.9	136.9	139.1	160.8
Local currency deposits	330.5	409.9	457.6	488.1	564.3
Demand deposits	223.3	283.5	314.9	341.3	391.1
Quasi-money	107.2	126.4	142.7	146.9	173.2
	(Change as percent of beginning of period M2)				
Net foreign assets	21.9	-2.9	3.0	-5.4	0.2
Central bank	19.3	-4.7	2.1	-2.7	-1.0
Deposit money banks	2.6	1.8	0.9	-2.7	1.3
Net domestic assets	21.3	29.7	13.3	26.1	19.1
Domestic credit	18.8	27.8	11.3	24.2	17.4
Net claims on the government	5.8	17.1	0.7	6.6	2.3
Credit to the economy	13.0	10.6	10.6	17.7	15.2
Of which: private sector	8.5	13.7	10.6	16.9	15.2
M3	43.2	26.8	16.2	20.6	19.4
Foreign currency deposits	9.0	7.0	4.2	2.5	3.8
M2	34.2	19.8	12.0	18.2	15.6
Currency in circulation	8.6	1.9	3.0	3.4	3.5
Local currency deposits	25.6	17.9	9.0	14.7	12.1
Demand deposits	21.8	13.6	5.9	10.9	7.9
Quasi-money	3.8	4.3	3.1	3.9	4.2
Memorandum items:					
Reserve money (12–month percent change)	25.1	26.6	10.6	6.0	13.0
Velocity (GDP/M2; end of period)	3.1	3.1	3.1	2.9	2.9

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

Table 6. Burundi: Central Bank Accounts, 2008–11

	2008				2009				2010				2011			
	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.	Mar.	June	Sep.	Dec.
									Act.			Est.	Prog.			
	(BIF billion)															
Net foreign assets	68.1	63.4	75.1	139.4	105.1	148.8	113.0	118.7	105.3	67.7	44.0	104.3	75.0	47.1	32.3	97.8
Net domestic assets	50.2	71.6	71.4	17.0	33.6	13.9	44.8	79.3	49.8	107.7	140.2	105.6	101.9	147.9	184.7	139.4
Domestic credit	127.5	149.0	146.9	114.1	108.0	119.4	122.5	187.5	136.1	177.8	198.9	182.9	155.9	178.9	208.7	190.7
Net claims on the government	124.0	143.3	141.4	120.8	110.3	113.3	116.4	191.7	151.8	171.5	194.7	183.9	154.0	177.0	206.8	191.3
Other credit	3.4	5.6	5.4	-6.6	-2.3	6.2	6.1	-4.2	-15.7	6.3	4.2	-1.0	1.9	1.9	1.9	-0.6
Other items, net (assets = +)	-77.3	-77.3	-75.6	-97.2	-74.4	-105.5	-77.7	-108.2	-86.3	-70.1	-58.7	-77.4	-54.0	-31.0	-23.9	-51.3
Reserve money	118.3	135.1	146.5	156.4	138.7	162.7	157.9	198.0	155.1	175.4	184.1	209.8	176.9	195.0	217.0	237.1
Currency in circulation	80.6	99.3	110.4	112.6	99.9	108.0	104.5	120.9	109.5	131.1	132.5	139.1	129.2	145.9	143.6	160.8
Bank reserves	23.5	18.9	17.3	25.0	22.2	37.2	35.9	53.9	26.4	23.7	30.4	45.7	28.4	28.5	51.1	50.0
Cash in vault	9.1	9.9	12.6	11.6	12.7	12.6	13.4	15.3	15.9	16.5	16.8	16.7	16.0	16.5	16.8	16.7
Other nonbank deposits	5.1	7.1	6.2	7.2	3.8	4.9	4.1	7.9	3.3	4.1	4.4	8.3	3.3	4.1	5.5	9.6
Memorandum items:																
Net foreign assets of BRB (US$ million)	57.8	53.1	63.1	112.9	85.1	120.9	91.8	96.5	85.6	55.0	35.7	84.2	58.3	37.0	24.7	74.8

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

Table 7. Burundi: Balance of Payments, 2008–13

	2008	2009	2010	2011	2012	2013
			Est.		Proj.	
			(US$ million)			
Current account	-174.7	-213.7	-177.8	-258.3	-287.5	-289.5
(excluding official transfers)	-504.9	-480.3	-525.3	-560.0	-536.2	-536.3
Trade balance	-321.4	-233.6	-295.0	-389.8	-374.1	-385.5
Exports, f.o.b.	60.9	74.0	111.3	94.3	105.3	97.9
Of which: coffee	40.1	47.3	83.0	69.1	80.2	70.1
Imports, f.o.b.	-382.4	-307.6	-406.4	-484.1	-479.4	-483.4
Of which: petroleum products	-105.2	-80.6	-108.3	-135.0	-142.6	-147.6
Services (net)	-271.4	-307.5	-298.5	-247.9	-242.8	-235.2
Income (net)	-4.3	-6.3	-5.3	-3.1	-9.0	-9.8
Current transfers (net)	422.5	333.6	421.0	382.5	338.4	341.0
Of which: official (net)	330.2	266.6	347.5	301.6	248.6	246.8
Capital account[1]	195.8	1249.3	148.2	156.0	196.0	196.0
Of which: HIPC relief	39.7	0.0	0.0	0.0	0.0	0.0
Of which: debt forgiveness		1057.1				
Of which: other transfers (MDRI grant)	0.0	51.0	0.0	0.0	0.0	0.0
Financial account	35.9	-974.6	41.5	93.7	101.0	95.7
Direct investment	13.6	10.2	13.2	13.2	13.5	13.6
Other investment	22.3	-984.8	28.3	80.5	87.5	82.1
Assets	-30.8	-41.0	-29.6	-25.9	-33.9	-32.9
Liabilities	53.1	-943.8	57.9	106.5	121.4	115.0
Of which: SDR allocation		95.1				
Errors and omissions	28.9	-6.4	0.0	0.0	0.0	0.0
Overall balance	85.8	54.7	11.9	-8.6	9.4	2.2
Financing (increase in assets = –)	-85.8	-54.7	-11.9	8.6	-24.8	-20.8
Of which: change in official reserves	-89.3	-56.4	-7.6	9.1	-25.1	-21.0
Of which: SDR allocation		-95.1				
Financing gap[2]	0.0	0.0	0.0	0.0	15.3	18.6
			(Percent of GDP, unless otherwise indicated)			
Memorandum items:						
Current account	-15.0	-16.1	-11.9	-15.6	-15.9	-14.9
Gross official reserves						
US$ million	267	323	331	321	347	368
Months of imports	5.0	5.3	5.2	5.1	5.5	5.5
PV of external debt (percent of exports of GS)	880	197	161	193	185	196
Total external debt	129	27	28	28	28	28
Coffee price (US cents per lb)	138	142	194	215	192	180
Nominal GDP (US$ million)	1165	1330	1493	1658	1813	1942

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

1 Based on preliminary information provided by donors.

2 Financing expected from additional donor support.

Table 8. Burundi: Banking System Soundness Indicators, 2006–10

(Percent, unless otherwise indicated)

	2006 Dec.	2007 Dec.	2008 Dec.	2009 Dec.	2010 Mar.	2010 Jun.	2010 Sep.
Capital Requirement							
Capital requirement over weighted assets (solvency ratio)	13.5	13.5	15.2	19.1	18.8	18.4	18.0
Core capital (Tier 1 capital) over weighted assets	7.5	10.9	12.7	15.5	15.4	15.4	15.1
Quality of assets							
Nonperforming loans (percent of total gross loans granted)	18.6	18.8	14.6	13.0	12.7	11.8	10.6
Provisions (percent of nonperforming loans)	92.4	91.4	90.2	88.7	82.2	80.0	82.5
Nonperforming loans net of provisions (percent of capital)	7.5	7.4	7.4	5.4	8.4	9.1	7.5
Large exposures (percent of capital)	48.6	41.6	39.3	28.2	21.3	22.1	27.6
Profitability rates							
Return on assets	1.7	2.3	2.3	2.6	0.5	1.0	1.6
Return on equity capital	17.5	26.4	29.7	22.8	4.7	8.4	13.3
Net interest (percent of gross results)	177.4	167.6	171.8	207.0	219.2	213.3	194.5
Costs excluding interest (percent of gross outturn)	188.9	156.6	155.8	172.3	174.4	174.8	150.1
Liquidity							
Liquid assets (percent of all loans granted)	68.1	83.5	86.9	91.4	84.2	77.1	74.4
Liquid assets (percent of short-term commitments)	106.8	135.2	137.9	168.8	150.9	135.2	124.4

Sources: Burundi authorities; and IMF staff estimates.

Table 9. Burundi: Actual and Projected Schedule of ECF Disbursements and Reviews, 2008–11

Date	Disbursement (SDR million)	Conditions
July 15, 2008	6.6	Executive Board approval
February 9, 2009	6.6	Completion of first review, based on observance of performance criteria at end-September 2008.
July 16, 2009	6.6	Completion of second review, based on observance of performance criteria at end-March 2009.
February 12, 2010	6.6	Completion of third review, based on observance of performance criteria at end-September 2009.
August 2, 2010	6.6	Completion of fourth review, based on observance of performance criteria at end-March 2010.
January 15, 2011	6.6	Completion of fifth review, based on observance of performance criteria at end-September 2010.
August 15, 2011	6.6	Completion of sixth review, based on observance of performance criteria at end-March 2011.
Total for the ECF arrangement	46.2	

Source: IMF staff.

APPENDIX I. LETTER OF INTENT

Bujumbura, February 28, 2011

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

Dear Mr. Strauss Kahn:

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

2. On the political front, the government of Burundi continues to make every effort to consolidate the peace process. Successful and peaceful national elections were held between May 24 and September 8, 2010, putting an end to the transition period.

3. On the economic and social front, the government of Burundi is pleased to report that implementation of the program has been satisfactory, despite the difficult international situation resulting from the global crisis and risks posed by the electoral cycle covering four months. In particular, all the quantitative performance criteria for end-September 2010 have been met. However, the continuous structural benchmark on Interpetrol was breached because Interpetrol property deeds which were to remain under seal, were released without a court ruling on the case. The government is committed to bringing back the case before a court. In the meantime, the Fbu 6 billion, belonging to Interpetrol and taken as security, will remain under seal.

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

5. The government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its program. It will take any further measures that may become

appropriate for this purpose. The Burundian authorities will consult with the IMF on the adoption of such measures and in advance of revisions to the policies contained in the MEFP, in accordance with the IMF's policies on such consultations.

6. The government of Burundi will provide the IMF with such information as it may request to monitor progress made in economic and financial policy implementation. Burundi will also carry out the sixth review of the ECF-supported program with the IMF. To ensure that there will be adequate time to complete the sixth review, the government requests an extension of the ECF arrangement to August 31, 2011. It is expected that the sixth review will be completed by August 15, 2011.

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

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

Sincerely yours,

/s/
Clotilde NIZIGAMA
Minister of Finance

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

/s/
Gervais RUFYIKIRI
Second Vice President, Republic of Burundi

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

ATTACHMENT I. MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES

Bujumbura, February 28, 2011

I. INTRODUCTION

1. This Memorandum of Economic and Financial Policies (MEFP) supplements the MEFPs that have preceded it since June 24, 2008. It reviews program implementation and updates the medium-term outlook and economic and financial policies that will be implemented in 2011. The measures and objectives contained in this MEFP are compatible with the Poverty Reduction Strategy Paper (PRSP) published in September 2006 and the findings of the report on progress made during the past three years of PRSP implementation, which was sent to the IMF and the World Bank in November 2010.

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

3. With the continued improvement in the security situation, the macroeconomic objectives for the medium term are as follows: (1) GDP growth should average approximately 5.0 percent over the medium term, compared to the 2008-2010 annual average of 4 percent; (2) average inflation will remain in single digit; and (3) gross official reserves should stabilize at about 5.5 months of imports by 2013.

II. PROGRAM IMPLEMENTATION

4. The year 2010 was characterized by a slight uptick in economic activity after the slowdown in 2009 owing to the impact of the international crisis on private transfers and direct investment. The Burundian economy should therefore experience economic growth of 3.9 percent in 2010, as compared to 3.5 percent in 2009. This slight increase is the result mainly of the rise in coffee production during the 2010/2011 crop year. Because of falling nonfood prices, headline inflation (end of period) fell to 4.1 percent in 2010, from 4.6 percent in 2009. The external current account deficit is estimated to decline to around 12 percent of GDP, because of higher exports and official transfers. Gross official reserves stood at about 5 months of imports in 2010.

5. At end-September, fiscal results were overall satisfactory. Total revenues were in line with forecasts as taxes on income and on goods and services rose owing to the introduction of the VAT and the generalized use of the Tax Identification Number (NIF) and tax clearance certificate, which made up for the decline in customs revenues. Expenditures were kept within the program limits owing to the ceilings placed on quarterly commitments in the

context of the preparation of a realistic cash flow plan. Moreover, externally financed expenditure was below the projected amounts. Pro-poor spending totaled FBu 231 billion, in line with forecasts. The wage bill should be below the limits set in the program since the implementation of the new law on the wages of the defense and security forces was postponed to 2011.

6. For 2010 as a whole, revenue is estimated at 19.1 percent of GDP, 0.8 percent of GDP higher than programmed due to improved collection of VAT and better enforcement stemming from the creation of the Burundi Revenue Authority (BRA). Total expenditures were also higher than programmed because of better than projected externally financed programs.

7. The program is on track overall (Tables I.1, I.3). Notably, all September quantitative performance criteria have been met. However, the continuous structural benchmark on Interpetrol was breached because Interpetrol property deeds which were to remain under seal, were released without a court ruling on the case. The government is committed to bring back the case before a court. In the meantime, the Fbu 6 billion, belonging to Interpetrol and taken as security, will remain under seal.

8. The government is resolutely pursuing its structural reforms in close collaboration with its development partners, notably the promotion of transparency and good fiscal management, reform of the financial sector, coffee sector reform, and improvement of the business environment. In addition to the achievements described in the preceding memoranda, significant progress has been achieved in 2010 in all of these areas.

9. Substantial progress has been made in the PFM area since the adoption of the Organic Budget Law and the implementation of the Public Finance Management Strategy along with a three-year action plan (2009–2011). In accordance with the new Organic Budget Law, a new agreement has been signed between the government and the central bank and a draft decree establishing General Regulations on Public Budget Management has been sent to cabinet for adoption. The government has also made significant progress in managing the government's cash flow by preparing weekly and monthly cash flow plans that are coordinated with the commitment plans. Streamlining of the government accounts is ongoing. In all, 243 accounts with the BRB have been closed so far while 17 were converted into subaccounts of the government general account. The BRA is fully operational as the recruitment process has been completed. Significant advances have been made in computerizing the customs and tax departments. In the tax department, temporary software has been installed to manage the VAT pending the purchase of the integrated taxation software (SIGTAS). Use of this temporary software since June 2010 has improved VAT performance by rapidly identifying delinquent taxpayers and has made it possible to enter all VAT returns from the Large Taxpayer Unit. At Customs, the ASYCYDA++ computer

system has been expanded to other customs posts, and installation of the RADDEx system will allow for better accounting of customs revenues at the EAC level. In application of the Anti-Money Laundering Law, a Financial Intelligence Unit has been set up and is already operational. The government will seek TA from the US Treasury to strengthen this Unit.

10. In the financial sector, the National Strategy Development Committee created during the second quarter of 2010 has prepared a draft Financial Sector Reform Strategy (FSRS) along with an action plan. This draft was validated in November 2010 and adoption by cabinet is expected in the first quarter of 2011. A plan to develop the financial market in Burundi is also being prepared.

11. In the area of monetary policy, the central bank is preparing to introduce repo operations as a monetary policy instrument. The associated regulatory texts (Master Agreement on Repo Operations, Code of Conduct, and Operations Guide) have been drafted and discussed with the banks. In the area of foreign exchange, the central bank continues to benefit from Fund TA to improve the auction system.

12. To improve safeguards at the central bank and the Treasury, the central bank recruited an international auditor who performed special audits of the controls on large disbursements and domestic transfers to the government or its creditors during the first half of 2010. The conclusions of the audit are that (1) the recommendations of the previous special audits have been broadly implemented, (2) there have been few additional anomalies noted, and (3) further improvements in controls are still needed. An action plan is under preparation.

13. In the area of banking supervision, efforts to conduct on-site inspections according to risk-based supervision procedures continue. Supervision of banks and microfinance institutions has benefited from capacity-building in the auditing of prudential and financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, a detailed supervisory handbook remains to be prepared to better guide the supervisors. All banks and financial institutions respect the minimum capital requirements of FBu 5 billion and FBu 4 billion, respectively. Moreover, the banking sector has made progress in mobilizing funds in order to increase capital to FBu 10 billion by end-December 2010.

14. In the coffee sector, a new institutional framework in line with the liberalization policy has been adopted. The creation of the Coffee Sector Regulatory Authority (ARFIC) as well as the Coffee Intertrade Organization (INTERCAFE) has strengthened the role of the private sector, especially in the area of coffee marketing. Coffee roasters are now focusing on direct sales and can thus negotiate prices with their customers, while plant owners are encouraged to produce specialty coffees. INTERCAFE's missions are to (1) act as the first level of recourse for the amicable settlement of disputes between operators in the coffee sector; (2) identify and make proposals to the regulator regarding coffee grades based on the

quality specifications for Burundi coffee; and (3) determine the percentages or amounts to be levied each year on all sales of green coffee beans to finance the activities undertaken by the intertrade organization. The missions assigned to ARFIC are to (1) contribute to the formulation of policies and strategies for the industry in the areas of production, processing, marketing, research, and training; (2) grant operating licenses for participants in the coffee sector; (3) issue certificates of origin and quality for exports; and (4) provide quality control assurances and defend the Burundi origin. The Interministerial Committee on Privatization has authorized the resumption of the sale of the remaining 104 coffee washing stations.

15. As part of the efforts to improve the business climate, new measures have been adopted to consolidate the existing regulatory framework. The establishment of the Investment Promotion Agency (API) has made it possible to speed up approval procedures for new investments, reducing the processing time from 330 days to 52 days. Since its creation in July 2010, the API has licensed 61 new operations. Two important laws have been enacted: the Law on Competition (March 2010) and the law establishing the Commercial Code (April 2010). The law on public and private enterprises is before parliament. In connection with Burundi's Doing Business ranking, the government has set up three structures tasked with rapidly proposing all necessary reforms to correct the major obstacles identified in the report, which are hampering private sector development.

16. The fight against the misuse of public funds has strengthened owing to the improvement in the effectiveness of the anticorruption units. The government's General Inspection Office has stepped up its activities to oversee the management of government funds, goods, and services, which has made it possible to increase the number of inspection missions. The Anticorruption Board has also increased its anticorruption public awareness, dissuasion, and prosecution campaigns. Also, the National Good Governance Strategy is close to completion; it will serve as a basis for financial and technical support from our partners to achieve the objective of zero tolerance in the management of public affairs.

III. Economic and Political Outlook for 2011

A. Fiscal Policy

17. The macroeconomic framework for the 2011 budget is as follows: (1) GDP growth should strengthen to 4.5 percent; (2) end-of-period inflation should increase to 9 percent, and (3) gross official reserves should stay at about five months of imports of goods and services.

18. The mobilization of domestic resources is essential to ensure the fiscal viability of expenditure and poverty reduction. The government is thus aiming to achieve tax revenues of 19.3 percent of GDP in 2011, significantly higher than the average level of 18 percent of GDP for fragile states.

19. To meet this objective, the government is planning to implement important tax and administrative measures. It will take steps to expand the tax base by (1) computerizing all of the BRA's revenue collection procedures and services; (2) capturing the informal sector by continuing the census of all taxpayers and their registration for the NIF; (3) combating tax avoidance and evasion by (i) making more widespread use of the NIF and the tax and customs clearance certificate for public procurement bidding and customs clearance; (ii) escorting goods from border-crossing points to customs clearance offices; and (iii) promoting close collaboration between customs and the import verification firm to combat under-valuations.

20. A study of the oil sector has been conducted in cooperation with the World Bank. In response, an automatic adjustment mechanism for oil product prices is in effect with monthly adjustments of the price structure. The government will ask the IMF for technical assistance to better master all aspects of price formation for petroleum products.

21. Redirecting expenditure to the socio-economic sectors in order to accelerate progress toward the Millennium Development Goals will remain a priority in the 2011 budget. The government will continue its effort to improve expenditure efficiency and will increase pro-poor spending. It considers that progress made with fiscal management reforms and improvements in governance and accountability for the use of public resources should be consolidated.

22. In the health sector, the government will continue its policy of free health care for all children under 5 and care for women in childbirth. To respond to the resulting increase in health services, there are plans to construct 10 health centers and a modern hospital in rural areas and to recruit 600 health workers, including 44 doctors.

23. In the area of education, the government intends to respond to the growing demand for school enrollment resulting from the abolition of school fees at the primary level by allocating sufficient resources to the sector. A new basic education reform has just been initiated. The government plans to construct 1500 primary school classrooms and 40 community colleges at the secondary level. It also plans to hire 3,500 teachers at the primary level and 1,500 at the secondary level to reduce the pupil-teacher ratio.

24. In agriculture, the emphasis will remain on food crops with a view to ensuring food security. To achieve this objective, the government is setting aside substantial resources for irrigation of the plains, purchase of agricultural inputs, rehabilitation of the livestock sector, and increase and rapid distribution of healthy cassava, banana, potato, rice, and palm oil seeds to farmers.

25. In the energy sector, to deal with the energy deficit and increase the potential for private investment, the government plans to construct a 10.4 megawatt hydroelectric plant in 2011. There are also plans to construct other hydroelectric plants with foreign financing.

26. Controlling the wage bill is an important medium-term priority. The government will undertake to bring the wage bill down from the 11.7 percent of GDP forecast for 2011 to below 11 percent in the medium term. The measures planned to reduce the wage bill are primarily a freeze on civil service recruitments, except in the education, health and justice sectors; the systematic retirement of all civil servants who reach the legal retirement age; and rigorous management of performance ratings of civil servants, which are the basis for the annual merit increases. Achieving the medium-term objective, while continuing to recruit in priority sectors, will critically hinge on reducing the size of the defense and security forces. However, given the still fragile political and security situation, rightsizing the defense and security forces should be implemented gradually, taking into account the political and social implications.

27. Reform of the government's vehicle fleet, which began in 2009, will continue. Out of a total of 800 central government vehicles to be withdrawn, 250 have already been transferred to the committee tasked with managing the sale of government assets. Beginning in 2011, the process will be expanded to cover the vehicles of semi-public enterprises and companies.

28. Debt sustainability will anchor the budget in the medium term. Aware of the country's continuing risk of debt distress, the government is committed to borrowing only on highly concessional terms. The government also plans to create a high-level public debt monitoring committee to ensure coordination between public debt management and the country's macroeconomic objectives. A national public debt strategy covering the period 2011-30 is being drafted as part of the Fiscal Reform Strategy (SGFP). It will define the sectoral priorities for public borrowing and will set annual debt ceilings. Participation in the Medium-Term Debt Strategy (MTDS) of the IMF and IDA is planned for 2013.

29. The government is continuing its efforts to align its domestic borrowing policy with its cash flow management, while at the same time improving coordination with monetary policy. The reforms undertaken to develop the treasury bill market will expand the government's short-term financing capacity and could lower the cost of such financing. This work, which will be continued in the context of the future Financial Sector Development Strategy, will also lay the foundations for development of the financial market, which is essential for the expansion of the private sector and acceleration of growth.

30. The government is committed to improving the dissemination of information on public debt and undertakes to publish public debt statistics on its website monthly. An 18-month debt management capacity-building project will be launched in early 2011. The

objective of this project is to install the new DMFAS 6.0 software in the department responsible for debt and to train its staff in the new functionalities of this software. Workshops on debt statistics and debt portfolio analysis will enable the government to progress toward proactive, modern public debt management.

B. Monetary and Exchange Policy

31. Monetary policy remains focused on price stability. In this context, the central bank is maintaining a prudent monetary policy to confront inflationary pressures. To maintain the target of single-digit inflation, the central bank plans to keep broad money within limits compatible with nominal GDP growth.

32. Better coordination of fiscal and monetary policies remains essential, and the Ministry of Finance and central bank will continue to hold monthly meetings in this connection. Also, the cash flow management committee has been given new authority and it has been asked to prepare fiscal and monetary policy recommendations to present to the central bank and Ministry of Finance.

33. Building on recent progress in launching symmetrical foreign exchange auctions, the central bank will continue the reforms of the foreign exchange auctions system, with MCM TA assistance. The medium-term objective is to move to an interbank foreign exchange market.

34. The central bank is committed to further reinforcing safeguards. In this regard, it will recruit an international auditor to (1) monitor the full implementation of all the recommendations formulated in Deloitte's 2010 special audit reports (consistent with the 2010 agreed-upon action plan between Burundi's central bank and the Ministry of Finance); and (2) verify on a test basis the controls on significant domestic disbursements and transfers executed by the central bank on behalf of the government or its creditors during the first half of 2011. In addition, it will submit to the General Council, the audit committee, and the Minister of Finance the report on special audits of the controls on important domestic disbursements and transfers—on behalf of the government or its creditors— that took place in the first half of 2011.

C. Structural Reforms

35. In the coffee sector, the government will capitalize on experience gained from the previous sale of coffee washing stations to accelerate the sale of the remaining 104 stations. To ensure the success of this operation, the government will take steps to allow coffee growers to purchase the reserved shares, as provided in the government's divestment strategy, estimated at 25 percent of the capital.

36. Aware of the role of the private sector in the regional integration process, the government will take advantage of the improved business climate. In particular, the establishment of the “one-stop shop” and the activation of the Permanent Secretariat of the Public Sector-Private Sector Dialogue Framework will make business relations easier in Burundi.

37. In the area of good governance, the government plans to strengthen existing structures by adopting the national good governance strategy and implementing its action plan. To that end, the entities responsible for oversight of the use of public funds will be provided with sufficient resources, and their staffs will receive appropriate training. The adoption and implementation of the national good governance strategy is a priority for combating the misuse of public funds in a better coordinated and more rational way through (1) widespread ownership of the strategy; (2) public information and awareness-raising campaigns at all levels; (3) regular assessment of results; and (4) identification of appropriate corrective measures.

38. New reforms will be implemented in the central government to better manage the requirements of Burundi’s membership in the East African Community (EAC) and ensure effective follow-up of the government’s commitments. To this end, the position of Permanent Secretary will be created in all ministries, and the ministries will also be required to create a unit to handle EAC matters.

39. A National Regional Integration Strategy is being prepared and will be adopted in the first quarter of 2011. It will include an action plan specifying the structural measures to be adopted for successful implementation of all agreements signed between the government and the EAC. Also, the upcoming revision of the Diagnostic Trade Integration Study (DTIS) for Burundi will assess the success of the trade policy reforms implemented in the context of the DTIS-1 to identify new priorities that will allow Burundi to improve its trade competitiveness.

40. In its fiscal management, the government will continue to implement the Public Finance Management Strategy and its action plan for 2011. Specifically, it will adopt the General Regulations for Public Budget Management (RGGBP) during the first quarter of 2011. These regulations will permit effective application of the Organic Budget Law (LOFP). Also, with the support of the technical and financial partners, including the IMF, the organization of the Ministry of Finance will be reviewed and a fiscal governance decree will be signed to ensure more efficient management of public finances.

41. The Financial Sector Strategy will guide the reforms in the financial sector. The reforms that will be undertaken or continued include (1) revision of the banking law, which needs to be better aligned to international and EAC standards; (2) better prevention and management of systemic crises, in the context of which an emergency intervention plan in

case of a systemic banking crisis will be prepared jointly by the BRB and the Ministry of Finance; and (3) strengthening of on-site bank inspections. With technical assistance from the IMF, a detailed risk-based supervision manual will be prepared to better guide supervisors.

IV. Program Monitoring

42. Program implementation will continue to be subject to performance criteria, performance indicators, and structural benchmarks as specified in Tables I.2 and I.4. The information to be reported to the IMF and the definitions of the pertinent variables can be found in the attached Technical Memorandum of Understanding (TMU). Program implementation, achievement of the related targets, and attainment of the performance criteria will be examined during the sixth review. The government is also ready to adopt any new financial or structural measures necessary for the program's success, in consultation with IMF staff.

Table I.1. Burundi: Performance Criteria and Indicative Targets for 2010

(BIF billion, unless otherwise indicated)

	2009	2010											
	Dec.	Mar.			Jun.[1]			Sep.			Dec.[1]		
	Act.	Prog.	Prog. Adj.	Act.	Rev. Prog.	Prog. Adj.	Act.	Rev. Prog.	Prog. Adj.	Act.	Rev. Prog.	Prog. Adj.	Est.
Performance criteria													
Net foreign assets of the BRB (floor; US$ million) [2]	96.5	59.6	59.6	85.6	76.2	65.0	55.0	79.3	19.3	35.7	101.5	41.5	84.2
Net domestic assets of the BRB (ceiling) [2]	79.3	74.8	74.8	49.8	83.3	97.7	107.7	91.5	169.7	140.2	89.2	168.1	105.6
Net domestic financing of the government (ceiling) [2]	68.7	58.0	58.0	-22.3	71.1	85.5	87.7	83.7	161.9	137.9	27.5	106.4	36.3
External payments arrears of the government (ceiling; US$ million) [3]	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0	0.0
Short-term external debt of the government (ceiling; US$ million) [3, 4]	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; US$ million, cumulative from beginning of calendar year) [3, 4]	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Indicative targets													
Accumulation of domestic arrears (ceiling; cumulative from beginning of calendar year)	0.0	0.0		0.0	0.0		0.0	0.0		0.0	0.0		0.0
Reserve money (ceiling)	198.0	150.9		155.1	178.3		175.4	191.6		184.1	219.0		209.8
Pro-poor spending (floor; cumulative from beginning of calendar year)	274.8	50.1		64.5	105.4		152.2	200.7		231.4	342.2		346.9
Memorandum item:													
External nonproject financial assistance (US$ million; cumulative from beginning of calendar year)	58.8	11.2		35.0	46.2		35.0	107.2		45.5	186.0		102.3

Sources: Burundi authorities; and 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 I.2. Burundi: Performance Criteria and Indicative Targets for 2011

(BIF billion, unless otherwise indicated)

	2010	2011			
	Dec.	Mar.	Jun.	Sep.	Dec.
	Est.	Prog.	Proj.		
Performance criteria					
Net foreign assets of the BRB (floor; US$ million) [1]	84.2	58.3	37.0	24.7	74.8
Net domestic assets of the BRB (ceiling) [1]	105.6	101.9	147.9	184.7	139.4
Net domestic financing of the government (ceiling) [1]	36.3	36.2	55.9	67.1	36.2
External payments arrears of the government (ceiling; US$ million) [2]	0.0	0.0	0.0	0.0	0.0
Short-term external debt of the government (ceiling; US$ million) [2, 3]	0.0	0.0	0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; US$ million, cumulative from beginning of calendar year) [2, 3]	0.0	0.0	0.0	0.0	0.0
Indicative targets					
Accumulation of domestic arrears (ceiling; cumulative from beginning of calendar year)	0.0	0.0	0.0	0.0	0.0
Reserve money (ceiling)	209.8	176.9	195.0	217.0	237.1
Pro-poor spending (floor; cumulative from beginning of calendar year)	346.9	74.6	122.3	232.7	395.5
Memorandum item:					
External nonproject financial assistance (US$ million; cumulative from beginning of calendar year)	102.3	46.8	66.4	66.4	148.8

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

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

[2] Continuous performance criterion.

[3] See definitions in TMU.

Table I.3. Burundi: Structural Benchmarks for 2010

Proposed Measures	Dates	Status	Rationale
Public Financial Management			
Adopt a new "convention" between the Ministry of Finance and the BRB redefining the role of the central bank in public financial management, as stipulated under the new budget organic law.	March 31, 2010	Completed	Key to implementing the new budget organic law.
Prepare a final report on the closing of government accounts.	December 31, 2010	Completed	Implementation of a single treasury account is key to sound public financial management.
Central Bank and Treasury Safeguard measures			
Recruit an international auditor to: (i) monitor the full implementation of all the recommendations formulated in Deloitte's 2008 special audit reports (consistent with the September 2009 agreed-upon action plan between Burundi's central bank and the Ministry of Finance); and (ii) verify on a test basis the controls on significant domestic disbursements and transfers executed by the central bank on behalf of the government or its creditors during the first half of 2010.	June 30, 2010	Completed	To enhance the safeguard measures in force at the central bank and the Treasury.
Submit to the General Council, the audit committee, and the Minister of Finance the report on special audits of the controls on important domestic disbursements and transfers—on behalf of the government or its creditors— that took place in the first half of 2010.	December 31, 2010	Completed	To enhance the safeguard measures in force at the central bank and the Treasury.
Fiscal Governance			
In accordance with the laws of Burundi, the BIF 6 billion and the deeds for 25 properties belonging to INTERPETROL that have been placed under seal will remain in place until a court decision has been reached on the INTERPETROL case.	Structural benchmark (continuous)	Not met[1]	Enhance fiscal governance to ensure the continuation of budget support.

[1] The benchmark was not met because Interpetrol property deeds which were to remain under seal were released without a court ruling on the case. The authorities are taking steps to bring back the case before a court. In the meantime, the Fbu 6 billion, belonging to Interpetrol and taken as security, will remain under seal.

Table I.4. Structural Benchmarks for 2011

Proposed Measures	Dates	Rationale
Public Financial Management		
Approval by the cabinet of the general regulation on public budget management (MEFP, ¶40).	March 31, 2011	The new budget law is based on the modern principles of fiscal rules and transparency.
Financial Sector		
Adoption by the cabinet of the financial sector reform strategy (MEFP, ¶10).	March 31, 2011	To modernize the financial system and broaden access to financial services.
Central Bank and Treasury Safeguard measures		
Recruit an international auditor to: (i) monitor the full implementation of all the recommendations formulated in Deloitte's 2010 special audit reports (consistent with the 2010 agreed-upon action plan between Burundi's central bank and the Ministry of Finance); and (ii) verify on a test basis the controls on significant domestic disbursements and transfers executed by the central bank on behalf of the government or its creditors during the first half of 2011 (MEFP, ¶34).	June 30, 2011	To enhance the safeguard measures in force at the central bank and the Treasury.

Attachment II. Technical Memorandum of Understanding

Bujumbura, February 28, 2011

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

A. Quantitative Program Targets

Quantitative performance criteria and indicative targets

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

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

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

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

Definitions and measurement

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

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

Adjuster for changes in the compulsory reserves coefficients

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

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

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

9. The program includes a ceiling on **new nonconcessional external debt** contracted or guaranteed by the government or the BRB. This performance criterion applies to the contracting or guaranteeing by the government, local governments, or the BRB of new nonconcessional external debt (as specified below) with an original maturity of one year or more, including commitments contracted or guaranteed for which value has not been received. The 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. The term "debt" shall be understood as defined in the Executive Board Decision 6230-(79/140), as revised on August 31, 2009 (Decision No. 14416-(09/91)). Debt rescheduling and restructuring are excluded from the criterion. Included are financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms. In determining the level of concessionality of these obligations, the definition of concessional borrowing shall apply. Concessional debt is defined as having a grant element of 50 percent or more. 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 the use of Fund resources and any Burundi franc-denominated treasury securities held by nonresidents.

10. **The stock of short-term external debt** with a maturity of less than one year owed by the 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.

11. 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.

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

External financial assistance adjustor

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

14. Any financing excess up to US$60 million will be spent on expenditure priorities defined in the PRSP. The floor on the stock of net foreign assets of the BRB will be adjusted upward, and the ceilings on the net domestic assets of the BRB and on net domestic financing to the government will be adjusted downward to accommodate 100 percent of any financing excess above US$60 million.

15. The floor on the stock of net foreign assets of the BRB will be adjusted downward, and the ceilings on the net domestic assets of the BRB and on net domestic financing to the government will be adjusted upward to accommodate a financing shortfall up to a maximum of US$60 million. External financial assistance will be converted to Burundi francs using the program-specified BIF/US$ exchange rate. The program exchange rate for end-March 2011 is 1287.4.

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

B. Provision of Information to IMF Staff

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

18. The following weekly data:

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

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

- a monitoring table (*tableau de bord*) containing the most recent weekly and monthly data on the main financial indicators (REFES);
- a table on foreign exchange cash flow (BRB Foreign Banking Operations Department);
- the monetary survey, including the breakdown of the BRB and of commercial banks (BRB Research Department);
- monthly exchange-rate data (official and parallel markets, end-of-month and monthly average) (BRB Research Department);

- a detailed breakdown of government revenue (Ministry of Finance);
- a detailed breakdown of government expenditure on a commitment basis, including 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).

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

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

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

INTERNATIONAL MONETARY FUND

BURUNDI

Fifth Review Under the Three-Year Arrangement Under the Extended Credit Facility and Request for Extension of the Arrangement

Informational Annex

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

February 28, 2011

- **Relations with the Fund**. Describes financial and technical assistance from the Fund and provides information on the safeguards assessment and exchange rate system. Outstanding purchases and loans amounted to SDR 71.19 million (92.46 percent of quota) at end-December 2010.
- **Relations with the World Bank**. Describes the joint World Bank–IMF program.
- **Relations with the African Development Bank**. Describes the AfDB Group's operations and portfolio.
- **Statistical Issues**. Assesses the quality of statistical data. Shortcomings in economic statistics are hampering surveillance.

Contents Page

BURUNDI: RELATIONS WITH THE FUND
(As of December 31, 2010)

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

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

III. SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	73.85	100.00
Holdings	73.22	99.15

IV. Outstanding Purchases and Loans:	**SDR Million**	**% Quota**
ECF arrangements	71.19	92.46

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Jul. 07, 2008	Jul. 06, 2011	46.20	26.40
ECF	Jan. 23, 2004	Jan. 22, 2008	69.30	69.30
ECF	Nov. 13, 1991	Nov. 12, 1994	42.70	17.21

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

	Forthcoming				
	2011	2012	2013	2014	2015
Principal	1.43	5.01	6.73	10.56	12.49
Charges/Interest	0.00	0.17	0.15	0.13	0.10
Total	1.43	5.17	6.89	10.69	12.59

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

VII. Safeguards Assessments

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

VIII. Exchange Arrangements

The exchange rate has been reclassified from floating to stabilized. The U.S. dollar is the intervention currency. On December 31, 2010, the official exchange rate was BIF 1235.4 to the dollar. In 2003 the central bank eliminated most remaining exchange restrictions on current international transactions and delegated authority to commercial banks to approve standard transactions. In early 2004, the surrender requirement was lowered to 50 percent and in early 2005 it was eliminated. The central bank has admitted foreign exchange bureaus to the weekly auctions. Most external arrears to bilateral and multilateral creditors were cleared by the end of 2005. In December 2006 the government published a new foreign exchange regulation, 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 with the Exchange Regulation of 2010. The new regulation became operational in July 2010.

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 may differ by more than 2 percent from market exchange rates. Burundi maintains certain foreign exchange restrictions for security reasons and has notified the Fund of those restrictions pursuant to Decision 144-(52/51). Burundi also maintains two exchange restrictions subject to Fund approval under Article VIII, Section 2(a) arising out of (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. The authorities have not requested, and staff does not propose, Fund approval of the multiple currency practice and exchange restrictions.

IX. Article IV Consultation

In accordance with Decision 12794-(02/76), as amended by Decision 12854-(02/96), Burundi is on the 24-month Article IV cycle. The 2010 Article IV consultation was completed by the Executive Board on July 23, 2010, (IMF Country Report No. 10/313), along with the fourth review of the ECF arrangement.

In concluding the 2010 consultation, Executive Directors acknowledged the commendable progress that Burundi made in implementing its first ECF-supported program in a difficult postconflict environment. They agreed that fiscal sustainability in the face of a heavy debt burden will depend on broadening the revenue base and improving the composition of spending while financing the budget though grants and highly concessional external resources. Directors encouraged the authorities to continue their efforts to reform the financial sector by improving banking supervision, and addressing weaknesses in the banking system, notably concentration risk. Directors also saw the need to accelerate structural reforms, especially in the coffee sector, and welcomed Burundi's membership in the East African Community.

X. Technical Assistance

September 2010	FAD mission on implementing the organic budget law
November 2010	MCM mission on monetary operations
May 2010	FAD mission on Tax administration.
April 2010	MCM mission on Foreign exchange operations.
November 2009	AFRITAC mission on VAT implementation.
September 2009	MCM mission on BRB capacity building and public debt management
June 2009	MCM multitopic mission
April 2009	FAD mission on implementing the organic budget law
March 2009	MCM mission on monetary operations
March 2009	MCM mission on foreign exchange
March 2009	MCM mission on internal audit
March 2009	MCM mission on reserve management
February 2009	AFRITAC mission on banking regulation and supervision
February 2009	FAD PSIA mission on fuel pricing policy and social protection
January 2009	MCM FSAP mission
December 2008	AFRITAC mission on fiscal administration
December 2008	MCM multitopic mission
December 2008	MCM mission on internal audit
August 2008	MCM mission on organizational, human resources, and communication reforms
July 2008	MCM mission on foreign exchange

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

XI. Implementation of HIPC Initiative:

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

Total disbursements	22.35

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

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

XII. Resident Representative:

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

II. Burundi: Joint World Bank–IMF Work Program, 2010–12

Title	Products	Provisional Timing of Mission	Expected Delivery Date
	A. Mutual Information on Relevant Work Programs		
Bank work program	1. Public Expenditure Review	Sept. 09	July 2010
	2. ERSG-4 (Budget support)	Dec. 2009 – Jan. 2010 (Identification) March–April 2010 (pre- appraisal) July 2010 (appraisal)	September 2010
	3. ERSG-5 (Budget support)	November-Dec. 2010 (identification) February 2011 (pre- appraisal) May 2011 (appraisal) (identification)	August 2011
	4. Country Economic Memorandum (CEM)	July 09 (main mission) October 2010 (First CEM Policy Dialogue)	March 2010
IMF work program	1. Fourth ECF review 2. Fifth ECF review 3. Sixth ECF review	May 2010 November 2010 May 2011	July 2010 March 2011 August 2011
	B. Requests for Work Program Inputs		
Fund request to Bank	1. Policy note on wage bill management and public service effectiveness		September 2010
Bank request to Fund	1. Study of exchange rate misalignment and competitiveness 2. Study on the sources of inflation in Burundi		July 2010 March 2011
	C. Agreement on Joint Products and Missions		
Joint products	DSA		July 2010

III. BURUNDI: RELATIONS WITH THE AFRICAN DEVELOPMENT BANK GROUP
(As of January 25, 2011)

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

On April 21, 2009, under the enhanced framework of the Heavily Indebted Poor Countries (HIPC) Initiative, the Board of Directors 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.

In support of the Government's economic and social program, the Board approved the Country Strategy Paper (CSP) in October 2008. The CSP covers the period 2008 to 2011 and focuses on 2 pillars of the CSLP namely, (i) support to effective government by improving economic governance and the functioning of key public sector institutions, and (ii) increase employment opportunities through developing infrastructure and targeted interventions in the agricultural sector. The Bank Group current portfolio of a total commitment of UA 159.95 millions comprises 14 ongoing operations, out of which 5 are regional in scope. The Bank Group intervenes actively in infrastructure (transport, water and sanitation, and energy), agriculture, governance and social sectors. The amount of 10 million UA for the third phase of Burundi's Programme d'Appui aux Reformes Economic (PARE III) has been fully disbursed in 2010. The revised Country Strategy Paper Mid-Term Review and country Portfolio Review has been presented to CODE on 30th of November 2010. The Bank prepares PARE IV currently.

A stepping stone towards reinforcing Burundi's commitment to further its infrastructure development and economic integration was underpinned through an integrated analysis of transport, power, telecommunication and mining carried out by the Bank in collaboration with the Government of Burundi and other development partners. The study entitled "An Infrastructure Action Plan for Burundi: Accelerating Regional Integration", which is aligned with both national objectives and regional infrastructure developments, is designed as a reference for policy dialogue between stakeholders.

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

Sector	**Project Name**	**Amount (*million UA*)**
Agriculture	Watershed Development Project	9.00
	Lake Tanganyika Integrated Management Project	4.96
	Bugesera PPF Studies	0.32
Energy	Electricity Infrastructure Rehabilitation/ Expansion	7.32
Water and Sanitation	Water Infrastructure Rehabilitation/ Expansion	12
Social Sector	Multisector Reintegration Project	9.81
	Employment Creation Project	10.00
Multi Sector	Governance Structure Support Project	1.5
	Economic Reform Support Programme III	10
Multinational	Bugesera Multinational Project	15.02
	Kicukiro (Rwanda) – Kirundo (Burundi) Road	14.9
	Isaka-Kigali Railway Feasibility Study Phase II	0.57
	Nyamitanga-Ntendezi-Mwityazo Road	49.38
	NELSAP Interconnection	5.05
Total (Public Sector only)		**64.91**
Total (Public and Multinational)		**159.95**

IV. BURUNDI STATISTICAL ISSUES

(As of February 14, 2011)

I. Assessment of Data Adequacy for Surveillance
General: Data provision has serious shortcomings that significantly hamper surveillance. The most serious shortcomings affect national accounts, government finance, and balance of payments statistics. Insufficient funding, staffing shortages and lack of equipment, along with coordination difficulties among responsible institutions, impede the timely production and dissemination of macroeconomic statistics.
Real sector statistics: Serious deficiencies in real sector data compilation hamper economic analysis and management. National accounts statistics are compiled infrequently by ISTEEBU, the national statistical office. Source data on agriculture, the most important economic activity, is inadequate. Consequently, there is a high degree of uncertainty regarding estimates of the level and the growth rate of GDP, components of expenditure, and all ratios to GDP. Annual national accounts estimates provided to the Fund, are not compiled, but rather, are derived from a macroeconomic projection model and certain base year estimates for 1998 and 2005. Since 2007, ISTEEBU has started the process for improvement of national accounts statistics with the assistance of AFRITAC. National accounts are now established on the basis of *SNA 1993* (partially) using ERETES software with 2005 as base year. Compilation of GDP estimates for the years 2007 and 2008 is under progress. Data on non-financial corporations is also a major area of concern for national accounts compilers. The monthly consumer price index, features expenditure weights derived from a dated 1991 household expenditure survey and covers only the capital city, leading to inaccurate measurement of inflationary pressure. No producer price indices are compiled. Limited labor market statistics are available**,** thus hampering surveillance.
Government finance statistics: Burundi has benefitted from technical assistance provided by the World Bank and 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 continue to suffer from weaknesses in coverage, accuracy, consistency, and timeliness. Earlier this year, Burundi has accepted to participate in the GFS module under the Enhanced Data Dissemination Initiative – EDDI. 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 over the next 3 to 5 years. The first mission is scheduled to take place in April 2011.
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. Transactions with the IMF are reflected incorrectly—the amount of loans received from IMF differs from the IMF records, misrepresenting foreign liabilities of the central bank. STA informed the central bank of the issue, the resolution of which is pending. Because of the current payment system, there are differences between the central bank and other depository corporations (ODC)

records. Normally, transactions between the central bank and ODC show up in ODC balance sheet with one-day lag that affects other items (net) (OIN) in the Depository Corporations survey. The liabilities of three banks in liquidation are shown in the central bank balance sheet; however, the information on these banks is not included in the summary of ODC data.	
External sector statistics: Annual balance of payments and international investment position statistics are compiled by the BRB according to the fifth edition of the *Balance of Payments Manual (BPM5)*. However, severe coverage and measurement difficulties impart a high degree of uncertainty to external sector statistics and surveillance. For example, there are significant unrecorded imports and exports (particularly coffee and tea) of merchandise and services, and while adjustments are made, the uncertainty remains. For both services and income, the accuracy of the source data is not routinely assessed against other data sources. Similarly, measurement of capital and financial account transactions relies on Burundi's International Transaction Reporting System, which is known to have incomplete coverage. Further actions are required to improve the accuracy and reliability of external sector data.	
II. Data Standards and Quality	
Burundi does not participate in the General Data Dissemination System (GDDS). Burundi could benefit from participation in the GDDS, as a framework to improve its macroeconomic statistics and coordination between institutions.	No data ROSC is available.
III. Reporting to STA	
Summary government finance transactions data are reported for publication in *International Finance Statistics (IFS)*. The BRB has completed migration to the Standardized Report Forms for the submission of its monetary statistics to the Fund; detailed monetary statistics are published in the *IFS.* Balance of payments and international investment position data are published in *IFS* and in the *Balance of Payments Yearbook.*	

Burundi: Table of Common Indicators Required for Surveillance
(as of February 14, 2011)

	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Dec. 2010	Jan. 2011	M	M	M
Reserve/Base Money	Dec. 2010	Jan. 2011	M	M	M
Broad Money	Nov. 2010	Jan. 2011	M	M	M
Central Bank Balance Sheet	Dec. 2010	Jan. 2011	M	M	M
Consolidated Balance Sheet of the Banking System	Dec. 2010	Jan. 2011	M	M	M
Interest Rates[2]	Dec. 2010	Jan. 2011	M	M	M
Consumer Price Index	Dec. 2010	Jan. 2011	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]—General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]—Central Government	Dec. 2010	Jan. 2011	Q	Q	Q
Stocks of Central Government and Central Government-Guaranteed Debt[5]	NA	NA	NA	NA	NA
External Current Account Balance	2010	Jan. 2011	A	A	A
Exports and Imports of Goods and Services	2010	Jan. 2011	M	M	M
GDP/GNP	2010	Jan. 2011	A	A	A
Gross External Debt	2010	Jan. 2011	M	M	A
International Investment Position[6]	2010	Jan. 2011	A	A	A

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

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

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

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

[5] Including currency and maturity composition.

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

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

INTERNATIONAL MONETARY FUND
EXTERNAL RELATIONS DEPARTMENT

Press Release No.11/81
FOR IMMEDIATE RELEASE
March 15, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fifth Review Under ECF Arrangement with Burundi, Extends Arrangement, and Approves US$10.4 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) has completed the fifth review of Burundi's economic performance under the Extended Credit Facility (ECF) arrangement and extended the ECF arrangement to August 31, 2011.[6] The decision enables the authorities to draw an additional amount equivalent to SDR 6.6 million (about US$10.4 million), bringing total disbursements under the arrangement to an amount equivalent to SDR 39.6 million (about US$62.3 million). The Board's decision was taken on a lapse of time basis.[7]

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

The three-year ECF arrangement with Burundi was originally approved on July 7, 2008 (see Press Release No. 08/167) for an amount equivalent to SDR 46.2 million (about US$75.6 million).

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

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

[7] 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 discussions.