INTERNATIONAL MONETARY FUND

IMF Country Report No. 22/257

BURUNDI

July 2022

2022 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BURUNDI

In the context of the Article IV Consultation, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 20, 2022, following virtual discussions with the officials of Burundi that were held from February 24–March 17, 2022, with follow-up discussions on May 27, 2022, and June 1, 2022, on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 7, 2022.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- An **Informational Annex** prepared by the IMF Staff.
- A **Statement by the Executive Director** for Burundi.

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

Selected Issues

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PRESS RELEASE

PR22/275

IMF Executive Board Concludes 2022 Article IV Consultation with Burundi

FOR IMMEDIATE RELEASE

Washington, DC – **July 21, 2022:** The Executive Board of the International Monetary Fund (IMF) concluded the 2022 Article IV consultation[1] with Burundi on July 20, 2022.

Burundi's economy continues to navigate the challenging headwinds presented by the COVID-19 pandemic and the impact of the war in Ukraine. Prior to the pandemic, the country was recovering from an economic and political crisis following late President Nkurunziza's decision to run for a third term in 2015. The war in Ukraine has disrupted the recovery momentum, with the associated higher import prices (food and fuel) and lower export prices (tea and coffee) and supply chain bottlenecks amplifying inflation pressures and external sustainability challenges. At the same time, the country is benefiting from the positive effects of the recent reengagement with the international community, the lifting of E.U. and U.S. sanctions at end 2021/early 2022, and ending of mandatory reporting by the U.N. Security Council. The 2022 Article IV Consultation seals the full reengagement with the IMF—the last Consultation was concluded in 2014.

Growth is expected to pick up to 3.3 percent in 2022, slightly strengthening from 3.1 percent in 2021, and average about 4.7 percent over 2023-27 (Table 1), benefitting from ongoing investment, plans to further scale up public investment, and ongoing reforms under the *Plan National de Development* (PND). Downside risks are notable, stemming from uncertainty around the duration and impact of the pandemic and spillovers from the war in Ukraine. These risks are however partly offset by significant upside risks linked to the recent announcement of grants to help Burundi cope with the external shocks, the full potential of the reengagement with the international community, and the end of mining contract negotiations, which would alleviate balance of payment pressures and boost economic growth. Inflation is expected to rise to double digits in 2022, and subsequently subside. The fiscal deficit would level off at around 5 percent of GDP in 2021/22, lower than during the peak of the pandemic (7.8 percent of GDP in 2020/21).

Burundi's public debt is sustainable; however, the risk of external debt distress is high. External imbalances are large, with reserve coverage below adequacy levels and a large parallel exchange rate market premium.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

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Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the authorities' policy response to the COVID-19 pandemic and steps taken to address the spillovers from the war in Ukraine, including inflationary pressures. Directors highlighted that growth is expected to continue to strengthen, subject to important risks. They underscored the need for an ambitious and broad-based set of policies to address debt vulnerabilities and external imbalances and for reforms to address the roots of fragility, unlock bottlenecks, and ensure inclusive growth. Directors emphasized the importance of durable political and social stability and welcomed the authorities' efforts to reengage with the international community.

Directors welcomed Burundi's commitment to revenue-led fiscal consolidation and prudent borrowing, noting that while debt remains sustainable, the risk of external debt distress is high. They underscored the need to enhance domestic revenue mobilization through digitalization and measures to widen the tax base. Directors welcomed the focus on protecting priority COVID-19-related investment and social spending, including on health and education. They emphasized the importance of rationalizing spending and strengthening public financial management.

Directors highlighted the weak external position and stressed the need for measures to address external imbalances and rebuild reserves. In this context, they saw merit in using the SDR allocation primarily to bolster reserves. Directors underlined the importance of modernizing the monetary policy framework, and welcomed the authorities' commitment to design a reform strategy to unify the official and parallel market exchange rates, supported by Fund capacity development. Noting the ongoing inflationary pressures and rapid credit growth, Directors underscored the need for a well-timed recalibration of the monetary policy stance and for steps to reduce monetary financing and strengthen the independence of the central bank. They recommended remaining vigilant to financial sector risks and adjusting policy as needed.

Directors called for reforms to address fragility, enhance competitiveness, and strengthen governance. They emphasized the need for measures to improve human capital, enhance productivity, and reduce the vulnerability to climate-related shocks. Directors encouraged measures to ensure transparency on the use of COVID-19-related spending. They stressed the importance of collecting and publishing information on the ultimate beneficial ownership of companies that were awarded COVID-related contracts. Directors called for steps to align the AML/CFT framework with international standards and for quick implementation of requirements to gain full membership in the Eastern and Southern Africa Anti-Money Laundering Group.

It is expected that the next Article IV consultation with Burundi will be held on the standard 12-month cycle.

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[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

Table 1. Burundi: Selected Economic Indicators, 2019–27

	2019	2020		2021		2022	2023	2024	2025	2026	2027
	Est.	Pre-Covid	Est.	Pre-Covid	Est.			Proj.			
	(Annual percentage change, unless otherwise indicated)										
Output, prices, and exchange rate											
Real GDP	1.8	2.1	0.3	2.1	3.1	3.3	4.1	4.9	5.1	4.8	4.6
GDP deflator	0.8	5.7	6.0	5.3	8.5	8.6	7.6	7.0	6.8	6.1	5.9
CPI (period average)	-0.7	5.6	7.3	5.2	8.3	11.0	8.0	4.3	4.1	4.1	4.0
CPI (end of period)	5.1	7.5	7.5	7.5	10.1	8.6	7.5	1.7	6.2	2.4	5.4
Terms of trade (- =deterioration)	53.3	5.9	-12.3	2.1	-8.4	-4.2	0.9	1.1	1.4	0.4	0.0
Money and credit											
Broad Money (M2)	23.9	20.9	25.4	19.8	22.3	18.2	16.1	16.4	16.5	15.4	15.1
Credit to non-government sector 1/	17.7	7.8	15.5	7.5	44.8	20.6	18.7	17.9	18.1	13.7	13.2
M2/GDP (percent)	36.2	37.4	42.7	41.4	46.7	49.2	51.0	53.0	55.0	57.1	59.3
	(Percent of GDP, unless otherwise indicated)										
Central government budget 2/											
Revenue and grants	20.4	21.8	22.2	22.0	23.2	23.8	29.3	28.9	27.7	27.5	27.2
of which: grants 3/	4.0	4.5	4.3	4.6	4.7	5.0	9.8	9.5	8.2	7.9	7.6
of which: revenue	16.4	17.4	17.9	17.4	18.5	18.8	19.5	19.4	19.5	19.5	19.6
Expenditure	26.5	28.3	28.2	27.9	31.0	28.8	36.7	35.1	31.4	30.0	29.5
Expense	18.0	19.1	20.3	18.8	23.2	19.5	19.7	19.3	18.6	18.4	18.3
Net acquisition of non-financial assets	8.5	9.2	7.9	9.0	7.8	9.3	17.0	15.8	12.8	11.6	11.2
Primary balance	-4.2	-5.0	-3.1	-3.1	-5.0	-1.8	-4.1	-3.0	-0.6	0.4	0.5
Overall balance	-6.2	-6.5	-6.0	-5.8	-7.8	-5.0	-7.4	-6.2	-3.7	-2.6	-2.3
Excluding grants	-10.2	-11.0	-10.3	-10.5	-12.5	-10.0	-17.2	-15.6	-11.9	-10.5	-9.9
Net acquisition of financial assets	1.8	-0.5	1.2	0.0	2.9	1.7	1.6	1.5	0.2	-0.7	0.2
Net domestic borrowing	5.5	3.9	4.5	5.2	7.6	5.4	8.6	7.4	3.8	1.8	2.5
Net foreign borrowing	1.7	0.8	0.6	0.6	0.4	4.9	0.4	0.2	0.1	0.1	0.0
Accounts payable	0.7	1.3	2.1	0.0	2.7	-3.6	0.0	0.0	0.0	0.0	0.0
Public debt											
Public gross nominal debt	60.0	59.7	66.0	61.5	66.6	66.9	67.7	65.5	61.4	58.1	54.8
of which: external public debt	18.3	17.5	17.7	16.9	20.2	18.9	17.5	16.2	14.9	13.8	12.6
domestic public debt	41.7	42.2	48.2	44.5	46.3	48.0	50.2	49.3	46.5	44.3	42.2
Investment and savings											
Investment	19.3	19.3	19.8	19.4	19.8	24.1	25.0	22.4	21.0	20.8	20.5
Public	5.2	4.5	4.2	4.5	5.2	11.1	11.9	9.2	7.8	7.6	7.3
Private	14.1	14.8	15.6	14.9	14.6	13.0	13.1	13.2	13.2	13.2	13.2
Savings	7.7	2.4	9.6	2.9	6.4	9.7	10.9	9.0	9.9	10.4	10.6
Public	-1.2	-1.6	-2.4	-1.4	1.0	3.7	4.3	4.5	5.1	5.2	5.1
Private	9.0	4.0	12.0	4.3	5.4	6.0	6.7	4.6	4.7	5.2	5.5
External sector											
Exports (goods and services)	9.9	9.9	8.8	10.1	7.5	10.5	9.8	9.5	9.6	9.5	9.4
Imports (goods and services)	33.7	35.6	33.1	35.4	35.5	39.2	37.9	36.3	33.6	32.3	31.2
Trade Balance (goods and services)	-23.8	-25.7	-24.3	-25.3	-28.0	-28.7	-28.1	-26.7	-24.0	-22.8	-21.9
Current account balance (incl. budget support)	-11.6	-16.9	-10.2	-16.4	-13.4	-14.4	-14.0	-13.3	-11.2	-10.4	-9.9
Current account balance (excl. budget support)	-11.6	-16.9	-10.2	-16.4	-13.4	-14.4	-14.5	-13.8	-11.7	-10.9	-10.4
Memorandum items:											
Official current transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Official capital transfers 3/	4.5	4.5	4.4	4.5	4.4	10.1	10.2	7.9	7.6	7.4	6.9
GDP at current market prices											
In billions of Burundi Francs	5,560	6,191	5,911	6,657	6,613	7,416	8,305	9,316	10,457	11,620	12,868
In billions of US$	3.0	3.2	3.1	3.4	3.4	3.6	4.0	4.3	4.7	5.1	5.5
Gross international reserves											
In millions of US$	113.4	113.4	94.3	113.4	266.6	263.3	243.7	223.6	227.1	224.3	222.3
In months of next year imports	1.3	1.1	1.0	1.1	2.2	2.1	1.9	1.7	1.7	1.6	1.5
GDP per capita (Nominal US$)	261.3	273.0	259.9	275.8	274.0	289.3	305.4	322.9	341.7	357.9	373.6
Export volume growth (goods, in percent)	-4.7	-0.7	-21.6	2.7	-17.9	63.7	0.1	4.3	9.3	4.2	4.3
Import volume growth (goods, in percent)	44.5	0.5	-16.1	2.2	-3.8	14.1	6.0	4.5	0.4	2.3	2.3
Population (million)	11.5	11.9	11.9	12.2	12.2	12.6	13.0	13.4	13.8	14.2	14.6
Health and social spending 2/											
Health	1.6	2.9	1.9	1.7	3.6	3.3		...	...	...	...
Social	2.5	2.9	3.0	3.2	3.2	3.1	...	...	...	...	...
Human Development Index Score (HDI/UNDP)	0.4	...	...	...	...	...	...	...	...	...	...

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

1/ A statistical adjustment (15 percent) was applied to credit growth to account for the reclassification of a bank—the Urban Housing Promotion Fund became the Burundi Housing Bank in 2021 and is now covered in the monetary survey.

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

3/ Includes vaccine donations (starting in FY2021/22) and the grant for the IMF debt service falling due from October 16, 2021 to April 13, 2022 under the CCRT. Starting with FY2022/23, grants also include project grants from the US and the EU. Grants averaged 17.7 percent of GDP per year during 2010-14, before the 2015 political crisis.

INTERNATIONAL MONETARY FUND

BURUNDI

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION

July 7, 2022

EXECUTIVE SUMMARY

Context. Burundi's economy has shown resilience to the COVID-19 and Ukraine war shocks. Prior to the pandemic, the economy was recovering from the political and security crisis that followed late President Nkurunziza's decision to run for a third term in 2015, with growth close to 2 percent in 2019. Difficult macroeconomic policy challenges persisted, nevertheless. The pandemic has taken a toll on the post-conflict fragile country, but COVID-19 contagion remained fairly contained and growth was positive. The war in Ukraine is compounding the adverse effects of the pandemic, with deteriorating terms of trade and the resulting domestic inflation threatening already-challenging living standards. Sanctions from the U.S. and E.U.—legacy of the 2015 crisis—have now been lifted. The U.N. Security Council ended mandatory reporting in Burundi and the country has reengaged with the international community. The 2022 Article IV consultation seals the full reengagement with the IMF—the last one was concluded in 2014.

Outlook and risks. Growth is expected to strengthen somewhat in 2022, to 3.3 percent, although dampened by inward spillovers of the war in Ukraine, which has compounded nascent domestic fuel shortages and transportation disruptions. Growth would continue recovering over the medium term, supported by ongoing investment plans and reforms. Inflation would reach 11 percent in 2022, driven by increases in domestic pump and transportation prices under the impulse of global prices. It would recede starting in 2023. Both upside and downside risks to the outlook are significant. On the upside, recent announcements of in-kind grants from Japan and Russia and an expected equity disbursement from a newly signed mining contract would alleviate balance of payments pressures and support growth. Higher donor financing reflecting Burundi's full reengagement with the international community would significantly alleviate foreign exchange (FX) shortages and improve growth prospects. On the downside, external risks stem from the uncertainty around the intensity and the end of the pandemic and the war in Ukraine and key domestic risks are related to potential delays in implementing policies that underpin the baseline and slower reform progress.

Policy recommendations. Burundi is at high risk of debt distress; and debt is assessed as sustainable contingent on fiscal adjustment and robust export and growth performance. External imbalances have been exacerbated by the pandemic and inward spillovers from the war in Ukraine, with FX reserves coverage below adequacy levels and

a large parallel exchange rate market premium (62.5 percent at mid-June 2022). In light of debt vulnerabilities and the weak external position, a multi-pronged policy recalibration is critical, including:

- **Implementing credible revenue-led fiscal consolidation and prudent borrowing** to reduce debt vulnerabilities while creating fiscal space to continue executing the authorities' COVID-19 response plan; catering to social spending needs, while ensuring efficient targeting; and scaling up priority investment to support exit from fragility.

- **Recalibrating exchange rate policy and modernizing the monetary policy framework (MPF),** while being attuned to FX-related financial sector vulnerabilities to ensure external sustainability. The MPF objective is price stability, using monetary aggregate targeting. Ongoing capacity development is supporting the authorities' plan to design a post-unification exchange rate policy and the associated MPF. Although the financial sector remains healthy and exposure to currency mismatches appears limited, it is important to remain vigilant by implementing forward-looking supervision.

- **Calibrating the timing of deferring accommodative monetary policy to address inflationary pressures.** This includes preparing to recalibrate supportive monetary policy measures, including liquidity provisions to banks, and wind down the use of the special refinancing windows created during the pandemic with timely signaling to the market. Reducing direct and indirect monetary financing would also help stem inflationary pressures and contain further exchange rate depreciation.

- **Implementing reforms to alleviate bottlenecks to inclusive growth,** including improving competitiveness, continuing to prepare audited COVID-19 spending reports, and further enhancing the broader governance framework.

Approved By
Costas Christou (AFR) and Anna Ilyina (SPR)

The mission team comprised of Mame Astou Diouf (head), Jacques Bouhga-Hagbe, Mouhamadou Moustapha Ly, Sotima Jocelyn Koussere (all AFR), and Nikhil Patel (RES). Kristina Miggiani, Nouria El Mehdi, Ron Snipeliski (all LEG), and Pornpinun Chantapacdepong (MCM) attended some meetings. FAD, LEG, MCM, and STA staff participated in outreach meetings. Assistance was provided by Belyse Kwizera and Sydney Munezero (Burundi office), Sandrine Ourigou, Cecilia Prado, Rohan Ahluwalia, and Jorge Guzman (all AFR). Virtual discussions were held during February 24–March 17, 2022, with follow-up discussions on May 27, 2022, and June 1, 2022. The mission met with the Burundian authorities led by Minister of Finance, Budget, and Economic Planification Dr. Domitien Ndihokubwayo and Central Bank Governor Jean Ciza. Staff met with the Chamber of Commerce and Industry, the mining sector regulator, commercial banks and microfinance institutions, non-governmental organizations, as well as representatives of the civil society and donors. Ms. Ita Mannathoko and Mr. Tamsir Cham (OED) participated in the discussions.

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CONTEXT

1. Burundi is a post-conflict country with deep-rooted fragility (Selected Issues Paper, SIP). The country fell into a political and security crisis following late President Nkurunziza's decision to run for a third term in 2015. Multidimensional fragility persists, with low capacity, sporadic violence, weak judicial and governance systems, high poverty and inequality, and vulnerability to natural disasters. Burundi's 2018–27 development plan (Plan National de Dėveloppement, PND), aims to address key weaknesses through export diversification, infrastructure development, improved access to social safety nets and public services, and better governance. President Ndayishimiye, representing the incumbent ruling party, won the May 2020 elections, succeeding Mr. Nkurunziza who passed away in June 2020, and took steps to reengage with the international community. Amid significant security improvements, the U.N. Security Council ended mandatory reporting on Burundi in 2020, the U.S. lifted in November 2021 the sanctions it imposed in 2015, and the E.U. removed sanctions under Article 96 of the EU-ACP partnership agreement in February 2022.

2. Burundi's economy had been resilient prior to the COVID-19 pandemic (Figures 1−6). Growth recovered to 1.8 percent in 2019 and inflation averaged -0.7 percent owing to abundant crop (SIP). The current account (CA) deficit was stable, at 11.6 percent of GDP, supported by gold exports, remittances, and official transfers. The fiscal deficit remained large, at 6.2 percent of GDP in 2018/19, although revenue collection had been robust. Foreign exchange (FX) reserves were anemic (1.3 months of imports at end-2019) and a large parallel exchange rate (ER) market premium persisted (SIP).

3. The economic recovery was disrupted by the pandemic, while spillovers from the war in Ukraine pose headwinds to growth. The authorities prepared a response plan to limit the COVID-19 spread and cushion its macroeconomic and social impact (Annex I). The plan, which was costed at US$150 million, included a sanitary plan of US$ 58 million (1.8 percent of GDP) and infrastructure investment to improve public health capacity and access. The pandemic led to a slowdown in growth to 0.3 percent in 2020, despite subdued contagion (0.3 percent of the population as of June 7, 2022), including during the Omicron wave. Vaccination started in October 2021 but remains limited (less than one percent of the population). The war in Ukraine is expected to further weigh on the recovery.

4. The 2022 Article IV Consultation seals Burundi's full reengagement with the Fund since the last Article IV in 2014. Burundi benefited from five tranches of debt relief under the Catastrophe Containment and Relief Trust (CCRT, SDR 17.96 million) starting in 2020, the general SDR allocation of August 2021 (SDR 147.6 million or 6.3 percent of GDP), and a disbursement under the Rapid Credit Facility (RCF, SDR 53.9 million or 2.3 percent of GDP) in October 2021.

RECENT MACROECONOMIC DEVELOPMENTS

5. Inward spillovers from the war in Ukraine are sizeable, with a commensurate

government response (Text Table 1). Disruptions to supply chains, including to Ukraine's ability to exports, sanctions against Russia and Belarus, and the hoarding behavior of major food producers deteriorated Burundi's terms of trade. Food and fuel imports prices soared, increasing Burundi's import bill, and compounding the effects of pre-existing FX shortages, which increased domestic fuel rationing and transportation disruptions.[1] Moreover, while Japan and Russia announced donations in-kind to help stem import pressures, they have not materialized yet. Export prices dropped, including tea prices (-12 percent in 2022) and coffee prices somewhat (-1 percent), reducing Burundi's export proceeds. Gold prices have increased, though slightly (+1.1 percent in 2022), cushioning the terms of trade deterioration. The spillovers will be long-lived as prices are not expected to return to pre-war projections in the medium term.

Text Table 1. Burundi: Mitigating Measures

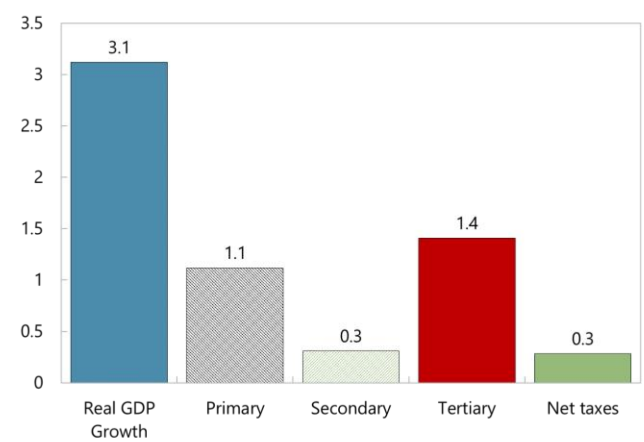
Measures	Date
Fuel prices were raised twice in 2022Q1. The second raise was from BIF 2700 to 3250 per liter.	28-Apr-22
Public transportation prices were increased. E.g., bus tickets in Bujumbura went from BIF 450 to 550.	3-May-22
Expected grants	**Date**
Grant by Japan worth US$ 3.45 million	24-Mar-22
Grants by Russia, including fuel, fertilizer, and medicines	9-May-22

Sources: Burundi authorities and IMF staff.

6. **Burundi's economy is recovering although it grapples with a weak external position.**

- *Growth and Inflation.* Output growth is estimated to have rebounded to 3.1 percent in 2021 mainly driven by a recovery in services, thanks to easing travel and border restrictions. Recent agricultural reforms, including better quality crops and timely availability of inputs, have started to bear fruit although floods and landslides hampered agricultural production. The secondary sector slowed down as major mining companies ceased production pending the renegotiation of their contracts. Inflation averaged 8.3 percent in 2021 (7.3 percent in 2020), driven by rising food prices including wheat flour prices (+25 percent in December 2021). Inflationary pressures are further compounded by spillovers from the war in Ukraine —y/y inflation stood at 11.9 percent in May 2022.

Burundi: Real GDP Growth Projections and Sector Contributions, 2021



Sources: IMF staff projections.

[1] Limited imports, including fuel imports, in 2021Q4 owing to limited FX reserves led to fuel shortages and a ban of the use of cycles in Bujumbura from March 2022 led to public transportation disruptions.

- *External sector.* The CA deficit widened to 13.4 percent of GDP in 2021 (10.2 percent in 2020), mainly due to the recovery in fuel and food imports. Lower oil prices in early 2021, lower imported volume of petroleum products owing to the limited FX availability, and increasing workers' remittances[2] helped contain the CA deficit. Exports receded in 2021 mainly owing to the drop in mining production. The capital and financial accounts improved thanks to IMF flows, supporting an FX reserves buildup to 2.2 months of imports at end-2021 (0.6 month in March 2021). In 2022H1, the authorities exchanged a total of SDR 57 million (US$ 80 million) of their SDR allocation for U.S. dollars to cope with the spillovers from the war in Ukraine. Burundi's external position for 2021 is substantially weaker than implied by fundamentals and desirable policies. The external sector assessment (ESA, Annex II) reveals a significant misalignment of the real effective ER of 68.6 percent (Text Table 2). The parallel ER market premium stood at 62.5 percent at mid-June 2022.[3]

Text Table 2. Burundi: EBA-Lite Model Estimates, 2021
(Percent of GDP)

	CA model 1/
CA-Actual	**-13.4**
Cyclical contributions (from model) (-)	0.6
COVID-19 adjustor (-) 2/	0.1
Additional temporary/statistical factors (-)	0.0
Natural disasters and conflicts (-)	-0.2
Adjusted CA	**-14.0**
CA Norm (from model) 3/	**-5.2**
Adjustments to the norm (-)	0.0
Adjusted CA Norm	**-5.2**
CA Gap	**-8.8**
o/w Relative policy gap	4.5
Elasticity	-0.13
REER Gap (in percent)	**68.6**

1/ Based on the EBA-lite 3.0 methodology
2/ Additional cyclical adjustment to account for the temporary impact of the pandemic onremittances (0.1 percent of GDP).
3/ Cyclically adjusted, including multilateral consistency adjustments.

- *Monetary and financial sectors.* Nonperforming loans (NPLs) stood at 4.1 percent at end-September 2021. However, this figure is flattered by regulatory forbearance measures. Indeed, the number of loans that have been restructured is large (one third of loans in commerce). Private credit growth (44.8 percent at end-2021)[4] has been supported by the *Banque de la République du Burundi* (BRB)'s direct lending, government guarantees to para-public projects, and favorable refinancing terms (para. 32). Two new banks were created to target the youth and women.

[2] While remittances include money transfers from 2019 (STA CD mission of January 2020), informal flows are unaccounted for. Origin countries include Canada, the U.S., Belgium, and Sweden.

[3] The parallel market is informal and deemed illegal since 2019.

[4] A statistical adjustment (15 percent) was applied to credit growth to account for the reclassification of a bank—the *Urban Housing Promotion Fund* became the *Burundi Housing Bank* in 2021 and is now covered in the monetary survey.

7. The fiscal deficit is projected to narrow to 5 percent of GDP in 2021/22 (July–June) from 7.8 percent in 2020/21, thanks to strong revenue collection:

- Revenue collection is projected at 18.8 percent of GDP in 2021/22 (18.5 percent in 2020/21). Overperformance (1.6 percent of GDP higher than budget projections), reflects new revenue measures (Text Table 3, para. 16, and SIP) and strong VAT and non-tax revenue collection, which compensated a shortfall from petroleum imports revenue in 2021Q4. Vaccine donations are expected to boost grants.

Text Table 3. Burundi: Impact of Revenue Measures
(Percent of GDP)

	2020/21	2021/22	2022/23
	Est.	Proj.	
Tax revenue	0.6	0.1	0.7
Taxes on income, profits, and capital gains	0.0	0.1	0.0
Taxes on goods & services	0.2	0.2	0.3
Taxes on international trade & transactions	0.5	0.0	0.4
Other revenue	0.1	0.2	0.0

Sources: Burundi authorities and IMF staff estimates and projections

- Spending is projected at 28.8 percent of GDP (24.2 percent of GDP in the budget). While the budget includes pandemic-related spending of 1 percent of GDP (excluding vaccines). Additional spending needs include vaccines and associated costs (1.5 percent of GDP)[5] and other spending (3.2 percent of GDP), mainly reflecting underbudgeted interest payments and incurred outlays in 2021H2.[6] Under-execution of investment (-0.3 percent of GDP) will help contain the deficit.

- The fiscal deficit would be financed with government securities issuances, central bank on-lending to the government of the accessed SDR allocation (para. 6), and external financing.

OUTLOOK AND RISKS

8. Growth is expected to recover somewhat in 2022 and strengthen over the medium term (Text Table 4, Figure 5). It is projected to increase to 3.3 percent in 2022, and progressively stabilize at around 4.6 percent over the medium term, supported by stronger terms of trade, higher agricultural and mining production,[7] buoyant services activities, and capital projects. Several World Bank and AfDB projects[8] are underway and should be finalized during 2022–25, thus boosting investment and adding to the economy's productive capacity. These growth drivers are consistent with the PND. In addition to ongoing structural reforms (SIP), the planned use of the SDR allocation

[5] The baseline assumes vaccine donations (Annex I) to cover 21 percent of Burundians.

[6] COVID-related spending is not itemized, see Tables 2a and 2b. Staff estimates that about US$ 42 million (1.3 percent of GDP) has been spent on the COVID response plan by end-December 2021.

[7] Manufacturing production will be boosted by ongoing import substitution policies (cement and fertilizer factories) and stronger food and beverage production, supported by bank credit.

[8] Several hydroelectric dams are in train, financed with European, Chinese and IDP funds and a World Bank solar project began in 2021 (combined cost of US$600 million). Three of these projects should start production by 2022 and three others during 2023-25. Power line and road projects are funded by the AfDB ($100 million).

to scale up public investment and the less tight import restrictions will support GDP growth and mitigate the effects of the projected fiscal consolidation. The outlook is contingent on a pickup in vaccinations, durable political stability, and reengagement with the international community, with limited though increasing external financing flows.[9] Growth will also be supported by addressing governance and corruption vulnerabilities.

Text Table 4. Burundi: Key Macroeconomic Indicators under the Baseline, 2020–27

	2020	2021	2022		2023	2024	2025	2026	2027
	Est.		Budget	Proj.			Proj.		
				(annual percentage change)					
Real GDP	0.3	3.1	...	3.3	4.1	4.9	5.1	4.8	4.6
CPI (period average)	7.3	8.3	...	11.0	8.0	4.3	4.1	4.1	4.0
Credit to non-government sector 1/	15.5	44.8	...	20.6	18.7	17.9	18.1	13.7	13.2
				(percent of GDP)					
Revenue and grants 2/	22.2	23.2	22.0	23.8	29.3	28.9	27.7	27.5	27.2
Expenditure 2/	28.2	31.0	24.2	28.8	36.7	35.1	31.4	30.0	29.5
Overall fiscal balance 2/	-6.0	-7.8	-2.2	-5.0	-7.4	-6.2	-3.7	-2.6	-2.3
Public gross nominal debt	66.0	66.6	...	66.9	67.7	65.5	61.4	58.1	54.8
of which: external public debt	17.7	20.2	...	18.9	17.5	16.2	14.9	13.8	12.6
domestic public debt	48.2	46.3	...	48.0	50.2	49.3	46.5	44.3	42.2
				(annual percentage change, unless otherwise indicated)					
Export volume growth (goods)	-21.6	-17.9	...	63.7	0.1	4.3	9.3	4.2	4.3
Import volume growth (goods)	-16.1	-3.8	...	14.1	6.0	4.5	0.4	2.3	2.3
Current account balance (percent of GDP)	-10.2	-13.4	...	-14.4	-14.0	-13.3	-11.2	-10.4	-9.9
Current account balance (US$ million)	-315.2	-450.0	...	-523.3	-556.6	-575.0	-524.5	-530.1	-540.4
Gross international reserves (incl. financing needs)									
(millions of US$)	94.3	266.6	...	263.3	243.7	223.6	227.1	224.3	222.3
(months of imports of goods and services)	1.0	2.2	...	2.1	1.9	1.7	1.7	1.6	1.5
Memorandum items:									
Nominal GDP (billions of Burundi Francs)	5,911	6,613	...	7,416	8,305	9,316	10,457	11,620	12,868
Nominal GDP (in billions of US$)	3.1	3.4	...	3.6	4.0	4.3	4.7	5.1	5.5

Sources: Burundi authorities; and IMF staff estimates and projections.
1/ A statistical adjustment (15 percent) was applied to credit growth to account for the reclassification of a bank—the Urban Housing Promotion Fund became the Burundi Housing Bank in 2021 and is now covered in the monetary survey.
2/ Fiscal year values (July-June) starting in 2019 (i.e. 2019 is FY 2018/19). Includes the grant for the IMF debt service falling due from October 16, 2021 to April 13, 2022, which is subject to the availability of resources under the CCRT.

9. Inflation is projected to rise to 11 percent in 2022 and recede afterwards. With the share of tradable goods in the CPI estimated at 42 percent, inflation pressures are high (Text Table 5)—inflation was projected at 5.5 percent pre-war. The authorities raised domestic pump prices twice in 2022Q1 (20 percent in total) and transportation fees (30 percent). Beyond 2023, inflation is projected to remain contained under the authorities' current policies focused on boosting, agricultural production, imports substitution policies, price regulations, and FX allocation policy (para. 27).[10] The BRB's regulatory initiatives are likely to continue boosting private sector credit in the medium term (para. 32).

[9] A new financing agreement was signed with the U.S. (US$ 400 million over five years), reflecting the lifted sanctions.

[10] Absent external shocks, inflation has been mostly driven by agricultural product supply. Inflation averaged 3 percent during 2015–20.

Text Table 5. Burundi: CPI Composition and Contribution to Inflation

	Weights	Contribution
		Jan-May 2022
Imported goods and services	**42.0**	**6.3**
Food[1]	19.6	3.4
Clothes and shoes	5.7	0.5
Housing, Gas, Electricity, and Fuel	8.0	0.9
Health	2.8	0.8
Transportation	5.9	0.7
Non imported goods and services	**58.0**	**8.2**
Food, locally produced	10.6	1.9
Other, non imported	47.4	6.4
Overall	**100.0**	**14.6**

Source: ISTEEBU and IMF staff calculations

[1] Includes bread, cereal, sea fruit, oil and grease, coffee, tea, and some soda.

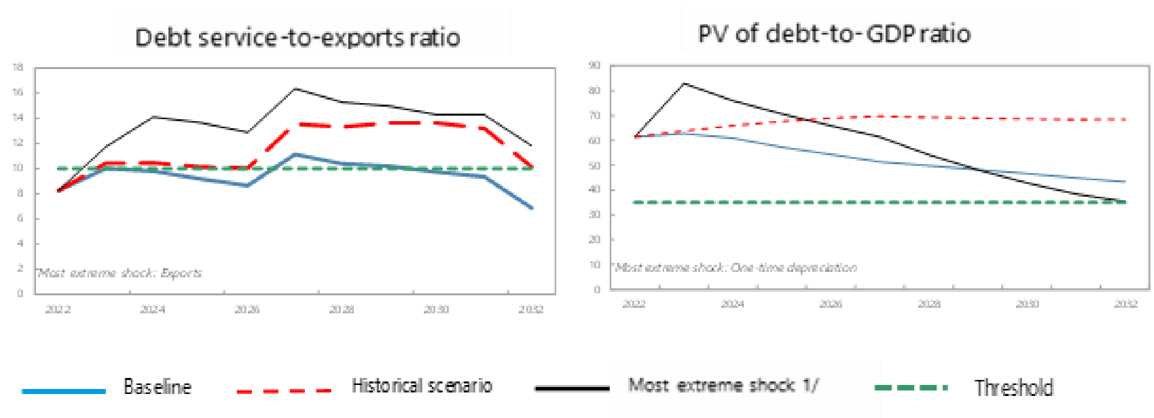
10. External imbalances are projected to persist. The CA deficit would widen significantly in 2022 to 14.4 percent of GDP, partly driven by: (i) deteriorating terms of trade; (ii) vaccines and other COVID-19 related imports; and (iii) easing of import restrictions as the RCF disbursement and SDR allocation improved FX availability. Export volumes would recover, under the impulse of the end of mining contract negotiations and a vibrant food industry. Beyond 2022, the CA deficit would narrow as terms of trade improve slightly and current transfers strengthen. The capital and financial account dynamics reflect mainly donor inflows[11]—projections of official inflows are however conservative compared to the prospects from Burundi's reengagement with the international community, and they account for implementation capacity (para. 12). In the absence of ER and FX market reforms, FX reserves would drop to 2.1 months of imports in 2022, partly owing to the import content of investment projects, and further decrease afterwards in the absence of significant inflows.

11. Burundi is at high risk of external and overall debt distress; and debt is assessed as sustainable contingent on fiscal adjustment, and robust export and growth—debt sustainability analysis (DSA). Public debt stood at 66.6 percent of GDP at end-2021 with key risks stemming from the large stock of domestic debt and liquidity constraints to service external liabilities. Risks to external debt service are mitigated by strong and resilient remittances and prospects of higher FX inflows, including through increased grants and concessional loans. Staff's assessment of debt sustainability is subject to significant risks, including uncertainties around domestic policies and the external environment. Existing domestic and external imbalances, including the large parallel ER market premium, heighten risks to debt sustainability. Long delays in exchange rate reform could further widen the ER market premium and amplify existing imbalances. Delays in fiscal consolidation,

[11] The authorities estimate trade credits, in the absence of recent enterprise, customs, and commercial bank surveys, and believe that the estimates are optimistic as operators might use other channels than swift (e.g., their FX accounts abroad), to circumvent FX shortages.

slow implementation of structural reforms, persistent information gap on arrears, and lingering effects of the COVID-19 pandemic or war in Ukraine would heighten debt vulnerabilities as well. A large ER depreciation would worsen debt vulnerabilities in the near term, while being beneficial after the initial shock as external debt is limited.

Burundi: Debts Sustainability Analysis Indicators



1/ The most extreme stress test is the test that yields the highest ratio on or before 2032
Sources: IMF staff calculations

12. Both upside and downside risks to the outlook are significant (Risk Assessment Matrix, Annex III).

- *Upside risks.* Recently announced in-kind grants from Japan (fuel) and Russia (fuel, fertilizers, medicines, and health equipment) and an expected equity disbursement from a newly signed mining contract (nickel)[12] would significantly strengthen the BOP and support growth (para. 6). Higher yield of recent revenue measures (para. 16) would increase fiscal space and may improve debt dynamics. Upside potential also includes potentially larger-than-projected external financing from the international community, reflecting recent lifting of U.S. and E.U. sanctions—grants averaged 17.7 percent of GDP per year during 2010–14 compared to 8.6 percent assumed in the baseline medium-term projections. Higher grants would increase fiscal space for public investment and reserve coverage, and thus ease FX access limitations and import rationing, alleviating two significant impediments to growth. Highly concessional long-term external financing would substitute for more expensive domestic financing, reducing borrowing cost and debt vulnerabilities. This Article IV consultation could help boost donor confidence and lay the foundation for a more ambitious reform agenda, including further flexibility in ER management,[13] that would enhance competitiveness and boost growth.

[12] On March 29, 2022, an agreement was signed between the Ministry of Energy and the East African Projects Group for a nickel exploitation project, including equity deposit of US$ 500 million.

[13] Burundi's de jure exchange rate arrangement is floating, and its de facto exchange rate arrangement is crawl-like.

- *Downside risks* pertain to (i) domestic policies, notably delays in implementing the policies that underpin the baseline, natural disasters potentially leading to higher domestic inflation, and a deterioration of the political and security situation and (ii) external uncertainties linked to the end of the pandemic and possible stronger and longer spillovers from the war in Ukraine, as well as de-anchoring of inflation expectations, rising energy and food prices, and weak global demand and investor confidence owing to outbreaks of COVID-19 variants.

Authorities' Views

13. The authorities broadly agreed with staff's macroeconomic projections, though they were more optimistic on the growth path, notably owing to the potential impact of ongoing reforms. The authorities acknowledged the higher imported inflation and noted that this impact will be limited because of regulation on fuel prices and the ongoing import substitution policy.

POLICY PRIORITIES

14. Discussions focused on macroeconomic policies and CD priorities to (i) create fiscal space to cope with the COVID-19 pandemic and the war in Ukraine and accommodate development spending while being attuned to debt vulnerabilities; (ii) restore external sustainability and strengthen the monetary policy framework while containing inflation; (iii) foster financial stability; and (iv) sustain inclusive growth and reduce fragility, including through fiscal governance reforms.

15. A policy mix that balances priority spending needs and addresses debt and external vulnerabilities is required to weather multi-dimensional challenges. On the one hand, spending pressures are high as (i) further execution of the authorities' COVID-19 response plan (Annex I) is warranted to contain the spread of new variants, including improving the vaccination rate; (ii) social spending needs are heightened by the effects of the war in Ukraine, including to prevent food insecurity; and (iii) Burundi must cater to its development needs, including increasing priority investment to spur sustainable growth and expand social safety nets (SSN) to reduce population fragility (SIP). On the other hand, a multi-pronged policy rebalancing is inevitable and urgent. Reducing debt vulnerabilities with, inter alia, a better-quality fiscal consolidation path achieved with higher revenue and scaled-up investment and prudent borrowing is a top priority (para. 11.). Furthermore, it is critical to carefully calibrate exit from accommodative MP and undertake in-depth reforms to rebalance ER policy and the monetary policy (MP) framework, while being attuned to financial sector vulnerabilities, to restore external sustainability.

CREATING FISCAL SPACE FOR PRIORITY SPENDING

16. Staff expects the 2022/23 fiscal deficit to widen to 7.4 percent of GDP reflecting predominantly higher capital outlays, although partly offset by a notable improvement in tax revenue and grants (Text Tables 6 and 7). The preliminary budget, which envisages a lower deficit, is being prepared under program budget approach, an accelerated reform timeline supported by CD.

- Staff projects that revenue would improve by 0.7 percent of GDP to 19.5 percent of GDP, mainly driven by VAT collections, reflecting the full year impact of revenue measures adopted in 2021/22 (para. 7 and Text Table 6) and planned measures (para. 17), although accounting for potential implementation hurdles. International trade taxes will also increase, boosted by higher imports. Project grants would benefit from the lifting of sanctions.

Text Table 6. Burundi: Revenue Measures Implemented with the 2021/22 Budget

A new tax on mobile phone megabits (18 percent of the cost)
The non-exemption from income tax and VAT on sales made by companies
A new anti-pollution tax on imported used vehicles
A new road fee
The widening of the rental tax base to include land leases
Strengthening of tax collection from mining sector activities
Strict enforcement of dividend collection from public enterprises

Sources: Burundi authorities and IMF staff.

- Expenditure is projected to rise in 2022/23 to 36.7 percent of GDP, mainly driven by public investments financed by project grants and the SDR allocation, which would fast-track implementation of the authorities' public investment plan (PIP), including a regional railway project and road, electricity, and health projects. Reduced COVID-19 expenses will contain spending.

- The deficit should be largely financed by domestic resources, including on-lending of the accessed SDR allocation (para. 26.), and foreign financing.

Text Table 7. Burundi: Fiscal Policy, 2020–23[1]

(Percent of GDP unless otherwise indicated)

	2020/21		2021/22		2022/23
	Budget	Est.	Budget	Proj.	Proj.
Total revenue and grants	22.4	23.2	22.0	23.8	29.3
Of which: Revenue	17.1	18.5	17.2	18.8	19.5
Grant	5.3	4.7	4.8	5.0	9.8
Total spending	25.2	31.0	24.2	28.8	36.7
Of which: Current	15.4	23.2	14.6	19.5	19.7
Of which: interest	0.9	2.8	0.9	3.2	3.3
Of which: Covid spending 2/	0.0	1.1	...	1.5	0.7
Investment	9.8	7.8	9.6	9.3	17.0
Overall deficit, incl. Grants	-2.8	-7.8	-2.2	-5.0	-7.4
Total financing	2.8	7.8	2.2	5.0	7.4
Of which: Domestic (net borrowing)	2.2	7.6	2.0	5.4	8.6
Of which: Central Bank (net) 3/	0.0	2.7	0.0	-0.8	2.6
Foreign	0.5	0.4	0.2	4.9	0.4
Accounts payable (-=repayment)	0.0	2.7	0.0	-3.6	0.0
Memorandum items					
GDP at current market prices (BIF billion)	6261.7	6261.7	7014.4	7014.4	7860.5

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

1/ Overperformance of revenue in FY2021/22 reflects new revenue measures and strong VAT and non-tax revenue collection. Additional spending outlays in FY2021/22 compared to the budget include vaccines and associated costs (1.5 percent of GDP) and other spending (3.2 percent of GDP), mainly reflecting underbudgeted interest payments and incurred outlays in 2021H2. The higher fiscal deficit would be financed with higher government securities issuances, central bank lending to the government, and external financing, inclduing the from the IMF RCF.

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

3/ Staff projects that the central bank will on-lend in local currency to the government the equivalent of half of the SDR allocation in FY2022/23 (2.6 percent of GDP) and the remainder in FY2023/24 and FY2024/25.

17. **The plan to adopt additional revenue measures in the 2022/23 budget is welcome.** Those include (i) an excise tax on cigarettes; and (ii) lump sum levies on some products (e.g., drinks).

18. **While efforts for domestic revenue mobilization (DRM) and boosting investment are critical, staff recommended to accommodate sufficient COVID-related and social spending in FY2022/23.** Given economic scarring risks and low vaccination rates, accommodating COVID-related spending remains important. Expanding the SSN and the funding of existing social programs (SIP) is also critical to help the vulnerable populations cope with the twin shocks—inflationary pressures could entrench living standards losses triggered by the pandemic.

19. Staff advised that the expected fiscal space generated by higher revenues and contained COVID-19 expenditure be partly used for appropriately targeted social programs (SIP) and measures to mitigate the adverse impact of revenue measures. The authorities have improved SSNs in recent years, including providing: *(i)* free primary education; *(ii)* an education support fund; *(iii)* free health care for children under five and women giving birth; and *(iv)* free care and selected medication. They also reviewed the institutional, legal, and regulatory framework for social protection. The 2021/22 budget expanded social programs targeted at women, the youth, people with disabilities, and natural disaster victims. This will also be essential to shield the vulnerable from the possible adverse impact of some revenue measures (especially those on basic goods and the informal sector) and to foster social cohesion. Efficient targeting will be required to ensure sustainability.

20. Recent spending rationalization and PFM measures are expected to improve efficiency. The 2020/21 and 2021/22 budget laws (i) froze hiring in all public sectors, except defense and security, education, health, and the revenue administration starting July 1, 2021; (ii) adopted a "fair wage policy" to reduce wage disparities in the public sector by using a job classification and rating system, stabilize the wage bill, and improve its predictability;[14] and (iii) introduced multi-year procurement and payment plans to strengthen investment management.

21. Nonetheless, further gains could be reaped by streamlining tax expenditures. Tax expenditures were much higher than the budgeted envelope in 2020/21 (Text Table 8), mainly driven by government and automatic exemptions for donor and NGO activities. Exemptions for private investors were also large. Staff recommended documenting tax expenditures in budget execution reports and assessing their efficiency.

Text Table 8. Burundi: Composition of Tax Expenditures
(Percent of GDP)

	FY2020/21	Jul 2021 - Jan 2022
Investors	0.8	0.4
Non-profit and private organizations	0.2	0.1
Personal items	0.01	0.01
Foreign-financed projects	1.0	0.5
Medicines and Pharmaceuticals	0.3	0.1
Government and its entities	1.2	0.3
Non-Governmental Organizations	0.1	0.1
Other exemptions 1/	0.01	0.01
Total	3.6	1.4

Sources: Burundi authorities
1/ Including agricultural inputs and veterinary products

22. Under current policies, gradual fiscal consolidation over the medium term would put the public debt ratio on a downward trajectory. Revenue collection would modestly strengthen, thanks to continued DRM efforts. Spending would gradually decline with investment receding after

[14] With an initial budgeted increase of 0.5 percent of GDP in 2021/22 (salary increase of previously discriminated civil servants).

the scaling-up of 2022/23 and 2023/24, rationalization measures (para. 20), and unwinding COVID-19 related spending. The fiscal deficit would gradually narrow to about 2 percent of GDP, despite conservative donor inflows (para. 10 and para. 12), and public debt would decline to about 55 percent of GDP.

23. Staff recommended a more ambitious medium-term fiscal consolidation, supported by quality scaling-up of DRM, investment, and SSNs to decisively reduce debt vulnerabilities and support policy recalibration. Stronger fiscal consolidation efforts are needed to bring the PV of debt-to-GDP ratio closer to its indicative benchmark of 35 percent of GDP and strengthen public debt sustainability (DSA). To this end, staff recommended:

- *Stronger DRM,* including by improving compliance with further digitalization and widening the tax base, accelerating the implementation of new measures (Text Table 9), and creating a unique taxpayer identification number to facilitate controls. The authorities also plan to strengthen dividend collection from public enterprises and excise taxes. An upcoming diagnostic CD mission (Fall 2022) will help design a medium-term revenue strategy. However, considerations must be given to striking a balance between DRM and possible social costs.

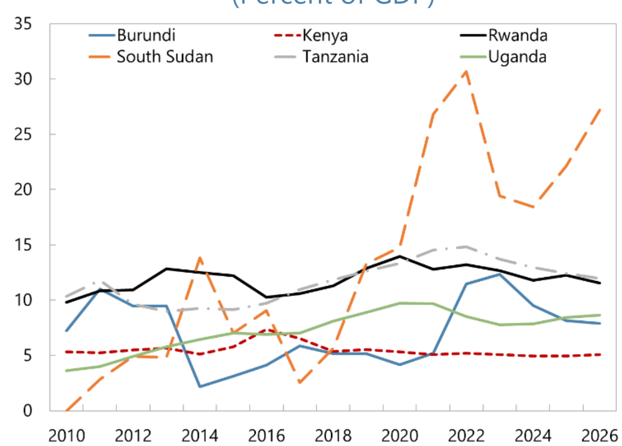
Text Table 9. Burundi. Revenue Measures Envisaged in the 2021/22 Budget and not yet Implemented

Strengthening of local taxation to capture informal sector activities
The revision of texts and procedures related to exemptions
Strengthening of the monitoring of VAT reimbursements
Strengthening revenue collection tools, including the IT infrastructure

Sources: Burundi authorities and IMF staff.

Burundi: Public Investment in Burundi and Peer Countries, 2010–26

(Percent of GDP)



Sources: IMF WEO and IMF staff projections and calculations

- *Spending rationalization and recalibration* by continuing to shift the spending mix[15] towards investment—public investment remains below ratios in peer countries. A gradual shift would ensure efficient planning and selection of mature high-return projects. Staff recommended CD on public investment management. Staff reiterated the

[15] In FY2020/21, capital spending represented 25 percent of total spending.

recommendation made at the RCF disbursement stage that, owing to external vulnerabilities, the SDR allocation should be primarily devoted to bolstering FX reserves coverage.

Authorities' Views

24. The authorities reiterated their commitment to DRM and prudent borrowing to create space for investment while ensuring debt sustainability. They welcomed CD offers and noted that efficient planning will help account for absorptive capacity. They saw digitalization as having major potential to increase VAT collections through electronic billing and digital payment systems and that they aim to increase mining revenues through the ongoing mining sector reform. The authorities underscored efforts to further widen the tax base by capturing activities in the informal sector and land transactions and ownership. They argued that tax exemptions are mainly linked to donor and international rules.

25. The authorities noted that their spending policies are guided by Burundi's PND. They view the new "fair wage policy" as an angular reform, which will reduce salary inequities in the public service and boost public service efficiency. They agreed with the need to protect social spending and highlighted that their ability to scale up social programs beyond recent reforms is constrained by financing. They flagged that their ambitious PIP would boost economic growth, hence reducing debt vulnerabilities and attracting foreign investment and FX inflows. They explained that expediting the implementation of program budgeting was important to better align public spending with government objectives.

ENROUTE FOR EXCHANGE RATE UNIFICATION

Ensuring External Sustainability

26. Burundi's external imbalances are large, although the SDR allocation provided a much-needed relief. Vulnerabilities include a weak external position, large CA deficit, FX reserves below adequacy levels, and significant REER misalignment (para. 6 and para. 10). While the SDR allocation helped, the authorities plan to use it to finance investment. Staff projects on-lending of half of the SDR allocation in 2022/23 (2.6 percent of GDP) and the remainder in 2023/24 and 2024/25.

27. The BRB has undertaken several measures to manage FX reserves (SIP). Exporters are required to surrender to the BRB all exports proceeds at the official ER. The BRB is the sole seller in the FX interbank market. FX allocations to commercial banks are directed to imports deemed priority, including medicines, fuel, and investment-related imports. FX allocation decisions (on importers, amount, and timing) also account for the need to contain inflation. There is anecdotal evidence of uneven FX allocation across banks, which increases the structural bottleneck.

28. Staff stressed that external policy recalibration is essential to ensure external sustainability, including unification of the official and parallel ER as early as possible and rebuilding FX buffers. There are two possible approaches (Text Table 10):

i. *A gradual adjustment within a target period*. The official ER would gradually decrease, following a rule or a discretionary path until it reaches its equilibrium level, preferably within a short period. This approach bears the advantage of allowing a smoother adjustment of economic actors, including the financial sector. A gradual approach would be costly in terms of FX reserves and may delay gains from removing FX distortions. It is nonetheless feasible as the SDR allocation and surrender requirements have reinforced FX buffers.

ii. *An immediate large adjustment ("instant unification")*. The official ER would instantly depreciate to a level that would alleviate the FX market distortions, determined based on the real effective ER misalignment and the parallel ER market premium. This approach would highly boost investor confidence.

29. While the choice will be guided by practical considerations, including the political economy, other key policy decisions must be made in conjunction with the ER unification. The approach to ER unification should account for FX reserves coverage, the global environment, and associated financial sector risks. Clear supportive communication would also be important. Country experiences suggest that the impact on inflation is usually limited where the size of the parallel ER market is large; however, this has to be ascertained for Burundi. Nonetheless, both approaches to ER unification bear risks that may require tighter monetary policy (MP) and financial regulation and supervision, in addition to prudent external debt management. The impact on financial sector stability will likely be limited as currency mismatches appear limited. Other policy decisions include a post-unification ER policy, possibly a managed float, an efficient MP framework, as well as fiscal consolidation and plans to exit monetary financing.

Authorities' Views

30. The authorities reiterated their commitment to maintaining macroeconomic stability, including external and debt sustainability. They acknowledged the large parallel ER market premium and external imbalances and stressed the need to carefully design any reform agenda to Burundi's characteristics. They cautioned against the potential inflationary impact of a sharp ER depreciation, which would predominantly affect the vulnerable population. The authorities appreciated the ongoing discussions on (i) cross-country experiences on ER unification and reforms; (ii) options of post-unification ER regimes and MP framework and instruments; (iii) fiscal and monetary policy coordination; and potential socio-economic implications and look forward to the upcoming CD mission. The authorities agreed that financial stability risks are muted. They acknowledged the need for a multi-pronged policy adjustment and reminded that the large ER parallel market premium was triggered by the sudden drop in donor support during the crisis. They stressed that ER unification would be facilitated by higher donor support. The authorities stressed their commitment to agree with staff on a policy reform roadmap, which will guide their actions in implementing the ER reform in the medium term, while accounting for the specificities of Burundi's economy as well as the economic and socio-political implications of the reform.

Text Table 10. Burundi: Approaches to Exchange Rate Unification

	Instant unification	Gradual unification
Advantages	• Instantly eliminates distortions and inefficiencies stemming from the parallel market. • Easier to communicate than a gradual unification. • Fiscal benefits. For example, increase in the domestic currency value of taxes on international trade. • Higher credibility of policy adjustment.	• Offers agents (including budgetary authorities) time to adjust smoothly and avoid disruptive effects. • Allows time to design a post-unification monetary policy framework and strengthen the alternative monetary anchor.
Disadvantages /risks	• Potentially disruptive if sizable segments of the economy have currency mismatches or are exposed to sharp exchange rate fluctuations in other ways, including via large implicit subsidies generated by the misaligned official rate. For example, exchange rate depreciation may hamper the ability to service external debt. • Sharp exchange rate depreciation could trigger a sudden spike in domestic inflation and possibly second-round effects.	• Risks getting derailed during the transition phase due to several interlinked factors: ✓ Possible speculative attacks, especially if FX reserves become critically low during the transition. ✓ Shocks to the equilibrium exchange rate during the transition may generate uncertainty regarding the path and timing of the unification and the authorities' commitment. Credibility issues will be particularly high if the transition period is too long. • Offers more scope for continuing rent seeking activities and for special interest groups to attempt stalling the unification. • FX market and availability may deteriorate during the transition while benefits will mostly accrue once the unification is achieved.

MONETARY POLICY CHALLENGES AND FRAMEWORK

31. BRB's MP framework is elaborate, albeit in need of improvement. The overarching objective of the MP is price stability, which is achieved through quantitative targeting of monetary aggregates and other instruments (SIP). Statutory advances were officially discontinued in 2017, although indirect monetary financing has surged since the pandemic. The budget is mainly financed through government securities. The interbank market functions relatively well, with little segmentation but low transaction volume. The efficiency of MP transmission and its impact on inflation management is limited.

32. The BRB supported banks' liquidity during the pandemic and encouraged long-term loans to priority sectors using its regular instruments and quasi-fiscal tools, with however unintended effects. Measures included (i) increasing liquidity provisions (+16 percent in 2020 compared to 2019); (ii) creating a refinancing window that provides to banks long-term liquidity (5 years, renewable once) at subsidized interest rate (2 percent), which banks lend to priority sectors at a maximum rate of 8 percent and maturity of up to 10 years; (iii) extending direct and indirect loans to the Treasury to support the production of coffee, fertilizer, and maize; (iv) relaxing loan restructuring provisions to allow a fourth restructuring. These measures have been efficient in supporting banks' health and boosting credit. However, the long-term refinancing window has decreased the buoyancy of the regular 7-day refinancing window. The efficiency of the overnight interest rate remains limited.

33. Staff stressed that considering ongoing inflationary pressures and rapid credit growth, the BRB should prepare to wind down the long-term refinancing window and carefully calibrate the exit from other measures. The sharp surge in inflation has raised challenges for MP and the "fair wage policy" is likely to raise public sector wages in the near term. MP challenges are further compounded by the fact that inflation is mostly driven by volatile supply factors, which might limit the efficacy of MP in stabilizing prices. Therefore, cautious forward-looking monetary policy making is warranted. Inflationary risks are however mitigated by regulated prices and limited risks of wage-price spirals—the "fair wage policy" will help contain pressures and private sector wages are unlikely to catch up as informal jobs are predominant. Timely signaling should be given to the market before unwinding the new refinancing window. Staff however acknowledges the positive impact of MP measures on credit growth and the opportunity costs of prematurely deferring accommodative monetary policy, as fiscal space is limited.

34. A MP framework geared towards using interest rates would support the plans for ER unification, while ensuring a transition towards the Eastern African Community (EAC) directive to adopt inflation targeting (IT) in the future. Staff advised against direct private sector financing and creating new instruments to finance the economy in the future and recommended reducing monetary financing, which will help prepare for ER unification (para. 28 and para. 29). Staff advocated strengthening the efficiency of the MP framework's regular instruments, including interest rates transmission, deepening the interbank market, and designing an efficient communication framework, building on upcoming CD to strengthen domestic and FX-related liquidity forecasting and macro-modeling.

Authorities' Views

35. The authorities concurred with staff on the need to modernize the MP framework and strengthen the interest rate link. They emphasize that the new window has supported the banking sector and helped provide credit to previously underserved sectors (agriculture and industry), which was key in the economy's resilience to the pandemic. The authorities acknowledged that it is tricky to calibrate the timing to unwind MP support and highlighted that they used to have regular communications to the public and will consider revamping their communication strategy. They noted that technical preparations to transition to an IT framework as per the EAC's directives are advanced.

Fostering Financial Sector Stability

36. While the banking sector is diversified and appears healthy, caution is advised. There are 14 commercial banks with total assets amounting to 60 percent of GDP and credit to the private sector exceeding 20 percent of GDP. Vulnerabilities seem subdued with capital ratios of around 20 percent, higher than the regulatory requirement and the net open FX positions are negligible (Figure 4 and SIP). Although stable, NPLs are concentrated in certain sectors, including trade (27.1 percent), real estate (15.7 percent), and transportation (12.8 percent) and their low level is partly due to write-offs and increased loan restructurings.[16] Staff advised a forward-looking approach to supervision to detect emerging tensions.

Authorities' Views

37. The authorities look forward to continued CD to improve regulatory and supervisory frameworks. They agreed with the importance of strengthening supervisory frameworks and related financial stability assessments and underscored that they do not foresee major financial stability issues related to ER unification and FX market liberalization.

UNLOCKING SUSTAINABLE INCLUSIVE GROWTH

38. Burundi's fragility is high. Burundi's average CPIA score was 2.9 in 2019, well below the 3.2 threshold for fragility, and its poverty rate stood at 85 percent in 2020. The country faces multidimensional fragility (SIP), including regarding social inclusion and equity. The pandemic has worsened social outcomes, notably poverty, inequality, employment, and gender issues.

39. Competitiveness is challenged (SIP). The country ranks low on competitiveness indicators, particularly these related to utility infrastructure such as electricity access and exposure to unsafe drinking water. Other constraints include low digitalization and productivity, limited competition owing to dominant SOEs, lack of collateral and credit bureaus, and skill mismatches. Climate shocks, including droughts and floods, often led to growth swings. A growth accounting decomposition shows that economic growth has been mainly driven by higher capital and labor, while negative productivity growth weighed on growth, especially in 2015 and 2016. Reforms to enhance human capital, improve health conditions, as well as support physical capital accumulation and enhance productivity would help promote private sector development and growth.

40. Boosting growth will also require further enhancing governance and tackling corruption. Reflecting the early stages of reengagement and related information gaps on Burundi's

[16] A bank can restructure a loan up to three times. A fourth restructuring requires the BRB's agreement.

broad governance framework, staff presented the Fund's 2018 Enhanced Governance Framework and offered CD for a Governance Diagnostic Assessment.

41. Work on commitments on the transparency and audit of spending related to COVID-19 and the SDR allocation, taken under the CCRT and RCF disbursement, is ongoing.

- The authorities accelerated the preparation of the budget review laws (Loi de Règlements) for 2016 onwards to meet the CCRT's commitment to produce the 2020/21 report—the deadline of March 2022 was only slightly passed. The RCF and SDR allocation-related spending will concomitantly be audited in the context of the related budget review laws.

- The authorities prepared in mid-August 2021 the first COVID-19 spending report, covering spending up to August 10, 2021—RCF's commitment to preparing, starting end-December 2021, bi-annual reports on COVID-19 spending audited by the Court of Auditors (*Cour des Comptes,* SIP) and published on the ministry's website within three months of the end of each semester. The audit report has been delayed by the backlog of budget execution reports.

- The authorities committed to collecting information on the ultimate beneficial ownership (BO) of companies that were awarded COVID-related contracts starting in end-December 2021. The 2018 procurement law requires publishing procurement plans by end-February of each year and auctioning of public contracts (SIP); however, BO information is not being collected. Staff discussed the possibility of targeted legal drafting assistance on secondary legislation to enhance transparency and accountability of public procurement (Financial Action Task Force recommendation). Burundi's AML/CFT framework also needs to be aligned with international standards and its newly setup financial intelligence unit should be made fully operational. Staff advises fast implementation of the steps required for full membership in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)—a FATF-style regional body. An update of the 2012 PEFA assessment is planned in 2022.

Authorities' Views

42. The authorities agreed that boosting economic growth will require ambitious structural reforms and rigorous project implementation. They noted that climate change poses a challenge to growth in Burundi and emphasized that the two new banks for the youth and women will be useful in that regard.

43. The authorities noted that the audit of COVID-19 spending is ongoing and reiterated their commitment to collect information on ultimate BO of COVID-related contracts. The first report on COVID operations was transmitted to the Court of Auditors on August 13, 2021, covering spending from December 24, 2020, to August 10, 2021 (0.4 percent of GDP). Its audit started in April due to the backlog of audits of budget review laws--this has been resolved and the Court of Auditors published the audit reports covering 2016−2021. The authorities noted that the audit of the budget review law for 2020/21 has also reviewed concurrent COVID-related spending. The authorities noted that in the past, they were able to identify the ultimate BO of some companies awarded government contracts. The changes in the regulatory framework would facilitate the automatic collection of BO information.

OTHER ISSUES

44. Article VIII. Since the 2014 Article IV consultation, the authorities have introduced important changes to the FX system. Staff discussed with the authorities measures that could possibly constitute exchange restrictions and multiple currency practices (MCPs, see Informational Annex, IA) inconsistent with Article VIII, sections 2(a), 3, and 4. This includes a surrender requirement, prioritization of FX allocation, and limits on FX availability for certain transactions. Staff will collect further information, mainly from market participants to conduct further assessment.

45. Data adequacy and capacity development. Data is assessed broadly adequate for surveillance, with notable improvements since 2014 supported by CD, including regarding the accuracy, timeliness, and coverage of data. Notably, BOP data were broadened, and staff's baseline macroframework reflects official national accounts data from 2020 (Annex V and IA). The authorities have initiated steps towards adopting e-GDDS standards. An CD strategy was elaborated and discussed with the authorities—key priorities include DRM, PFM, monetary and ER policy, and statistics (including GDP rebasing).

46. Other. An updated safeguards assessment is ongoing (IA)—the first one since 2012.

STAFF APPRAISAL

47. Burundi's economy is striving to rebound from three shocks: the 2015 political and security crisis, the COVID-19 health shock, and the war in Ukraine. Although the recovery from the political crisis was halted, the economy has shown resilience to the pandemic with output growth remaining positive and accelerating in 2021. The authorities' COVID-19 response plan helped contain the virus spread, though vaccination remains low.

48. Spillovers of the war in Ukraine are compounding the effects of the pandemic and are threatening the nascent economic recovery. Spillovers are mainly linked to trade with disruptions to supply chains, including to Ukraine's ability to exports, sanctions against Russia and Belarus, and the hoarding behavior of major food producers, raising food and fuel imports prices. Lower export prices weigh on export receipts. The outlook for 2022 is positive with growth set to increase only modestly to 3.3 percent and inflation to reach 11 percent. Deteriorating terms of trade have put pressure on below-adequacy FX reserves, increasing fuel shortages and transportation disruptions. Nevertheless, both positive and downside risks are significant, with on the upside recent announcements of grants and a new mining contract and prospects of higher donor funding reflecting the lifting of all sanctions linked to the 2015 political and security crisis.

49. A policy mix recalibration is needed to address Burundi's debt vulnerabilities and external imbalances. With public debt at 66.5 percent of GDP at end-2021 and expected to decrease gradually over the medium term, Burundi's debt is sustainable with high risk of debt distress. The external position is weak with FX reserve coverage at 2.2 months of imports at end-2021 and projected to further weaken, and there is a large parallel ER market premium. A recalibrated fiscal, exchange rate, monetary, and financial policy mix is necessary to address the vulnerabilities and face the effects of the ongoing twin shocks.

50. An ambitious fiscal consolidation underpinned by DRM is critical to address debt vulnerabilities while protecting priority COVID-related, social, and investment spending. Staff welcome the authorities' decision to allow domestic price adjustments, which limited the impact of the shock on subsidies and the budget. Staff also welcome the near-term budget focus on health, social, and infrastructure spending. However, going forward, it is critical to further bolster DRM including with further digitalization, tax base widening, and improvements in compliance. Further shifting the spending mix towards investment while protecting social spending will support growth and an exit from fragility.

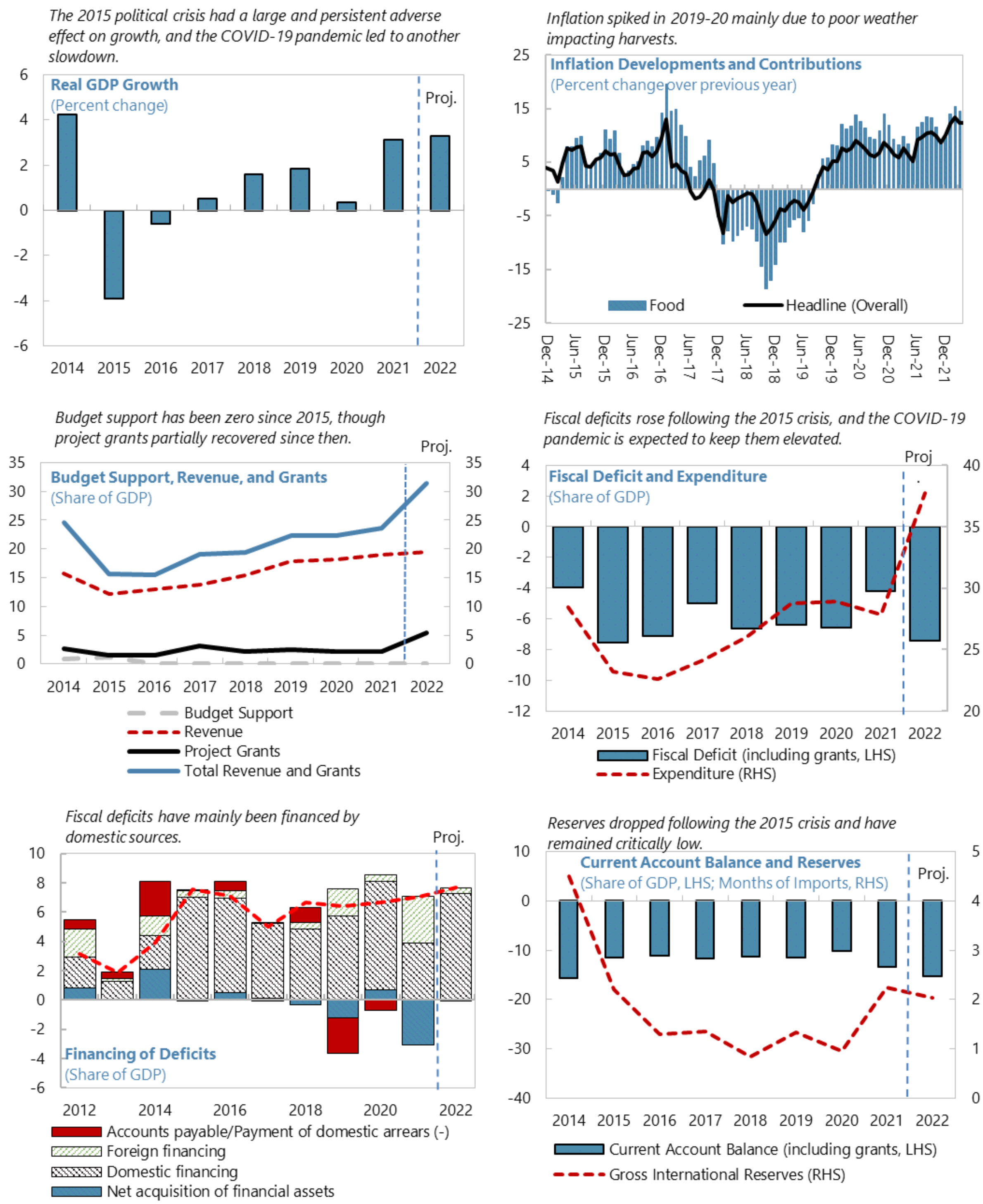
51. Staff welcome the authorities' plan to unify the official and parallel ER market in the medium term, building on IMF CD. The choice between a gradual adjustment and an instant approach will ultimately be guided by FX buffers, financial sector vulnerabilities, and the choices of post-unification ER policy and monetary policy framework, as well as the political economy. Other supportive reforms, including tighter MP, FX market liberalization and growth-supportive reforms, will be required.

52. Considering ongoing inflationary pressures and rapid credit growth, the BRB should prepare to wind down the use of the special refinancing window with timely signaling to the market and recalibrate temporary measures. Winding down MP measures should be mindful of the large opportunity costs of prematurely withdrawing monetary policy accommodation, particularly as fiscal space is limited and increased liquidity injections and regulatory easing since 2020 have supported commercial banks' health during the pandemic.

53. Boosting growth will require structural reforms to unlock growth bottlenecks, including addressing the roots of fragility and enhancing competitiveness and governance. Staff welcome ongoing reforms to support growth and reduce poverty and recommends accelerating the implementation of the PND reform agenda. Staff commends the authorities' efforts to fast track the preparation of the budget review laws covering 2016−2021 to meet the CCRT's commitment to finalize the 2020/21 report by March 2022. Staff is encouraged by the preparation of the first COVID-19 spending report in August 2021. Staff encourages collecting information on the ultimate beneficial ownership of companies that were awarded COVID-related contracts.

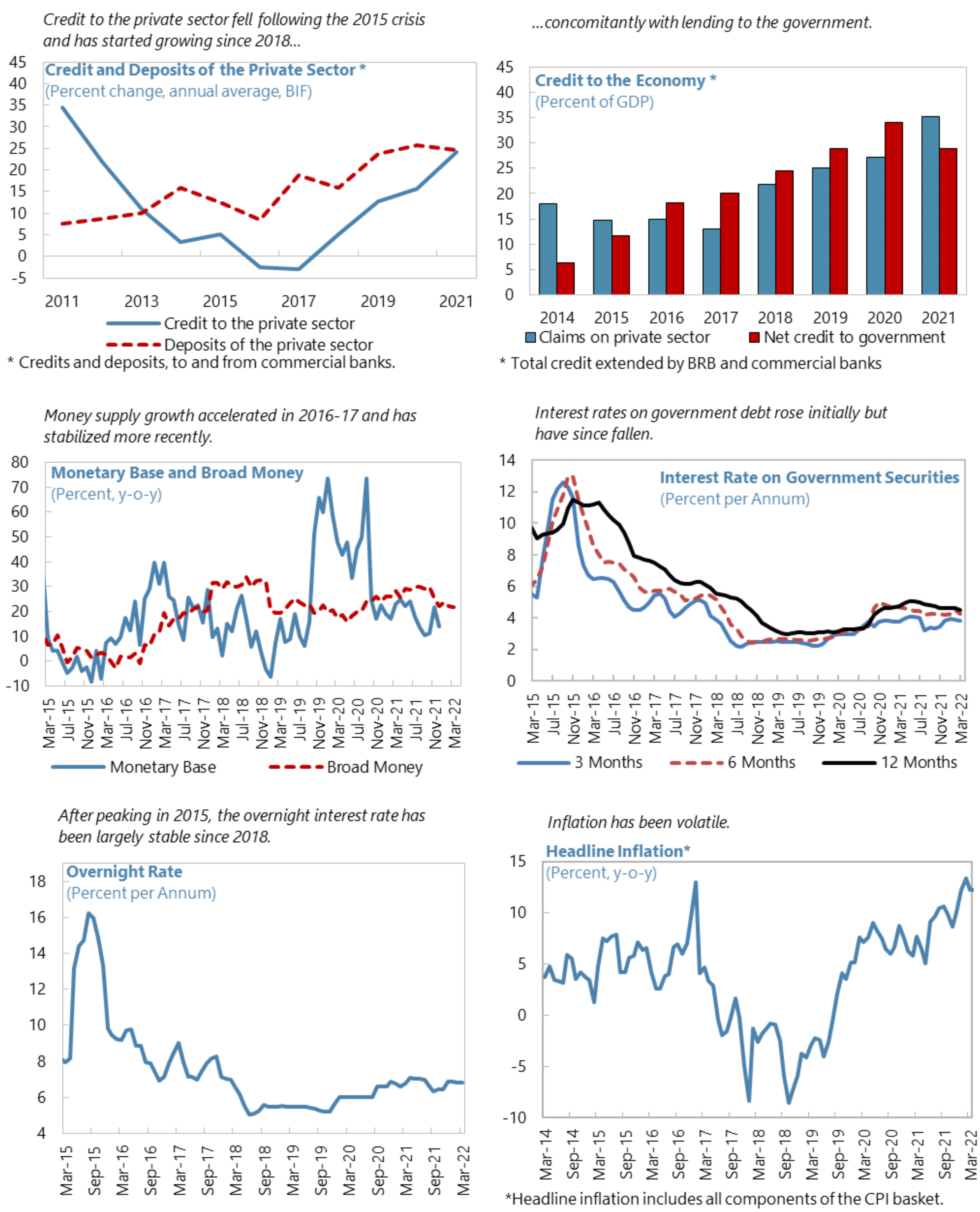
54. It is expected that the next Article IV consultation for Burundi will take place on the standard 12-month cycle.

Figure 1. Burundi: Recent Developments, 2014–22



Sources: Burundi authorities and IMF staff estimates and projections.

Figure 2. Burundi: Recent Monetary Developments, 2011–22



Credit to the private sector fell following the 2015 crisis and has started growing since 2018…

…concomitantly with lending to the government.

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

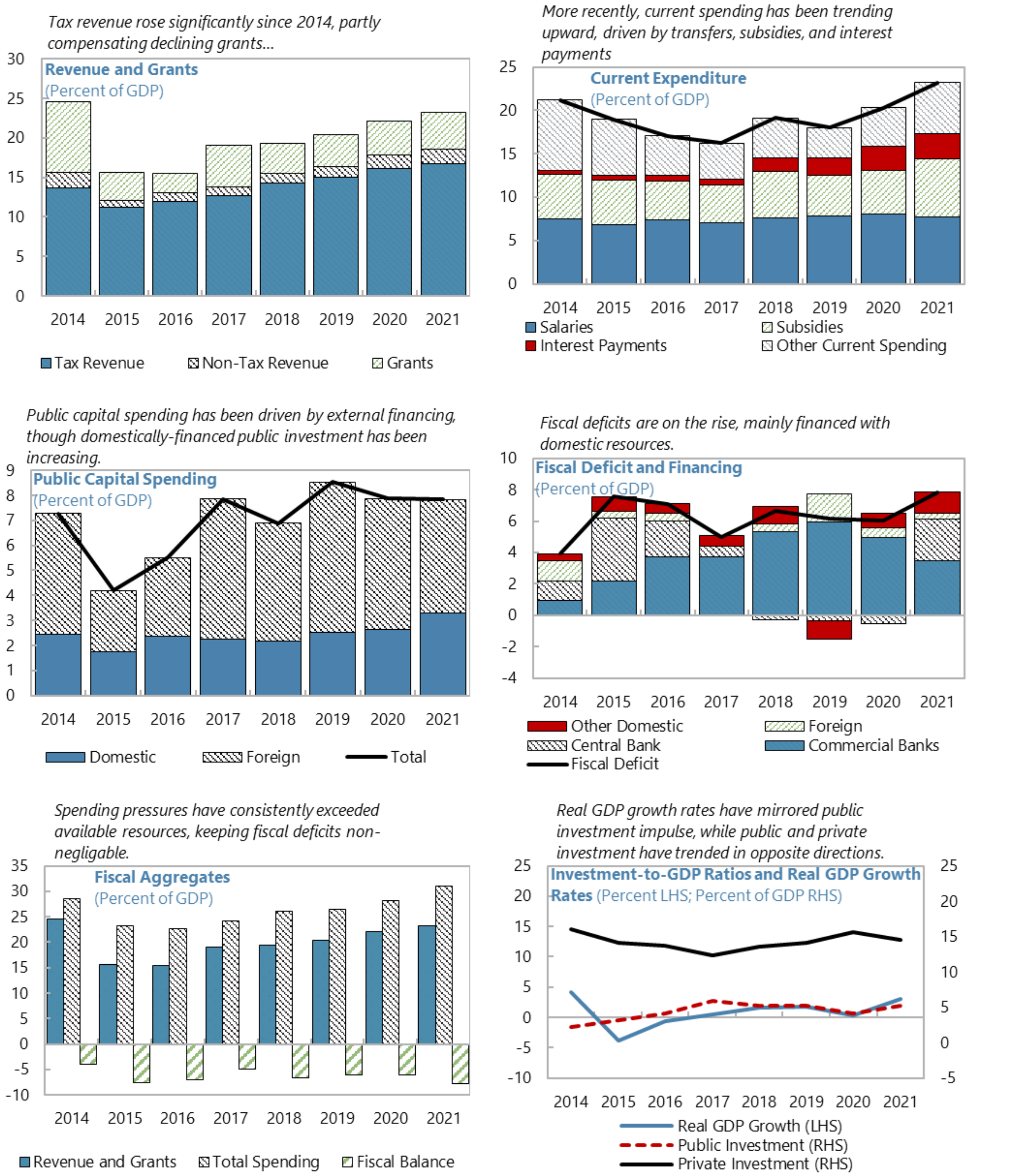
Interest rates on government debt rose initially but have since fallen.

After peaking in 2015, the overnight interest rate has been largely stable since 2018.

Inflation has been volatile.

Sources: Burundi authorities and IMF staff estimates and projections.

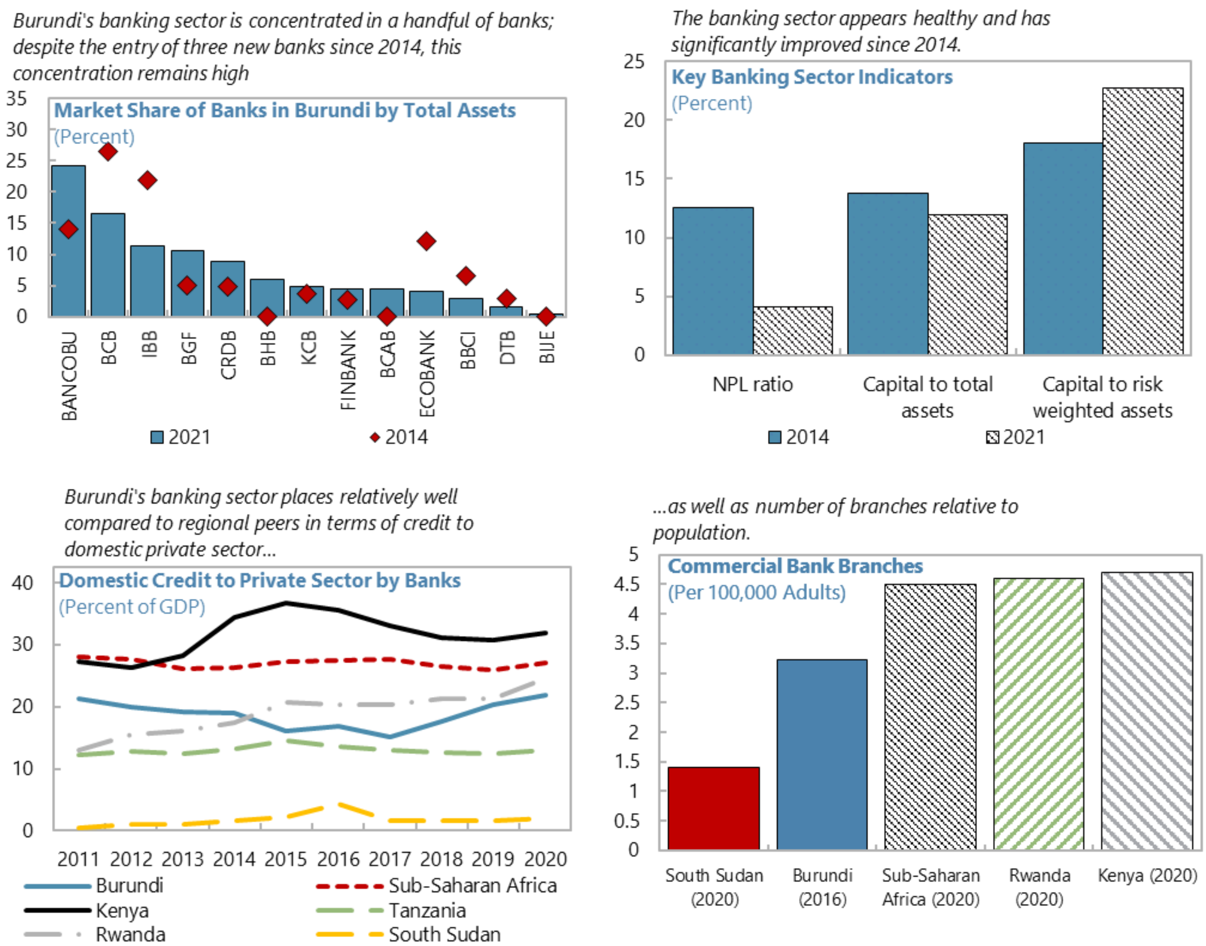
Figure 3. Burundi: Fiscal Developments, 2014–21[1]



Sources: Burundi authorities and IMF staff estimates and calculations.

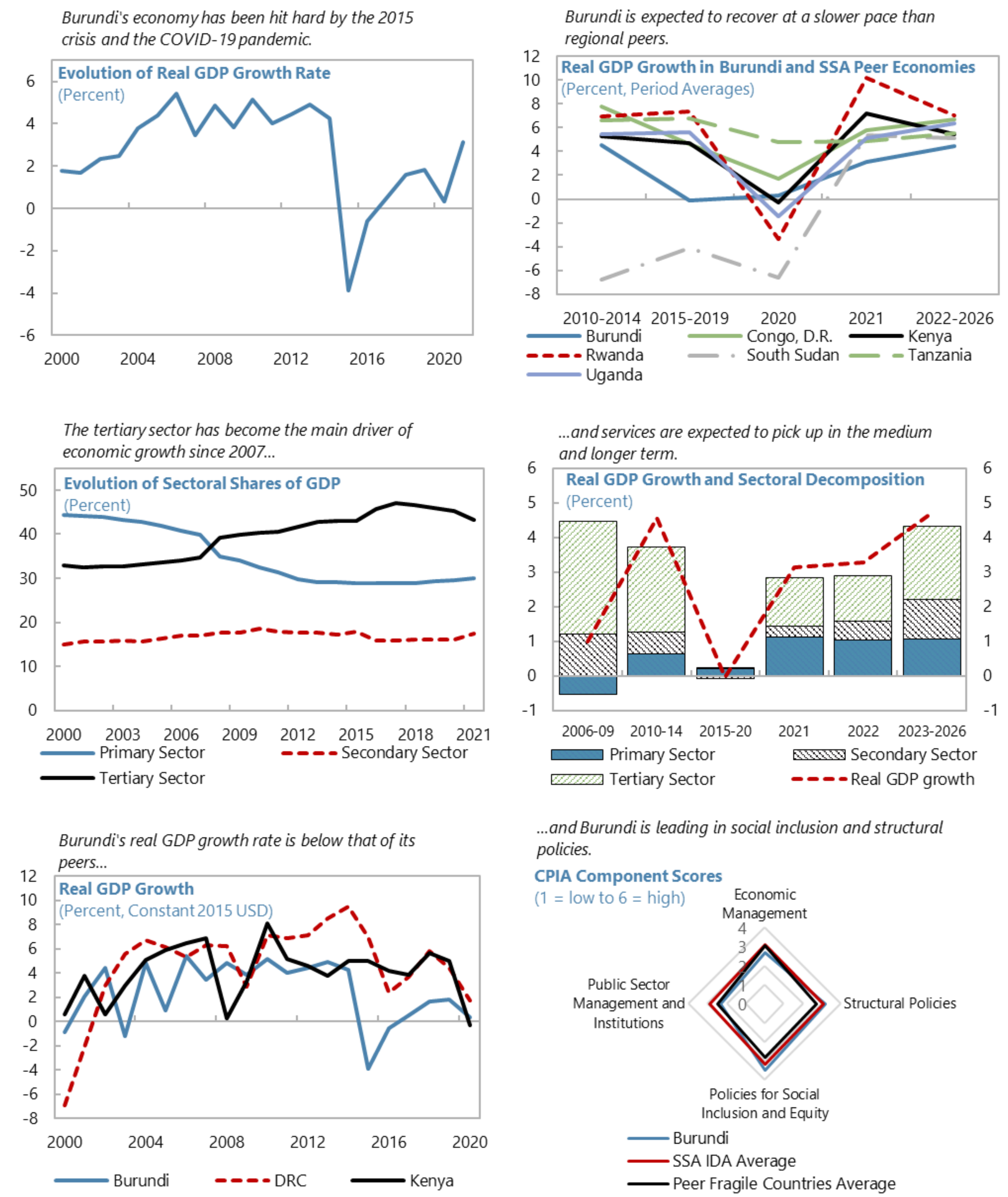
1/ Fiscal year values (July-June) starting in 2019 (i.e. 2019 is FY 2018/19). Includes COVID-related fiscal measures starting in FY 2020/21

Figure 4. Burundi: Banking Sector Key Indicators and Trends, 2011–21



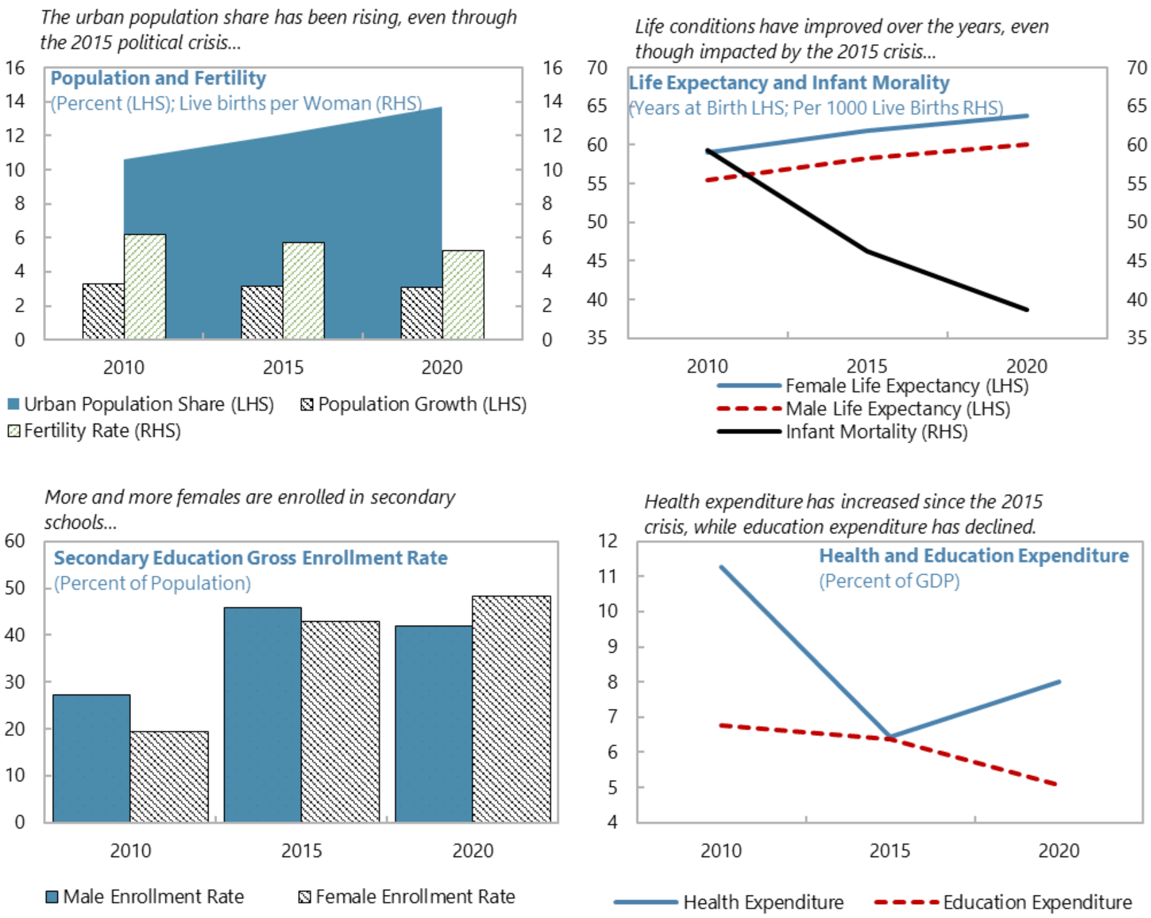
Sources: Banque de la République du Burundi and the World Bank.

Figure 5. Burundi: Growth Developments, 2000–26



Sources: World Development Indicators; Country Policy and Institutional Assessment Report 2020; Burundi authorities; IMF WEO; and IMF staff calculations and projections.

Figure 6. Burundi: Selected Social Indicators, 2010–20



Sources: World Bank WDI; Burundi authorities; and IMF staff estimates.

Table 1. Burundi: Selected Economic Indicators, 2019–27

	2019	2020		2021		2022	2023	2024	2025	2026	2027
	Est.	Pre-Covid	Est.	Pre-Covid	Est.	Proj.					
	(Annual percentage change, unless otherwise indicated)										
Output, prices, and exchange rate											
Real GDP	1.8	2.1	0.3	2.1	3.1	3.3	4.1	4.9	5.1	4.8	4.6
GDP deflator	0.8	5.7	6.0	5.3	8.5	8.6	7.6	7.0	6.8	6.1	5.9
CPI (period average)	-0.7	5.6	7.3	5.2	8.3	11.0	8.0	4.3	4.1	4.1	4.0
CPI (end of period)	5.1	7.5	7.5	7.5	10.1	8.6	7.5	1.7	6.2	2.4	5.4
Terms of trade (- =deterioration)	53.3	5.9	-12.3	2.1	-8.4	-4.2	0.9	1.1	1.4	0.4	0.0
Money and credit											
Broad Money (M2)	23.9	20.9	25.4	19.8	22.3	18.2	16.1	16.4	16.5	15.4	15.1
Credit to non-government sector 1/	17.7	7.8	15.5	7.5	44.8	20.6	18.7	17.9	18.1	13.7	13.2
M2/GDP (percent)	36.2	37.4	42.7	41.4	46.7	49.2	51.0	53.0	55.0	57.1	59.3
	(Percent of GDP, unless otherwise indicated)										
Central government budget 2/											
Revenue and grants	20.4	21.8	22.2	22.0	23.2	23.8	29.3	28.9	27.7	27.5	27.2
of which: grants 3/	4.0	4.5	4.3	4.6	4.7	5.0	9.8	9.5	8.2	7.9	7.6
of which: revenue	16.4	17.4	17.9	17.4	18.5	18.8	19.5	19.4	19.5	19.5	19.6
Expenditure	26.5	28.3	28.2	27.9	31.0	28.8	36.7	35.1	31.4	30.0	29.5
Expense	18.0	19.1	20.3	18.8	23.2	19.5	19.7	19.3	18.6	18.4	18.3
Net acquisition of non-financial assets	8.5	9.2	7.9	9.0	7.8	9.3	17.0	15.8	12.8	11.6	11.2
Primary balance	-4.2	-5.0	-3.1	-3.1	-5.0	-1.8	-4.1	-3.0	-0.6	0.4	0.5
Overall balance	-6.2	-6.5	-6.0	-5.8	-7.8	-5.0	-7.4	-6.2	-3.7	-2.6	-2.3
Excluding grants	-10.2	-11.0	-10.3	-10.5	-12.5	-10.0	-17.2	-15.6	-11.9	-10.5	-9.9
Net acquisition of financial assets	1.8	-0.5	1.2	0.0	2.9	1.7	1.6	1.5	0.2	-0.7	0.2
Net domestic borrowing	5.5	3.9	4.5	5.2	7.6	5.4	8.6	7.4	3.8	1.8	2.5
Net foreign borrowing	1.7	0.8	0.6	0.6	0.4	4.9	0.4	0.2	0.1	0.1	0.0
Accounts payable	0.7	1.3	2.1	0.0	2.7	-3.6	0.0	0.0	0.0	0.0	0.0
Public debt											
Public gross nominal debt	60.0	59.7	66.0	61.5	66.6	66.9	67.7	65.5	61.4	58.1	54.8
of which: external public debt	18.3	17.5	17.7	16.9	20.2	18.9	17.5	16.2	14.9	13.8	12.6
domestic public debt	41.7	42.2	48.2	44.5	46.3	48.0	50.2	49.3	46.5	44.3	42.2
Investment and savings											
Investment	19.3	19.3	19.8	19.4	19.8	24.1	25.0	22.4	21.0	20.8	20.5
Public	5.2	4.5	4.2	4.5	5.2	11.1	11.9	9.2	7.8	7.6	7.3
Private	14.1	14.8	15.6	14.9	14.6	13.0	13.1	13.2	13.2	13.2	13.2
Savings	7.7	2.4	9.6	2.9	6.4	9.7	10.9	9.0	9.9	10.4	10.6
Public	-1.2	-1.6	-2.4	-1.4	1.0	3.7	4.3	4.5	5.1	5.2	5.1
Private	9.0	4.0	12.0	4.3	5.4	6.0	6.7	4.6	4.7	5.2	5.5
External sector											
Exports (goods and services)	9.9	9.9	8.8	10.1	7.5	10.5	9.8	9.5	9.6	9.5	9.4
Imports (goods and services)	33.7	35.6	33.1	35.4	35.5	39.2	37.9	36.3	33.6	32.3	31.2
Trade Balance (goods and services)	-23.8	-25.7	-24.3	-25.3	-28.0	-28.7	-28.1	-26.7	-24.0	-22.8	-21.9
Current account balance (incl. budget support)	-11.6	-16.9	-10.2	-16.4	-13.4	-14.4	-14.0	-13.3	-11.2	-10.4	-9.9
Current account balance (excl. budget support)	-11.6	-16.9	-10.2	-16.4	-13.4	-14.4	-14.5	-13.8	-11.7	-10.9	-10.4
Memorandum items:											
Official current transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Official capital transfers 3/	4.5	4.5	4.4	4.5	4.4	10.1	10.2	7.9	7.6	7.4	6.9
GDP at current market prices											
In billions of Burundi Francs	5,560	6,191	5,911	6,657	6,613	7,416	8,305	9,316	10,457	11,620	12,868
In billions of US$	3.0	3.2	3.1	3.4	3.4	3.6	4.0	4.3	4.7	5.1	5.5
Gross international reserves											
In millions of US$	113.4	113.4	94.3	113.4	266.6	263.3	243.7	223.6	227.1	224.3	222.3
In months of next year imports	1.3	1.1	1.0	1.1	2.2	2.1	1.9	1.7	1.7	1.6	1.5
GDP per capita (Nominal US$)	261.3	273.0	259.9	275.8	274.0	289.3	305.4	322.9	341.7	357.9	373.6
Export volume growth (goods, in percent)	-4.7	-0.7	-21.6	2.7	-17.9	63.7	0.1	4.3	9.3	4.2	4.3
Import volume growth (goods, in percent)	44.5	0.5	-16.1	2.2	-3.8	14.1	6.0	4.5	0.4	2.3	2.3
Population (million)	11.5	11.9	11.9	12.2	12.2	12.6	13.0	13.4	13.8	14.2	14.6
Health and social spending 2/											
Health	1.6	2.9	1.9	1.7	3.6	3.3		...	...	...	...
Social	2.5	2.9	3.0	3.2	3.2	3.1	...	...	...	...	...
Human Development Index Score (HDI/UNDP)	0.4	...	...	...	...	...	...	...	...	...	...

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

1/ A statistical adjustment (15 percent) was applied to credit growth to account for the reclassification of a bank—the Urban Housing Promotion Fund became the Burundi Housing Bank in 2021 and is now covered in the monetary survey.

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

3/ Includes vaccine donations (starting in FY2021/22) and the grant for the IMF debt service falling due from October 16, 2021 to April 13, 2022 under the CCRT. Starting with FY2022/23, grants also include project grants from the US and the EU. Grants averaged 17.7 percent of GDP per year during 2010-14, before the 2015 political crisis.

Table 2a. Burundi: Central Government Operations, 2019–27[1]

(BIF billion)

	2019/20	2020/21		2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
	Est.	Budget	Est.	Budget	Proj.			Proj.		
Revenue and grants	1,270.4	1,404.8	1,452.7	1,544.1	1,672.7	2,303.5	2,547.3	2,736.0	3,033.0	3,327.2
Tax revenue	921.5	961.9	1,044.4	1,081.8	1,174.7	1,373.0	1,531.5	1,723.5	1,931.1	2,148.1
Taxes on income, profits, and capital gains	231.8	229.0	244.7	256.3	278.8	311.4	350.4	397.2	447.9	501.8
Taxes on goods & services	591.7	632.3	658.4	714.0	750.3	864.3	976.4	1,097.9	1,228.3	1,365.1
Taxes on international trade & transactions	98.0	100.6	141.4	111.5	145.6	197.2	204.6	228.5	254.9	281.2
Other revenue 2/	102.6	111.8	115.5	125.3	145.8	158.8	180.7	202.8	226.5	251.2
Grants 3/	246.3	331.2	292.7	336.9	352.3	771.7	835.0	809.6	875.4	928.0
Program grants	0.0	0.0	0.0	0.0	0.0	0.0	44.1	49.4	55.2	61.2
Project grants 3/	246.3	328.2	264.5	333.9	320.2	768.6	787.8	757.0	817.0	863.5
Other grants and transfers 4/	0.0	3.0	28.2	3.0	32.1	3.1	3.1	3.2	3.2	3.2
Total expenditure	1,614.9	1,577.2	1,943.5	1,695.9	2,022.3	2,886.2	3,089.4	3,100.7	3,315.4	3,612.9
Expense	1,163.7	965.8	1,453.1	1,022.2	1,367.3	1,550.7	1,697.0	1,839.0	2,032.9	2,239.4
Compensation of employees	458.1	465.5	485.1	499.7	509.1	588.0	687.2	771.2	861.0	955.0
Purchases/use of goods & services	182.1	138.9	179.2	129.7	151.2	179.0	202.6	227.4	253.9	281.6
Subsidies and Social benefits	288.8	280.6	419.3	309.2	344.9	367.0	405.3	454.8	507.8	563.2
Interest	164.0	59.2	178.1	62.5	224.1	259.6	280.1	306.3	327.8	348.3
Of which: Domestic	157.4	46.0	170.3	47.9	209.3	244.6	264.6	290.1	310.9	330.6
Other expense 5/	70.8	21.6	191.4	21.1	138.1	157.0	121.7	79.4	82.3	91.2
Of which: Covid spending 5/	0.0	0.0	68.8	…	102.2	52.0	26.2	0.0	0.0	0.0
Net acquisition of nonfinancial assets 6/	451.2	611.4	490.4	673.6	654.9	1,335.5	1,392.5	1,261.7	1,282.5	1,373.5
Of which: Domestically financed	150.4	234.0	205.6	289.4	283.8	525.7	547.0	427.8	386.4	428.5
Net lending (+) / borrowing (-)	-344.6	-172.4	-490.8	-151.8	-349.5	-582.7	-542.1	-364.7	-282.4	-285.7
Net acquisition of financial assets 7/	68.7	0.0	180.1	0.0	117.0	127.4	128.4	19.9	-77.3	22.3
Deposits	12.8	0.0	151.2	0.0	147.2	151.2	128.4	19.9	-77.3	22.3
Net lending	56.0	0.0	28.9	0.0	-30.2	-23.9	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	413.3	172.4	670.9	151.8	466.5	710.1	670.5	384.6	205.2	308.0
Domestic	257.1	138.9	478.4	138.3	378.8	676.9	651.4	373.7	199.4	303.0
Commercial banks	283.3	91.9	215.6	91.3	364.4	356.5	378.9	144.8	86.5	190.1
Non-banks	3.2	47.0	95.5	47.0	70.5	112.6	112.9	112.9	112.9	112.8
Central Bank (net) 8/	-29.4	0.0	167.4	0.0	-56.1	207.9	159.6	116.0	0.0	0.0
Foreign	34.4	33.5	22.3	13.5	342.5	33.2	19.1	11.0	5.8	5.1
Accounts Payable	121.7	0.0	170.2	0.0	-254.8	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Domestic primary balance	-180.6	-113.2	-312.7	-89.3	-125.5	-323.1	-262.0	-58.4	45.4	62.6
GDP at current market prices (BIF billion)	5,735	6,262	6,262	7,014	7,014	7,860	8,811	9,887	11,039	12,244

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

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

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

3/ Starting with FY2022/23, grants includes project grants from the US and the EU. Grants averaged 17.7 percent of GDP per year during 2010-14, before the 2015 political crisis. Projected World Bank grants account for most of projected grants during 2022-23 and about half of the grants during 2024-27. No World Bank grant is assumed after 2027.

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

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

6/ The strong increase in investment during FY2022/23 is due to a jump in domestic investment financed with part of the SDR allocation and project financing as per footnote 3.

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

8/ Staff projects that the central bank will on-lend in local currency to the government the equivalent of half of the SDR allocation in FY2022/23 (2.6 percent of GDP) and the remainder in FY2023/24 and FY2024/25.

Table 2b. Burundi: Central Government Operations, 2019–27[1]

(Percent of GDP)

	2019/20	2020/21		2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
	Est.	Budget	Est.	Budget	Proj.			Proj.		
Revenue and grants	22.2	22.4	23.2	22.0	23.8	29.3	28.9	27.7	27.5	27.2
Tax revenue	16.1	15.4	16.7	15.4	16.7	17.5	17.4	17.4	17.5	17.5
Taxes on income, profits, and capital gains	4.0	3.7	3.9	3.7	4.0	4.0	4.0	4.0	4.1	4.1
Taxes on goods & services	10.3	10.1	10.5	10.2	10.7	11.0	11.1	11.1	11.1	11.1
Taxes on international trade & transactions	1.7	1.6	2.3	1.6	2.1	2.5	2.3	2.3	2.3	2.3
Nontax revenue 2/	1.8	1.8	1.8	1.8	2.1	2.0	2.1	2.1	2.1	2.1
Grants 3/	4.3	5.3	4.7	4.8	5.0	9.8	9.5	8.2	7.9	7.6
Program grants	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5
Project grants 3/	4.3	5.2	4.2	4.8	4.6	9.8	8.9	7.7	7.4	7.1
Other grants and transfers 4/	0.0	0.0	0.5	0.0	0.5	0.0	0.0	0.0	0.0	0.0
Total expenditure	28.2	25.2	31.0	24.2	28.8	36.7	35.1	31.4	30.0	29.5
Expense	20.3	15.4	23.2	14.6	19.5	19.7	19.3	18.6	18.4	18.3
Compensation of employees	8.0	7.4	7.7	7.1	7.3	7.5	7.8	7.8	7.8	7.8
Purchases/use of goods & services	3.2	2.2	2.9	1.8	2.2	2.3	2.3	2.3	2.3	2.3
Subsidies and Social benefits	5.0	4.5	6.7	4.4	4.9	4.7	4.6	4.6	4.6	4.6
Interest	2.9	0.9	2.8	0.9	3.2	3.3	3.2	3.1	3.0	2.8
Of which: Domestic	2.7	0.7	2.7	0.7	3.0	3.1	3.0	2.9	2.8	2.7
Other expense 5/	1.2	0.3	3.1	0.3	2.0	2.0	1.4	0.8	0.7	0.7
Of which: Covid spending 5/	0.0	0.0	1.1	...	1.5	0.7	0.3	0.0	0.0	0.0
Net acquisition of nonfinancial assets 6/	7.9	9.8	7.8	9.6	9.3	17.0	15.8	12.8	11.6	11.2
Of which: Domestically financed	2.6	3.7	3.3	4.1	4.0	6.7	6.2	4.3	3.5	3.5
Net lending (+) / borrowing (-)	-6.0	-2.8	-7.8	-2.2	-5.0	-7.4	-6.2	-3.7	-2.6	-2.3
Net acquisition of financial assets 7/	1.2	0.0	2.9	0.0	1.7	1.6	1.5	0.2	-0.7	0.2
Deposits	0.2	0.0	2.4	0.0	2.1	1.9	1.5	0.2	-0.7	0.2
Net lending	1.0	0.0	0.5	0.0	-0.4	-0.3	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	7.2	2.8	10.7	2.2	6.7	9.0	7.6	3.9	1.9	2.5
Domestic	4.5	2.2	7.6	2.0	5.4	8.6	7.4	3.8	1.8	2.5
Commercial banks	4.9	1.5	3.4	1.3	5.2	4.5	4.3	1.5	0.8	1.6
Non-banks	0.1	0.8	1.5	0.7	1.0	1.4	1.3	1.1	1.0	0.9
Central Bank (net) 8/	-0.5	0.0	2.7	0.0	-0.8	2.6	1.8	1.2	0.0	0.0
Foreign	0.6	0.5	0.4	0.2	4.9	0.4	0.2	0.1	0.1	0.0
Accounts payable	2.1	0.0	2.7	0.0	-3.6	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Domestic primary balance	-3.1	-1.8	-5.0	-1.3	-1.8	-4.1	-3.0	-0.6	0.4	0.5
GDP at current market prices (BIF billion)	5,735	6,262	6,262	7,014	7,014	7,860	8,811	9,887	11,039	12,244.0

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

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

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

3/ Starting with FY2022/23, grants includes project grants from the US and the EU. Grants averaged 17.7 percent of GDP per year during 2010-14, before the 2015 political crisis. Projected World Bank grants account for most of projected grants during 2022-23 and about half of the grants during 2024-27. No World Bank grant is assumed after 2027.

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

5/ Includes unforeseen spending and spending not properly classified due to lack of proper reconciliation between the Ministry in charge of Finance and the Central Bank. Covid spending envisaged in the FY2021/22 budget (BIF 70.4 billion or about 1 percent of GDP) is not itemized in the budget but is included in some current and investment spending lines such as transfers to hospitals.

6/ The strong increase in investment during FY2022/23 is due to a jump in domestic investment financed with part of the SDR allocation and project financing as per footnote 3.

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

8/ Staff projects that the central bank will on-lend in local currency to the government the equivalent of half of the SDR allocation in FY2022/23 (2.6 percent of GDP) and the remainder in FY2023/24 and FY2024/25.

Table 3. Burundi: Monetary Survey, 2019–27
(BIF billion)

	2019	2020		2021		2022	2023	2024	2025	2026	2027
	Est.	Pre-Covid	Est.	Pre-Covid	Proj.			Proj.			
Net foreign assets	-206.3	-117.1	-205.0	-101.4	-322.4	-342.8	-430.5	-526.6	-576.6	-640.7	-706.0
Central bank	-129.4	-32.4	-93.1	-8.3	-141.3	-167.2	-237.3	-314.1	-342.9	-383.6	-423.2
Deposit money banks	-76.9	-84.6	-111.9	-93.1	-181.0	-175.6	-193.1	-212.5	-233.7	-257.1	-282.8
Net domestic assets	2,409.2	2,567.5	2,938.9	3,016.6	3,666.5	4,240.0	4,940.9	5,760.5	6,657.0	7,641.2	8,743.1
Domestic credit	2,523.4	2,867.8	3,655.0	3,272.3	4,297.3	5,143.5	6,242.4	7,330.6	8,041.2	8,860.2	9,753.3
Net claims on the government	1,618.9	1,931.2	2,025.8	2,268.4	1,932.4	2,300.4	2,875.2	3,369.3	3,366.3	3,551.7	3,746.0
Central bank	324.8	382.7	410.6	400.0	152.2	254.0	360.1	578.7	578.7	578.7	578.7
Commercial banks	1,279.7	1,548.5	1,598.6	1,868.3	1,764.6	2,046.4	2,515.1	2,790.6	2,787.7	2,973.0	3,167.4
Credit to the economy	904.5	936.6	1,629.3	1,004.0	2,364.8	2,843.1	3,367.2	3,961.4	4,674.9	5,308.5	6,007.3
Credit to the private sector 1/	862.4	899.1	1,606.9	966.4	2,327.3	2,807.6	3,333.2	3,929.6	4,639.2	5,274.8	5,973.4
Credit to public enterprises	42.1	37.6	22.3	37.6	37.5	35.5	34.0	31.8	35.7	33.7	33.8
Other items, net (assets = +)	-114.3	-300.3	-716.2	-255.7	-630.8	-903.5	-1,301.4	-1,570.2	-1,384.2	-1,219.0	-1,010.2
M3	2,202.8	2,450.4	2,733.8	2,915.2	3,344.1	3,897.2	4,510.5	5,233.9	6,080.4	7,000.5	8,037.1
Foreign currency deposits	188.1	206.9	207.3	227.6	254.7	247.0	271.7	299.9	330.8	364.7	401.9
M2	2,014.7	2,243.5	2,526.5	2,687.7	3,089.4	3,650.2	4,238.7	4,934.0	5,749.6	6,635.8	7,635.2
Currency in circulation	360.0	387.0	433.3	416.1	473.8	588.9	659.5	739.8	830.4	922.8	1,021.8
Local currency deposits	1,654.8	1,856.6	2,093.2	2,271.6	2,615.6	3,061.3	3,579.2	4,194.2	4,919.2	5,713.1	6,613.4
Demand deposits	1,070.1	995.0	1,369.8	1,069.0	1,625.2	1,820.4	2,036.5	2,283.3	2,561.6	2,845.3	3,149.4
Quasi-money	584.6	861.6	723.4	1,202.5	990.3	1,240.8	1,542.7	1,910.9	2,357.6	2,867.8	3,464.0
				Change as a percentage of beginning period M2							
Net foreign assets											
Central bank	2.2	4.3	1.4	0.9	0.1	2.7	-4.0	-2.0	-1.0	-0.3	-0.43
Deposit money banks	-2.4	-0.4	-1.7	-0.4	-2.7	0.2	-0.5	-0.5	-0.4	-0.4	-0.4
Net domestic assets	25.1	17.1	26.3	20.0	28.8	18.6	19.2	19.3	18.2	17.1	16.6
Domestic credit	24.1	20.1	56.2	18.0	25.4	27.4	30.1	25.7	14.4	14.2	13.5
Net claims on the government	17.2	16.8	20.2	15.0	-3.7	11.9	15.7	11.7	-0.1	3.2	2.9
Credit to the economy	6.9	3.3	36.0	3.0	29.1	15.5	14.4	14.0	14.5	11.0	10.5
Other items, net (assets = +)	1.0	-3.0	-29.9	2.0	3.4	-8.8	-10.9	-6.3	3.8	2.9	3.1
M3	24.9	21.9	26.4	20.7	24.2	17.9	16.8	17.1	17.2	16.0	15.6
Foreign currency deposits	1.0	1.0	1.0	0.9	1.9	-0.2	0.7	0.7	0.6	0.6	0.6
M2	23.9	20.9	25.4	19.8	22.3	18.2	16.1	16.4	16.5	15.4	15.1
Currency in circulation	4.0	1.5	3.6	1.3	1.6	3.7	1.9	1.9	1.8	1.6	1.5
Local currency deposits	20.0	19.4	21.8	18.5	20.7	14.4	14.2	14.5	14.7	13.8	13.6
Demand deposits	9.6	3.8	14.9	3.3	10.1	6.3	5.9	5.8	5.6	4.9	4.6
Quasi-money	10.4	15.5	6.9	15.2	10.6	8.1	8.3	8.7	9.1	8.9	9.0
Memorandum items:											
Credit to the private sector (percent GDP)	15.5	14.5	27.2	14.5	35.2	37.9	40.1	42.2	44.4	45.4	46.4
Official exchange rate (BF/$)	1,882	...	1,946	...	2,006	...	...	...	...	...	...
Parallel exchange rate (BF/$)	2920	...	3,195	...	3,378	...	...	...	...	...	...

Sources: Burundi authorities; IMF staff estimates and projections.

1/ A statistical adjustment (15 percent) was applied to credit growth to account for the reclassification of a bank—the Urban Housing Promotion Fund became the Burundi Housing Bank in 2021 and is now covered in the monetary survey.

Table 4. Burundi: Central Bank Accounts, 2019–27

(BIF billion)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
		Est.				Proj.			
Net foreign assets	-129.4	-93.1	-141.3	-167.2	-237.3	-314.1	-342.9	-383.6	-423.2
Assets	241.8	250.9	593.2	612.0	588.6	562.1	587.0	597.9	611.0
Liabilities	371.2	344.0	734.6	779.2	825.9	876.2	929.8	981.5	1034.2
Net domestic assets	963.5	1115.5	1308.2	1531.2	1762.6	2022.9	2258.8	2510.7	2776.6
Domestic credit	349.5	439.2	182.2	283.9	390.0	608.6	608.6	608.6	608.6
Net claims on the government	324.8	410.6	152.2	254.0	360.1	578.7	578.7	578.7	578.7
Other credit to the economy	24.7	28.6	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Other items, net (assets = +)	614.0	676.3	1126.1	1247.3	1372.6	1414.3	1650.2	1902.1	2168.0
Reserve money	834.1	1022.4	1166.9	1364.0	1525.3	1708.8	1916.0	2127.0	2353.4
Currency in circulation	360.0	433.3	473.8	588.9	659.5	739.8	830.4	922.8	1021.8
Bank reserves	418.4	524.2	618.1	693.1	776.2	870.7	977.4	1086.1	1202.6
Cash in vault	44.3	69.0	86.1	99.2	115.5	134.8	157.4	182.2	210.2
Other nonbank deposits	11.5	14.1	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Memorandum items:									
Net foreign assets of BRB (US$ million)									
Assets 1/	118.8	131.0	326.9	386.8	316.2	284.5	274.8	280.1	280.5
Liabilities	197.3	176.7	366.2	377.3	388.3	400.0	412.1	422.4	432.1

Sources: Burundi authorities; IMF staff estimates and projections.

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

Table 5a. Burundi: Balance of Payments, 2019–27

(US$ Million)

	2019	2020		2021		2022	2023	2024	2025	2026	2027
	Est.	Pre-Covid	Est.	Pre-Covid	Proj.			Proj.			
Current account	-348.3	-546.8	-315.2	-554.7	-450.0	-523.3	-556.6	-575.0	-524.5	-530.1	-540.4
(excluding official transfers)	-348.3	-546.8	-315.2	-554.7	-450.0	-523.3	-576.4	-596.6	-548.0	-555.5	-567.7
Trade balance	-539.2	-680.4	-594.8	-699.9	-725.1	-825.9	-884.1	-919.1	-896.6	-922.2	-951.8
Exports, f.o.b.	220.5	189.6	185.3	201.7	165.3	283.1	284.1	298.9	332.9	352.7	374.2
Of which: coffee	37.8	38.5	30.7	42.6	27.6	70.6	70.2	74.1	82.3	87.6	93.4
gold	66.9	73.2	46.0	74.5	40.6	68.5	68.6	70.5	84.6	88.3	92.1
Imports, f.o.b.	-759.7	-870.0	-780.1	-901.6	-890.4	-1108.9	-1168.1	-1218.1	-1229.5	-1274.8	-1326.1
Of which: petroleum products	-160.8	-153.9	-137.4	-150.0	-167.0	-255.6	-240.5	-222.5	-203.8	-201.8	-204.5
Of which: Covid related imports	...	...	-2.3	...	-8.1	-15.5	-15.5	...	...	...	...
Of which: Capital imports	-151.1		-190.5		-196.3	-229.3	-249.3	-274.6	-282.6	-294.0	-305.9
Services (net)	-177.4	-154.1	-154.9	-152.9	-212.8	-220.5	-228.4	-235.3	-230.8	-235.0	-240.8
Credits	78.7	...	86.2	...	84.7	98.9	105.9	112.0	120.8	128.6	136.2
Debits	-256.1	...	-241.1	...	-297.5	-319.4	-334.3	-347.3	-351.6	-363.6	-377.0
Income (net)	9.5	7.5	16.9	6.9	15.7	13.1	13.3	13.4	13.6	13.7	13.8
Of which: interest on public debt	-3.1	-5.4	-5.4	-6.3	-5.3	-8.0	-8.6	-8.7	-8.8	-8.9	-9.0
Current transfers (net)	358.8	280.2	417.5	291.3	472.3	510.0	542.6	566.1	589.3	613.4	638.5
Of which: Workers remittances	72.6	42.2	108.5	43.9	127.8	149.0	143.2	149.8	156.2	163.0	170.0
Capital account [1]	135.9	144.9	135.3	151.3	147.8	368.7	402.4	339.8	356.1	373.0	374.5
Financial account [2]	274.6	401.9	182.8	403.3	455.7	146.9	134.6	215.1	171.9	154.2	163.9
Direct investment	0.3	0.3	7.6	0.3	8.2	9.0	9.7	10.6	11.6	12.5	13.4
Other investment [3]	274.3	401.6	175.2	403.0	447.5	137.9	124.8	204.5	160.4	141.7	150.5
Assets	-37.5	-80.5	-99.0	-81.7	-45.9	-79.7	-75.2	-85.1	-94.1	-97.8	-103.4
Liabilities	311.9	482.1	274.2	484.7	493.4	217.6	200.0	289.5	254.4	239.5	253.9
Errors and omissions	-18.1	0.0	-23.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	44.1	0.0	-20.9	0.0	153.6	-7.7	-19.6	-20.1	3.6	-2.9	-2.0
Financing (increase in assets = –)	-44.1	0.0	20.9	0.0	-166.4	-0.6	19.6	20.1	-3.6	2.9	2.0
Of which: change in official reserves	-43.2	0.0	19.1	0.0	-198.6	-82.7	-15.7	-3.9	-14.3	-16.2	-19.4
Exceptional financing	0.0	0.0	0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling of debt service (DSSI)	0.0	0.0	0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Current account	-11.6	-16.9	-10.2	-16.4	-13.4	-14.4	-14.0	-13.3	-11.2	-10.4	-9.9
Of which: official transfers and capital account	4.5	4.5	4.4	4.5	4.4	10.1	10.7	8.4	8.1	7.9	7.4
Gross official reserves (incl. financing needs)											
US$ million [4]	113.4	113.4	94.3	113.4	266.6	263.3	243.7	223.6	227.1	224.3	222.3
Months of imports	1.3	1.1	1.0	1.1	2.2	2.1	1.9	1.7	1.7	1.6	1.5
PV of external debt (percent of exports of GS)	109.8	103.6	103.6	97.5	97.5	92.3	87.8	84.3	80.9	78.3	76
Government external debt (percent of GDP)	18.3	17.5	17.7	16.9	20.2	18.9	17.5	16.2	14.9	13.8	12.6
Imports of petroleum products (tons)	295,962	...	238,848	...	247,847	246,112	260,879	272,618	272,618	285,642	298,680
Oil (US$/barrel)	61.4	57.9	41.3	55.3	69.1	106.5	94.5	83.7	76.7	72.4	70
Nominal GDP (US$ billion)	3.0	3.2	3.1	3.4	3.4	3.6	4.0	4.3	4.7	5.1	5.5

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

[1] Based on preliminary information provided by donors.

[2] Includes prospective IMF disbursements and CCRT grants.

[3] Including trade credits and grants. BPM6 manual defines other investment as a residual category that includes all other changes in assets and liabilities of public and private sectors including trade credits and grants.

[4] Includes recent SDR allocation as adviced in BPM6 manual.

Table 5b. Burundi: Balance of Payments, 2019–27
(Percent of GDP)

	2019	2020		2021		2022	2023	2024	2025	2026	2027
	Est.	Pre-Covid	Est.	Pre-Covid	Proj.			Proj.			
Current account	-11.6	-16.9	-10.2	-16.4	-13.4	-14.4	-14.0	-13.3	-11.2	-10.4	-9.9
(excluding official transfers)	-11.6	-16.9	-10.2	-16.4	-13.4	-14.4	-14.5	-13.8	-11.7	-10.9	-10.4
Trade balance	-17.9	-21.0	-19.3	-20.7	-21.6	-22.7	-22.3	-21.3	-19.1	-18.2	-17.4
Exports, f.o.b.	7.3	5.8	6.0	6.0	4.9	7.8	7.2	6.9	7.1	6.9	6.9
Of which: coffee	1.3	1.2	0.8	1.3	1.1	1.2	1.2	1.2	1.2	1.1	1.1
gold	2.2	2.3	1.5	2.2	1.2	1.9	1.7	1.6	1.8	1.7	1.7
Imports, f.o.b.	-25.2	-26.8	-25.3	-26.7	-26.6	-30.4	-29.5	-28.2	-26.1	-25.1	-24.3
Of which: petroleum products	-5.3	-4.7	-4.5	-4.4	-5.0	-7.0	-6.1	-5.2	-4.3	-4.0	-3.7
Of which: Covid related imports	...	...	-0.07	...	-0.2	-0.4	-0.4	...	...	...	...
Of which: Capital imports	-5.0	...	-6.2	...	-5.9	-6.3	-6.3	-6.4	-6.0	-5.8	-5.6
Services (net)	-5.9	-4.8	-5.0	-4.5	-6.4	-6.1	-5.8	-5.5	-4.9	-4.6	-4.4
Income (net)	0.3	0.2	0.5	0.2	0.5	0.4	0.3	0.3	0.3	0.3	0.3
Of which: interest on public debt	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Current transfers (net)	11.9	8.6	13.5	8.6	14.1	14.0	13.7	13.1	12.5	12.1	11.7
Of which: Workers' remittances	2.4	1.3	3.5	1.3	3.8	4.1	3.6	3.5	3.3	3.2	3.1
Capital account[1]	4.5	4.5	4.4	4.5	4.4	10.1	10.2	7.9	7.6	7.4	6.9
Financial account [2]	9.1	12.4	5.9	12.0	13.6	4.0	3.4	5.0	3.7	3.0	3.0
Direct investment	0.0	0.0	0.2	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other investment [3]	9.1	12.4	5.7	11.9	13.4	3.8	3.2	4.7	3.4	2.8	2.8
Assets	-1.2	-2.5	-3.2	-2.4	-1.4	-2.2	-1.9	-2.0	-2.0	-1.9	-1.9
Liabilities	10.4	14.9	8.9	14.4	14.7	6.0	5.0	6.7	5.4	4.7	4.7
Errors and omissions	-0.6	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	1.5	0.0	-0.7	0.0	4.6	-0.2	-0.5	-0.5	0.1	-0.1	0.0
Financing (increase in assets = –)	-1.5	0.0	0.7	0.0	-5.0	0.0	0.5	0.5	-0.1	0.1	0.0
Of which: change in official reserves	-1.4	0.0	0.6	0.0	-5.9	-2.3	-0.4	-0.1	-0.3	-0.3	-0.4
Exceptional financing	0.0	0.0	0.004	0.0	0.01	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling of debt service (DSSI)	0.0	0.0	0.004	0.0	0.01	0.0	0.0	0.0	0.0	0.0	0.0

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

[1] Based on preliminary information provided by donors.

[2] Includes prospective IMF disbursements and CCRT grants.

[3] Including trade credits and grants. BPM6 manual defines other investment as a residual category that includes all other changes in assets and liabilities of public and private sectors including trade credits and grants.

Table 6. Burundi: Banking System Soundness Indicators, 2019–21

(Percent, unless otherwise indicated)

	2019	2020				2021		
	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep
Capital Requirement								
Capital requirement over weighted assets (solvency ratio)	21.6	27.5	26.2	23.2	23.8	26.2	24.7	22.7
Core capital (Tier 1 capital) over weighted assets	20.2	25.9	24.6	21.9	22.4	24.7	23.4	20.2
Quality of assets								
Nonperforming loans (percent of total gross loans granted)	5.6	6.6	6.2	6.8	5.4	4.8	4.2	4.1
Provisions (percent of nonperforming loans)	86.9	71.0	72.0	68.6	69.2	67.7	65.1	53.1
Nonperforming loans net of provisions (percent of capital)	2.1	5.3	4.9	6.1	4.4	4.1	4.2	6.2
Large exposures (percent of capital)	78.6	74.8	62.1	59.9	51.1	59.0	79.5	57.3
Profitability rates								
Return on assets	4.1	1.1	2.1	3.4	3.9	1.0	1.9	2.9
Return on equity capital	36.5	9.3	17.7	29.4	32.3	7.5	15.7	23.8
Net interest (percent of gross results)	64.1	70.4	72.0	70.7	70.7	71.9	70.8	68.0
Costs excluding interest (percent of gross outturn)	43.6	44.6	44.6	43.2	47.9	48.3	47.4	46.7
Liquidity								
Liquid assets (percent of all loans granted)	31.8	28.5	27.8	24.7	28.8	21.2	25.2	21.7
Liquid assets (percent of short-term commitments)	18.1	17.2	16.8	14.2	15.5	11.6	14.1	14.6

Source: Burundi authorities.

Table 7. Burundi: Indicators of Capacity to Repay the Fund, 2019–27

	2019	2020	2021	2022	2023	2024	2025	2026	2027
		Est.				Proj.			
Fund obligations based on existing credit									
(SDR million)									
Principal (incl. CCRT)	11.8	2.2	0.0	2.9	4.5	2.5	0.5	0.0	10.8
Charges and interest	0.10	0.36	0.0	0.5	1.0	1.0	1.0	1.0	1.0
Fund obligations based on existing and prospective credit									
(SDR million)									
Principal	11.8	7.6	0.0	2.9	4.5	2.5	0.5	0.0	10.8
Principal (incl. CCRT)	11.8	2.2	0.0	2.9	4.5	2.5	0.5	0.0	10.8
Charges and interest	0.1	0.4	0.0	0.5	1.0	1.0	1.0	1.0	1.0
Total obligations based on existing and prospective credit									
SDR million	11.9	8.0	0.0	3.4	5.5	3.5	1.5	1.0	11.8
SDR million (incl. CCRT)	11.9	2.5	0.0	3.4	5.5	3.5	1.5	1.0	11.8
US$ million (incl. CCRT)	16.4	3.5	0.0	4.6	7.5	4.8	2.1	1.4	16.2
Percent of exports of goods and services	5.5	1.3	0.0	1.2	1.9	1.2	0.5	0.3	3.2
Percent of debt service[1]	62.9	15.2	0.1	14.5	19.2	12.0	4.9	3.3	28.6
Percent of tax revenue	3.1	0.6	0.0	0.6	1.0	0.6	0.2	0.1	1.5
Percent of gross official reserves	14.4	3.7	0.0	1.7	3.1	2.2	0.9	0.6	7.3
Percent of GDP	0.5	0.1	0.0	0.1	0.2	0.1	0.0	0.0	0.3
Percent of quota	7.7	1.6	0.0	2.2	3.6	2.3	1.0	0.6	7.6
Outstanding Fund credit									
SDR million	34.0	18.1	67.8	61.4	56.9	54.4	53.9	53.9	43.1
US$ million	46.9	26.0	94.8	83.2	78.1	75.3	74.7	74.7	59.7
Percent of exports of goods and services	15.7	9.6	37.9	21.8	20.0	18.3	16.5	15.5	11.7
Percent of debt service[1]	179.9	112.3	463.8	263.9	199.9	187.3	179.3	179.3	105.2
Percent of tax revenue	8.7	4.6	15.0	11.7	10.1	9.0	8.1	7.5	5.6
Percent of gross official reserves	41.3	27.5	35.6	31.6	32.0	33.7	32.9	33.3	26.9
Percent of GDP	1.6	0.8	2.8	2.3	2.0	1.7	1.6	1.5	1.1
Percent of quota	22.1	11.7	44.0	39.9	36.9	35.3	35.0	35.0	28.0
Net use of Fund credit (SDR million)	-11.8	-2.2	53.9	-2.9	-4.5	-2.5	-0.5	0.0	-10.8
Disbursements	0.0	0.0	53.9	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases (incl. CCRT)	11.8	2.2	0.0	2.9	4.5	2.5	0.5	0.0	10.8
Memorandum items:									
Exports of goods and services (US$ million)	299.2	271.6	250.0	381.9	390.0	410.9	453.7	481.2	510.4
Debt service (US$ million)	26.1	23.1	20.4	31.5	39.0	40.2	41.6	41.6	56.8
Tax revenue (US$ million)	536.5	560.8	633.3	709.3	769.4	839.6	918.0	993.4	1070.3
Gross official reserves (US$ million; excl. financing needs)	113.4	94.3	266.6	263.3	243.7	223.6	227.1	224.3	222.3
Nominal GDP ((US$ million)	3012.5	3086.4	3350.8	3644.4	3962.8	4316.0	4703.8	5074.9	5456.2
Quota (SDR, million)	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0

Sources: IMF staff estimates and projections.

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

Table 8. Burundi: Sustainable Development Indicators

Goals	Selected Indicators	Latest Observation		Baseline	
		Indicator	Year		
End Poverty	Proportion of population living below the international food poverty line (%)	72.8	2013	78.6	2006
End Hunger	Prevalence of under nourishment (%) or stunting in children under five increased	54.0	2019	57.7	2005
Good Health and Well-being	Maternal Mortality Ratio (per 100,000)	580.0	2017	785	2010
Inclusive and Equitable Education	Participation rate in organized learning Primary net attendance rate (%)	93.4	2018	41	2000
Gender Equality	Proportion of seats held by women in local government or the National Assembly (%)	38.2	2021	18	2004
Sustainable and Modern Energy	Household access to electricity (%)	11.7	2020	5.3	2010
Sustainable Growth and Decent Work	Annual growth rate of real GDP per capita (%)	-2.7	2020	1.5	2004
Infrastructure, Industrialization, and Innovation	Manufacturing employment as a percentage of total employment (%)	3.3	2019	2.4	2003
Reduced Inequalities within and among countries	Gini coefficient	38.6	2013	33.4	2006
Inclusive Cities and Communities	Proportion of urban population living in inadequate housing	47.7	2018	64	2005
Conserve and sustainably use of oceans, seas and marine resources	Improving fisheries management and utilization - quantity of fish farmed	21860T	2018	11050T	2002

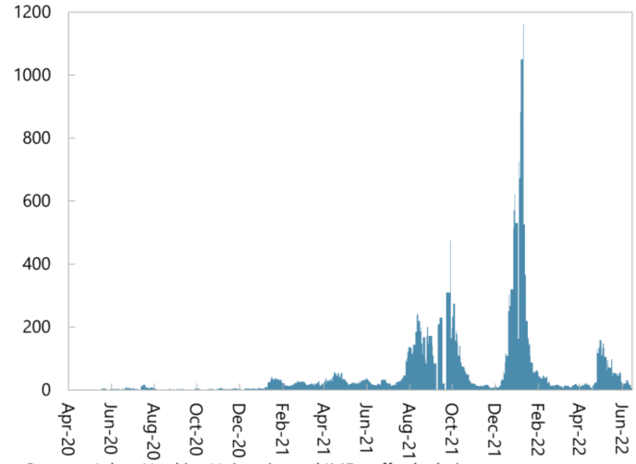
Source: World Bank Development Indicators

Annex I. The COVID-19 Pandemic and The Authorities' Response

1. The pandemic: The first COVID-19 case in Burundi was reported on March 31, 2020. As of June 14, 2022, 42,330 cases and 15 deaths have been reported. New cases surpassed 1,000 cases per week in the second half of 2021, with a peak of more than 5,000 cases during the last week of December 2021 (up from an average of 20 cases per week in 2020 and an average of 371 cases per week during January-June 2021, see Figure A1.1). They are now down to about 446 cases per week since early 2022. Two large-scale testing campaigns were conducted during July 6–October 6, 2020, and January 11–February 11, 2021. The number of cases is likely underestimated as testing capacity remains weak with less than 3 percent of the population tested as of June 12, 2022 (Figure A1.2)

Figure A1.1. Burundi: New Confirmed COVID-19 Cases, 2020–22

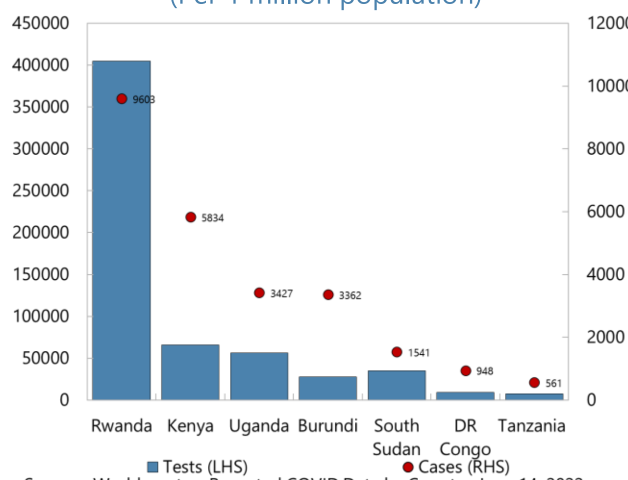
(Daily Confirmed Cases, 7 Day Moving Average)



Sources: Johns Hopkins University and IMF staff calculations.

Figure A1.2. Burundi: COVID-19 Cases and Testing

(Per 1 million population)



Sources: Worldometers Reported COVID Data by Country, June 14, 2022

2. Government response:

- Bujumbura airport was closed from March to November 2020. On January 11, 2021, the authorities closed land and sea borders to passengers, and imposed new restrictions to passengers arriving at the Bujumbura airport. In September 2021, the authorities introduced a fine of about US$ 50 for not wearing a mask in public places and public transportation in Bujumbura. The fine has been removed and masks are no longer mandatory.

- The authorities developed a pandemic response plan — focusing on strengthening the health care system, the social safety net, and parts of the road network to facilitate access to sick people. The response plan was estimated at about US$ 150 million (4.5 percent of 2021 GDP), of which sanitary measures costing US$ 58 million (1.7 percent of 2021 GDP). The authorities have promoted preventative measures but have limited the use of social distancing to minimize adverse economic effects. They subsidized the price of soap during

June–September 2020 and are subsidizing water for standpipes, up to 50 percent. They also hired additional doctors and nurses and have granted tax holidays to affected businesses.

- As part of the response plan of 4.5 percent of GDP, the authorities spent 1.1 percent of GDP in 2020/21 (Text Table), including sanitary and non-sanitary measures. They plan to spend about 1 percent of GDP in 2021/22 (excluding vaccines). Staff estimates that a cumulated US$ 36.7 million (1.1 percent of GDP) has been spent on this plan at end-December 2021.

- The central bank increased flexibility in loan restructuring with targeted and time-bound extensions of loan maturities to hard-hit borrowers. A new refinancing window has also been opened for banks extending long-term loans to high-growth priority sectors.

Text Table A1.1. Burundi: COVID-19 Spending 1/

	FY2020/21		FY2021/22	
	BIF Billion	Percent of GDP	BIF Billion	Percent of GDP
Total	68.8	1.10	70.4	1.00
Of which:				
Health infrastructure, incl. tents 2/	15.6	0.25	58.0	0.83
Reagents and drugs 2/	6.8	0.11	10.8	0.15
Recruitment of lab workers	...	...	0.4	0.01
Subsidy of various products to ensure cleanliness	...	...	1.2	0.02
Operating costs of the Covid-19 Committee 2/	1.8	0.03	...	...
Spending March-June 2021 (not yet itemized)	44.5	0.71	...	...

Sources: Burundi authorities and IMF staff estimates.

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

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

3. **Vaccination**. Vaccination started at end-October 2021 with about 100 people vaccinated per day on average. Only 13,811 people (0.1 percent of the population) were fully vaccinated as of June 5, 2022. In 2021, Burundi received a donation of 500,000 doses of Sinopharm vaccine from China and a donation of 302,400 Johnson and Johnson vaccine doses through the African Vaccine Acquisition Trust (AVAT), which is expected to donate a total of 2.4 million doses of this vaccine to Burundi.

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

5. **Donor support.** So far, financial support has included a grant from the World Bank (US$5 million) and the fiscal space created by two years of IMF CCRT debt relief through April 2022 (SDR 17.96 million) and debt service relief from Exim Bank of China and the Kuwait Fund (US$ 0.93 million) under the G20 Debt Service Suspension Initiative (DSSI).

6. Governance. A technical committee for the response to the COVID-19 pandemic was set up. A single fiduciary fund, with an account opened at the BRB, was set up to centralize donor funding. The first COVID-19 report covering operations from the fiduciary fund was transmitted in August 2021 to the Court of Auditors, which started its audit in April 2022. The authorities emphasized that delays in auditing this COVID-19 report were due to a backlog of audits of government financial statements, which were only completed in mid-January 2022.

Annex II. External Sector Assessment

Overall Assessment. *The 2021 external position of Burundi was substantially weaker than the level implied by fundamentals and desirable policies, as per the Fund's external balance assessment (EBA-lite). This situation reflects large external imbalances and foreign exchange reserves being below adequacy levels, although the latter were boosted by the IMF's general SDR allocation in August 2021 and the RCF disbursement in October 2021. Profound distortions in the FX market may also have contributed to sustaining the imbalances. External imbalances are projected to persist under the baseline scenario.*

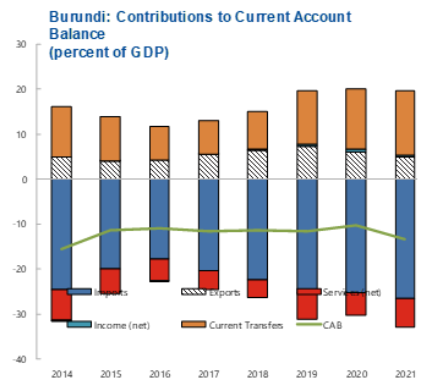
Potential Policy Responses. *To achieve external rebalancing, fiscal adjustment and other measures aiming at improving competitiveness (including labor market reform) are required. Allowing greater reforms in other sectors, such as banking and financial, are also essential to increase productivity and ensure a balanced economic and social development. Ambitious reforms of the exchange rate policy aimed at reducing existing FX access limitations and promoting a market-based exchange rate will contribute in the short term to set the path for converging to medium term rebalancing. In addition, seeking development partners support will help to provide the country with additional FX reserves to cushion the path of adjustment and support an exit path from fragility.*

Foreign Assets and Liabilities: Position and Trajectory

Background. The latest net international investment position (NIIP) data for Burundi are dated 2018 and are outdated for this assessment.

Current Account

Background. The current account (CA) deficit amounted to 13.4 percent of GDP in 2021—3.5 percent of GDP higher than in 2020 (10.2 percent of GDP). The CA deficit averaged around 11.5 percent of GDP during 2015–2019, a lower level compared to the 2010–2014 era (16.3 percent of GDP on average), owing to the country's isolation following the 2015 political crisis which led to lower capital inflows, compressed imports, and a drawdown of reserves to very low levels.



Sources: Burundi authorities; IMF staff estimates and projections.

More recently, with the COVID-19 pandemic, the CA deficit slightly improved to 10.2 percent of GDP in 2020 thanks to lower international fuel prices, countercyclical workers' remittances, and lower imports growth due to FX rationing. Remittances were of good support to the external sector, growing by more than 49 percent between 2019 and 2020 to 3.5 percent of GDP in 2020 (1.1 percent of GDP in 2018), and the trend is likely to be sustained in the near to medium term. However, exports decreased sharply, reflecting partly the closure of Burundi's international airport and lockdown measures in trading partner countries, which disrupted exports of the main commodities (coffee, tea, gold, food industry).

The CA deficit is projected to further increase in 2022 before stabilizing at around 12.5 percent of GDP on average over the medium term. The CA balance deterioration from 13.4 percent of GDP in 2021 to 15.3 percent of GDP in 2022 is mainly due to the negative impact of the war in Ukraine with higher imports prices (intermediate goods, especially petroleum products) and lower exports prices (including coffee and tea). In addition, the RCF disbursement and SDR allocation that improved FX availability; import volumes are forecasted to increase due to the COVID-19 response plan (including vaccines and COVID tests) and capital and intermediate goods imports consistent with development projects and GDP growth prospects for the medium term. Remittances also played an efficient countercyclical role in containing CA deterioration. Exports are projected to recover, although only progressively owing to supply chain disruptions and slower investment flows. Over the medium term, the CA deficit is projected to average around 22 percent of GDP with exports increases (food industry, coffee, tea) compensated by large capital and intermediate goods needs. Beyond 2024, the CA deficit would subsequently narrow as terms of trade improve slightly and current transfers strengthen.

Assessment. The CA EBA-lite model[1] shows that the CA position in 2021 was substantially weaker than the level consistent with medium-term fundamentals and desirable policies. The current account norm—the level of current account that is in line with fundamentals and desirable policy levels—is estimated at -5.2 percent of GDP. The policy gap relates mainly to an inadequate level of reserves (compare to the ARA metric) and the expansive fiscal policy (a deficit of 7.8 percent of GDP in2021) beyond the desirable stance (2 percent of GDP). The policy imbalances underly the importance of a growth and export friendly fiscal adjustment, as well as policies to improve competitiveness and contain external imbalances. With the observed CA deficit of 13.4 percent, the EBA-lite CA model indicates a CA gap of -8.8 percent of GDP in 2021, of which a policy gap of 4.5 percent of GDP. As a result, the REER gap is estimated at 68.6 percent.

Burundi: Model Estimated for 2021

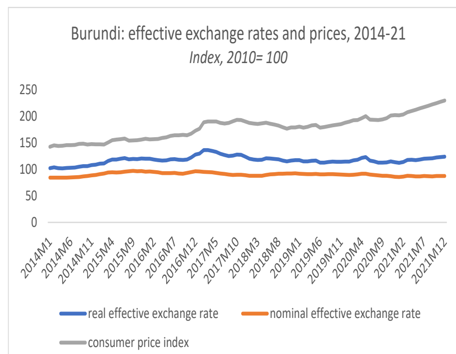
(In percent of GDP)

	CA model 1/
CA-Actual	**-13.4**
Cyclical contributions (from model) (-)	0.6
COVID-19 adjustor (-) 2/	0.1
Additional temporary/statistical factors (-)	0.0
Natural disasters and conflicts (-)	-0.2
Adjusted CA	**-14.0**
CA Norm (from model) 3/	**-5.2**
Adjustments to the norm (-)	0.0
Adjusted CA Norm	**-5.2**
CA Gap	**-8.8**
o/w Relative policy gap	4.5
Elasticity	-0.13
REER Gap (in percent)	**68.6**

1/ Based on the EBA-lite 3.0 methodology
2/ Additional cyclical adjustment to account for the temporary impact remittances (0.1 percent of GDP).
3/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

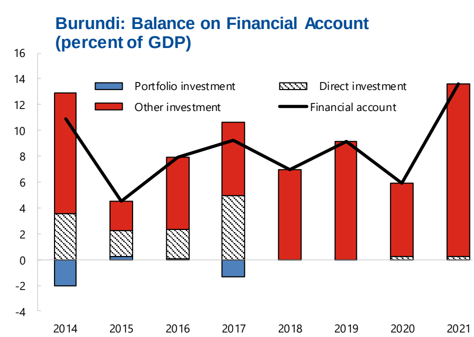
Background. Burundi's real effective exchange rate (REER) has been on an appreciating trend since 2015. Although the nominal effective exchange rate has been stable, the REER appreciation accelerated from a moderate 2 percent in early 2014 to 19 percent on average in 2021 (index: 2010 = 100). A higher inflation rate in Burundi than in trading partners in recent years has largely contributed to this real appreciation of the local currency.



Assessment. The EBA-lite current account approach confirms the overvaluation of the REER. The REER gap is estimated at around 68.6 percent, close to the parallel FX market premium (around 62.5 percent at mid-June 2022). Both the size and the premium of the parallel FX market has been rising (0.6 percent of premium at end-2014), which points to an increasing REER overvaluation.

Capital and Financial Accounts: Flows and Policy Measures

Background. In 2021, Burundi's CA deficit was largely financed by external inflows. The financial and capital accounts improved significantly owing to higher project grants and trade credit, given the issue on the quality of other investments data the full mechanism on the CA financing needs more clarifications. Despite the economic shock due to the pandemic, direct investment was resilient in 2021 but remains anemic (0.25 percent of GDP). Over the medium term, direct investment inflows are projected to increase, supported by the National Development Plan (NDP) projects and reforms, which will boost investors' confidence. The recent SDR allocation (6.6 percent of GDP) provided a large buffer to the financial account and helped significantly to improve the FX coverage in terms of months of imports.



Sources: Burundi authorities; IMF staff estimates and projections.

Assessment. A progressive and orderly removal of FX control measures as economic conditions permit, would improve the financial account, and bring in more private flows. Improving the frequency and the quality of financial account data provision, notably on foreign investments and imports financing, would help better grasp developments.

FX Intervention and Reserves Level
Background. Foreign exchange reserve coverage reached 2.1 months of prospective imports at end-December 2021. It was partly bolstered by the latest general IMF SDR allocation (SDR 147.6 million, representing around 0.14 month of imports) and the RCF disbursement (SDR 53,9 million, representing around 0.053 month of imports), from 0.6 month of prospective imports at end-March 2021. Nevertheless, Burundi's reserves coverage is below the adequate level of international reserves for Burundi from the ARA-CC model, which is estimated at 3.5 months of goods and services imports, slightly higher than the traditional 3-month rule, assuming a fixed exchange rate policy. In the ARA-CC model[2] (developed for credit constrained economies), the adequate level of reserves is derived through an algorithm that balances the absorption smoothing benefits of reserves against the opportunity cost of holding reserves considering country specificities. The absorption smoothing benefits of reserves is the result of two empirical regressions on the role of reserves in preventing a crisis and on the role of reserves in reducing the severity of a crisis. As for the opportunity cost of holding reserves, the marginal product of capital has been chosen (IMF, 2016). **Assessment.** Burundi's FX reserve coverage is below adequate levels. The adequate FX reserves level from the ARA metric should however be regarded as a lower bound, given Burundi's structural economic characteristics. Indeed, as a commodity intensive economy, Burundi faces adverse effects of terms of trade shocks and adjustment is difficult given the very low elasticity of primary goods' prices. Therefore, it is crucial for Burundi to hold the needed precautionary FX reserves for market participants confidence on domestic macroeconomic policies. However, the fact that the largest share of the country's debt is domestic (48.2 percent of GDP against 20.4 percent of GDP for external debt in 2021) represents a mitigating element on the impact of low level of reserves.
[1] Only the EBA-lite CA model was used in this analysis. EBA-lite REER approach has limitations when applied to countries with large structural changes or some data inconsistences. Additional to that, when CA and REER point to different conclusion, the CA model is often more informative and reliable (IMF, 2016). [2] Given the data issue on NIIP, the ESA for Burundi focuses on the current account EBA-lite method (see footnote 1 in the main text).

Annex III. Risk Assessment Matrix[1]

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
Conjunctural shocks and scenarios			
War in Ukraine leads to escalation of sanctions and other disruptions.	**High**	**High**. The continuation of the conflict would have strong negative impacts on economic activity especially on most vulnerable population.	Accelerate and strengthen discussions with donor community. Promote pro-growth and pro-poor fiscal consolidation. Accelerate negotiations with mining companies to brush up exports.
Rising and volatile food and energy prices.	**High**	**High.** The increase in food and energy prices following the geopolitical situation might cause a deterioration of the terms of trade for net importers countries like Burundi. Given the relative low level of official reserves, the country might go through some shortages on food and energy products.	Reform of monetary and exchange rate policy. Develop and strengthen domestic subsistence agriculture and food industry.
Widespread social discontent and political instability.	**High**	**High.** General social unrest would disrupt economic activities and reduce investors' confidence. Increased pressures on fiscal expenditures (including military spending) would divert resources away from growth-enhancing spending, lowering growth.	Support the vulnerable population with well-targeted measures. Assuming the turbulence is temporary, use fiscal space and monetary policy prudently to support the economy.
Abrupt growth slowdown in China.	**Medium**	**High.** Economic slowdown in China will likely have a strong impact on Burundi's external sector. As one of the main trade partners of Burundi, lower trade with China will result in probable decrease in commodity prices, lower FDIs and delayed infrastructure projects.	Encourage diversification of trade and economic partners. Policies to lower exports concentrations.

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

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
Outbreaks of lethal and highly contagious COVID-19 variants lead to subpar/volatile growth, with increased divergence across countries.	Medium	**High.** The eruption of a new lethal and contagious Corona virus variant would have strong impact on Burundi's economy through the fall in commodity prices (which are currently on a recovering path e.g., coffee, tea, gold), worsening fiscal situation and a decelerating economic activity.	Accelerate vaccine rollout. Strengthen spending in health sector. Prudent fiscal policy and save resources where possible.
De-anchoring of inflation expectations in the U.S. and/or advanced European economies.	Medium	**High**. If the trend of rising global inflation is confirmed, the impact on the external sector could be large and has negative effects on growth prospects as FX is critically low. The risk of capital outflows from Burundi looks minor as the country mostly relies on concessional financing.	Increase production in the subsistence agriculture by enlarging cultivated lands and developing the local production inputs (e.g., fertilizers). Accelerate reengagement with donor community and prioritize concessional financing.
Structural Risks			
Geopolitical tensions and de-globalization.		**Medium**. The higher commodity prices could boost commodity exports and support economic growth and reserve build up. Disorderly migration and lower confidence could lead to high public spending on refugees and lower private consumption and investment.	Increase fiscal space through stronger revenue administration and spending framework to better support unforeseen spending obligations. Increase international reserve buffers with a more flexible exchange rate to provide an adequate response to foreign exchange needs of the economy. Implement a more accommodative monetary policy if inflation is in check.
Cyberthreats.	Medium	**Low**. Global information infrastructure failure will probably have minor impact on Burundi's economy as the economy does not rely much on private and speculative financial flows.	Increase IT infrastructure development and other cybersecurity measures.
Natural disasters related to climate change.	Medium	**Medium.** The lower performance of the weather-dependent agricultural sector will significantly weaken growth and exports (coffee and tea). Inflation would rise mainly because of the higher cost of food items.	Increase fiscal space through domestic revenue mobilization measures and spending prioritization and efficiency. Support the most vulnerable sectors and population. Tighten monetary policy to limit second-round inflationary pressures. Strengthen the business environment to further diversify exports and the economy.

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
		Domestic Risks	
Adverse weather conditions.	**Medium** Short Term	**High**. This would lead to lower agricultural production and slower growth, an increase in food inflation, pressures on public spending and the current account, and adversely affect the vulnerable households.	Guard against second-round effects on inflation. Use targeted programs to help vulnerable groups and reprioritize spending.
A deterioration of the political and security situation.	**Medium** Short to Medium Term	**Medium.** General social unrest would disrupt economic activities and reduce investors' confidence. Increased pressures on fiscal expenditures (including military spending) would divert resources away from growth-enhancing spending, lowering growth.	*Allow automatic fiscal stabilizers to operate. *Support the vulnerable population with well-targeted measures. *Assuming the turbulence is temporary, use fiscal space and monetary policy prudently to support the economy.
Reengagement with the international community.	**High**	**High.** Increased support from the international community will ease fiscal constraints by providing resources to the budget and funding for the National Development Plan. Strengthening the international cooperation will provide the country will highly needed FX and help covering the large BOP financing needs.	*Continue improving the political and social situation; facilitate the return of refugees. *Transparency and accountability in economic policies especially on the public spending side. *Not delaying essential structural reforms where profound disequilibrium/distortions have been identified.

Annex IV. Capacity Development Strategy

A. Capacity Development Strategy

1. Capacity Development (CD) for Burundi would focus in the near term on strengthening fiscal operations and policy design; supporting the transition to a unified exchange rate (ER), coherent ER policy, and efficient post-unification monetary policy framework; fostering financial sector stability; strengthening data transparency by implementing the enhanced General Data Dissemination System (e-GDDS); and improving data timeliness and quality, especially fiscal, external and national accounts statistics; and reducing corruption vulnerabilities and corresponding governance weaknesses. These areas are supported by the IMF's surveillance and CD operations in Burundi. Priority areas would include:

i. *Fiscal operations and policy design*:

- Revenue administration: strengthening of core functions and modernization, including through digitalization;
- Tax policy: general review of the tax system, including mining taxation, to rationalize, enhance efficiency, and simplify while proposing areas to strengthen collection and widen the tax base;
- Public finance management (PFM): strengthening of the budget process (preparation, formulation, execution, reporting and auditing); introduction of medium-term budgeting; and strengthening of the PFM framework to facilitate identification and follow up of pending bills and arrears; strengthening of public investment management, cash management and the operationalization of the Treasury Single Account (TSA); and strengthening of the macroeconomic projection model and fiscal risks analysis.
- Expenditure policy: enhance spending composition and efficiency.

ii. *Exchange rate policy*:

- Unification of the official and parallel exchange rates;
- Transition to an appropriate post-unification ER policy and FX intervention policy;
- FX market reform: liberalization, setting up an auctioning system.

iii. *Monetary policy:*

- Transition to an appropriate post-unification monetary policy framework (MPF);

- Strengthening monetary policy (MP) efficiency, including the design and use of standards MP instruments and elaborating a communication strategy;
- Preparing for the Eastern African Community (EAC)'s medium-term goal of a price-based MPF.

iv. *Financial sector stability:*

- Strengthening the supervisory frameworks (for banks and non-banks);
- Regulatory framework: transition to new standards

v. *Debt management*:

- Improving the quality of debt data;
- Building capacity to undertake a comprehensive analysis of the existing debt portfolio in terms of cost and risk;
- Enhancing debt monitoring and reporting;
- Domestic market development and strengthening of cash management; and
- Elaboration of a medium-term debt strategy addressing all relevant dimensions, including maturity, investor's base, currency composition, cost optimization,

vi. *Statistics*: implementing the e-GDDS recommendations and publishing macroeconomic and financial data essential for surveillance and policy analysis through a National Summary Data Page (NSDP); improving the timeliness, quality, and coverage of

- National accounts;
- External sector statistics;
- Government finance statistics and fiscal reporting;
- Financial soundness indicators;
- Monetary and financial statistics;
- Debt statistics, including debt of publicly-owned enterprises, the local government, and the private sector, as well as the reporting of contingent liabilities.

vii. *Governance*:

- Strengthening the Legal and Organizational Framework for addressing corruption based upon an identification of anticorruption priorities.

- Improving the effectiveness of the AML/CFT framework in line with international standards.

B. Recent CD Activities

Revenue Administration

2. **Recent CD missions have mainly been conducted from AFRITAC-Centre (AFC)** and supported both customs and tax administrations.

3. **CD missions on customs administration have aimed at strengthening its main functions,** notably audit and control programs against smuggling, customs valuation procedures and risk-based controls procedures. Recent CD has been delivered through a regional seminar (January 2020), and standard CD missions (December 2019, October 2020, and November 2021).

CD missions on tax administration have aimed at strengthening its main functions, notably the integrity of the tax base and the taxpayer registry, audit and control programs and the management of tax arrears. Support has also been given to strengthen and modernize the institutional management and governance framework of revenue administration. Recent CD has been delivered through a regional seminar (January 2020). A remote mission was also conducted during October-November 2020 to: (i) assess the impact of the measures taken to deal with the COVID-19 crisis; (ii) propose revenue safeguard measures; and (iii) support the digitization of procedures, including the implementation of innovative tools for reporting and payment of duties and taxes.

4. **FAD and AFC a diagnostic mission, which was scheduled for April 28-May 17, 2022, was postponed to September 2022** at the authorities' request. It will review all areas of fiscal reform (revenue administration, tax policy, public financial management, and debt management). FAD also plans to station a long-term fiscal expert in Burundi in the fall of 2022 to support the authorities' fiscal reforms.

Tax Policy

5. **No recent CD mission on tax policy has been conducted by the Fund.** FAD is currently considering a diagnostic mission on the tax system at the authorities' request. If approved, it could take place in FY2022/23.

Public Financial Management

6. **Recent CD missions have mainly been conducted from AFC**. Key objectives have been to: (i) improve budget preparation to make it more detailed, credible, and based on policies; (ii) strengthen the legal and institutional framework for public finances; (iii) strengthen identification, tracking and the management of fiscal risks; (iv) improve management of assets and liabilities; and (v) improve the coverage and quality of financial reports.

7. Recent CD has mainly been delivered through regional seminars (May, June, August and December 2019, February, and March 2020). A recent CD mission was conducted to support program budgeting (January 2022).

8. FAD and AFC are planning a diagnostic mission for April 28-May 17, 2022, at the authorities' request.

Debt Management

9. A CD mission to strengthen public debt reporting practices is planned in FY2023.

Financial supervision and stability

10. In recent years, the BRB has received several CD missions mostly pertaining to financial sector supervision and stability. These CD missions have mostly been conducted by AFC.

11. CD missions on financial stability aimed at strengthening BRB's capacities in terms of financial supervision, risk and underlying vulnerabilities assessment and consistency of regulations with the Basel 3 framework.

12. The BRB is striving to upgrade its supervisory processes to move towards a risk-based supervision framework. In December 2020, a CD mission drafted a methodological guidance about on-site control of operational risk management frameworks. In March 2021, another mission drafted a methodological guidance about on-site control of the accounting function and the data-quality frameworks. More recently during March-April 2022, a CD mission focused on providing BRB supervisors the necessary tools in order to be able to perform risk based on-site inspections of banking institutions aimed at assessing the adequacy and effectiveness of their credit risk management frameworks. CD assistance has also been provided on IFRS 9 implementation to upgrade prudential requirements on credit classification and provisioning of expected credit losses (February 22 - March 19, 2021).

13. On the identification of underlying vulnerabilities in the financial sector front, the AFC conducted a CD mission over January to March 2022 aiming at developing a draft Internal Capital Adequacy Assessment Process (ICAAP) regulation and a methodological tool for BRB supervisors supporting the assessment of the ICAAP. This CD mission gave the opportunity to train the BRB's supervisors on the Basel II Pillar 2 approach, the ICAAP framework and the stress testing guidelines.

Statistics

14. The most recent CD mission on National Accounts, took place in July 2021. The mission conducted by STA, provided technical assistance to the Institut des Statistiques et Etudes Economiques du Burundi (ISTEEBU). A GDP rebasing exercise is ongoing, benefiting from technical assistance from AFRISTAT and financial support from the World Bank. ISTEEBU is planning to publish the rebased GDP estimates for both 2016 (new base year) and 2017 by end-2022. During the July 2021 mission, the preliminary rebased GDP estimates for the new base year (2016), compliant with the System of National Accounts 2008 (2008 SNA), were reviewed and recommendations to improve the quality of the supply and use tables (SUT) were made. The mission trained ISTEEBU staff in backcasting to compile the 2005–2015 estimates.

15. Moreover, two CD missions on national accounts were conducted by AFC in October 2020 and May 2021, providing an opportunity to re-engage with the authorities, as the previous mission on this topic had taken place in 2017. The October 2020 technical assistance mission focused mainly on the use of the available data sources for the GDP rebasing exercise and the implementation of methodological recommendations of the *2008 SNA*. AFC and STA have also provided limited technical assistance on GDP rebasing and provided important recommendations to improve the quality of the SUT for the new base year (2016). These include the treatment of the final household consumption expenditure, the informal sector estimates as well as changes to the trade margins. The May 2021 technical assistance mission focused on the improvement and further development of the quarterly national accounts. The authorities were also invited to regional workshops organized by AFC and by ATI in collaboration with STA.

16. TA on the CPI (and other price statistics) is provided by the East African Community. The most recent mission, October 18–November 05, 2021, assisted ISTEEBU with preparing to update CPI weights.

17. Over the last two years, Burundi has received a number of CD activities in Government finance statistics (GFS). GFS compilers from Burundi attended a regional AFC GFS webinar in April 19–23, 2021. This was followed by a GFS TA/training mission in June 14–25, 2021, to support the adoption of the GFSM2014 framework; and a GFS TA mission in January- February 2022 to facilitate implementation of the framework.

18. A remote mission to assist the authorities to implement the e-GDDS and publish data essential for surveillance through an NSDP took place in March/April 2022.

INTERNATIONAL MONETARY FUND

BURUNDI

July 7, 2022

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

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

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

Burundi is at high risk of external and overall debt distress.[1] One external debt burden indicator (the ratio of external debt service to exports) breaches its threshold under the baseline, signaling a high risk of external debt distress rating. The external debt indicators under the baseline fall below their benchmarks in the medium term. The breach in the PV of the public debt-to-GDP ratio under the baseline is significant and protracted and remains above the benchmark until the end of the horizon, implying that the risk of overall public debt distress is high. However, the indicator is on a declining trend. Stress tests show that the largest deterioration in external debt burden indicators result from shocks to the exports and exchange rate, the latter triggering a deterioration for one year. Similarly, the largest deteriorations in overall debt burden indicators

[1] Burundi's debt-carrying capacity is classified as weak just as in the last (October 2021) DSA. The country's composite indicator (CI) is 2.06, based on the April 2022 WEO data and 2020 CPIA scores. The October 2021 DSA found the risk of external and overall debt distress as high, with the following characterization. Two external debt burden indicators (PV of external debt-to-exports and debt service-to-exports ratios) and one overall public debt indicator (PV of debt-to-GDP ratio) breached the respective thresholds under the baseline, with the breach of the public debt indicator being significant and protracted. The breaches of external debt indicators were mild, and the indicators fell below but near the threshold in the medium term. Burundi's debt was assessed as sustainable based on the authorities' commitment to fiscal consolidation from unwinding of COVID-related spending, moderate improvement in revenue collection, expectations of stronger donor financing, and a positive macroeconomic outlook, including robust exports and GDP growth.

result from shocks to the GDP growth, commodity prices, and exchange rate, the effects of the latter receding by mid-long term. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to fiscal consolidation from the unwinding of COVID-related spending and improvement in revenue collection, expectations of donor financing, and a positive macroeconomic outlook, including robust exports and GDP growth. The GDP rebasing, which will likely raise GDP estimates and improve public debt ratios, which are already on a declining trend, is an additional mitigating factor. Given the country's good track record in servicing its debt, there is a high likelihood that Burundi will be able to meet all its current and future financial obligations. Prospects of a more ambitious reform agenda, notably in relaxing FX access limitations will also help alleviate key growth bottlenecks. This assessment is subject to significant risks. Delays in fiscal consolidation, delays in structural reforms to enhance competitiveness and boost exports and growth, including through exchange rate unification and greater flexibility in exchange rate management, lack of up-to-date information on arrears, and a prolonged COVID-19 shock or war in Ukraine would further heighten debt vulnerabilities. Burundi's public debt is especially vulnerable to shocks to the exchange rate, non-debt creating flows, commodity prices, exports, and GDP growth. Further availability of grants and concessional loans to finance high-return projects, as donor operations scale up in tune with the re-engagement with the international community, would be beneficial for the country's growth and debt outlook.

BACKGROUND

A. Public Debt Coverage

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

Text Table 1. Burundi: Public Debt Coverage Under the Baseline Scenario

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

2. The contingent liability stress test accounts for an external loan contracted by the central bank in 2019 to replenish reserves, potential domestic arrears accumulation since 2018, and data coverage limitations (Text Table 2). The central bank contracted in December 2019 a government-guaranteed loan of $40 million from AFREXIM bank (3-year maturity), with a remaining balance of US$ 5 million (0.14 percent of GDP) at end-2021. Potential domestic arrears that may have accumulated since 2018 are accounted for through a contingent liability assumed to amount to 4.1 percent of GDP at end-2021 (para. 8). In addition, accounting for data limitations, contingent liabilities on SOEs' debt are set at the default value of 2 percent of GDP to cover fiscal risks that may arise from SOEs' weak reporting and domestic arrears. Commercial banks' liabilities (about 71 percent of GDP at end-2021) likely account for most of financial sector liabilities, and commercial banks appear well capitalized with improving returns on assets and declining NPLs (about 1 percent of GDP at end-September 2021). Nonetheless, provisions

[2] The authorities are strengthening capacity in the debt unit to improve debt management and tracking of public sector liabilities, including enhancing the reporting of SOEs (with the inclusion of SOEs in public debt statistics) and publicly guaranteed debt. As part of the World Bank's SDFP (Sustainable Development Finance Policy) framework, one of the performance and policy actions (PPA) was to expand debt reporting to include debt of SOEs and domestic arrears in the annual debt report. This has been implemented successfully. The authorities confirmed that they usually receive SOEs' financial statements but had not yet been exploiting them to estimate total SOEs liabilities. They noted that challenges faced by SOEs include overstaffing and inability to pay dividends on time, with two SOEs no longer paying dividends at all. Staff raised contingent liabilities to 11.1 percent of GDP from 9.5 percent of GDP in the October 2021 DSA.

allowing recurrent restructuring of loans to some of their customers may mask vulnerabilities. Assumed contingent liabilities from financial markets are hence set at their default value of 5 percent of GDP (about 7 percent of Burundi's commercial banks' liabilities) to account for potential support to the financial system. Overall, total contingent liabilities are assumed at about 11.1 percent of GDP.

Text Table 2. Burundi: Coverage of Contingent Liabilities Stress Tests

1	**The country's coverage of public debt**	The central government, central bank		
		Default	**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0 percent of GDP	4.1	This deviation accounts for a loan contracted in 2019 by the central bank to replenish reserves (0.14 percent of GDP at end 2021). It was guaranteed by the central government but has been serviced by the central bank. Contingent liabilities also include possible domestic arrears cumulated since 2018 and that have not yet been identified o recognized (4 percent of GDP).
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4	PPP	35 percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		11.1	

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

B. Debt Developments

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

4. Public debt increased somewhat in 2021, as the increase in external debt more than offset the decline in domestic debt (Text Tables 3 and 4). Domestic debt fell from 48.2 percent of GDP in 2020 to 46.3 percent of GDP at end 2021, mainly because of the fall in debt to the central bank and to a smaller extent lower issuance of bonds and treasury bills to commercial banks. External debt increased from 17.7 percent of GDP at end-2020 to 20.2 percent of GDP at end-2021 mainly because of an IMF loan (Rapid Credit Facility or RCF, 2.3 percent of GDP). As a result, total public debt rose from 66 percent of GDP at end-2021 to 66.6 percent of GDP at end-2021.

Text Table 3. Burundi: Domestic Debt Stock by Creditor at end–2020 and end–2021

	2020		2021	
	Nominal (BIF billion)	Percent of GDP	Nominal (BIF billion)	Percent of GDP
Total Debt	2850.4	48.2	3063.2	46.3
BRB	894.7	15.1	901.5	13.6
Ordinary advances	0.0	0.0	36.1	0.5
Bonds and treasury bills	0.0	0.0	0.0	0.0
Special credit	6.9	0.1	0.0	0.0
Restructured loans	708.3	12.0	691.0	10.4
Loans for coffee sector	27.5	0.5	0.0	0.0
Loans for subsidized fertilizers	150.0	2.5	113.3	1.7
Loans for youth insertion programs	2.0	0.0	17.5	0.3
Others	0.0	0.0	43.6	0.7
Commercial banks	1735.4	29.4	1914.0	28.9
Assets in Postal Services Accounts	0.0	0.0	0.0	0.0
Bonds and treasury bills	1547.4	26.2	1710.1	25.9
Obligations sur titrisation	67.3	1.1	105.9	1.6
Others	120.8	2.0	98.0	1.5
Others	220.3	3.7	247.7	3.7

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

5. The continued increase in public debt reflects the economic difficulties that Burundi has been facing since 2015 and the impact of the COVID-19 pandemic. Donor aid used to contribute about half of the government's total revenue. Following the 2015 political and security crisis, donors withdrew budget support and suspended most project financing. Over 2014–16, aid fell from 8.9 percent of GDP to 2.4 percent of GDP. The economy initially contracted sharply and has been recovering only slowly since. Fiscal deficits rose sharply, averaging 6.5 percent of GDP a year during 2015–19, but were contained thanks to cuts to investment and social spending and progress in revenue mobilization. The COVID pandemic disrupted a mild economic recovery that was underway (growth stood at 1.8 percent in 2019) and contributed to maintaining large fiscal deficits (6 percent of GDP in FY 2019/20 (July–June) and 7.8 percent of GDP in FY2020/21). The deficits have been financed mainly by borrowing from the central bank and commercial banks, with occasional accumulation of domestic arrears to suppliers. There are no identified external arrears.

6. Burundi owes most of its external debt to multilateral and regional lenders (Text Table 4). The multilateral creditors are the IMF, World Bank, AfDB, and International Fund for Agricultural Development (IFAD). Regional lenders to the central government include the EU, Arab Bank for the Economic Development of Africa (BADEA), and the OPEC Fund for Development. Bilateral creditors of the central government are China and India (through their Exim Banks), and Saudi Arabia, Kuwait, and Abu Dhabi (through their Funds for Development). The central government also has an outstanding debt to Libya (US$ 4.64 million at end-2021 or 0.14 percent of GDP) that is not being serviced owing to ongoing negotiations.[3] The central bank has an outstanding loan from AFREXIM bank, which was contracted in 2019 (para. 2). Debt to the IMF (US$ 94.8 million at end-2021 or 2.9 percent of GDP) is being serviced by the central bank for the portion contracted before 2021 and by the Ministry in charge of finance for the RCF loan contracted in 2021. Burundi has not accessed private external capital markets. Burundi received debt service relief from Exim Bank of China and the Kuwait Fund (US$ 0.93 million at end-2021) under the G20 Debt Service Suspension Initiative (DSSI), which is considered in this analysis.

7. Burundi's outstanding external debt at end-2021 retains a grant element of 29.2 percent.[4]

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

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

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

Text Table 4. Burundi: External Debt Stock by Creditor at end–2020 and end–2021

	2020		2021	
	Nominal (Millions of US dollars)	Percent of GDP	Nominal (Millions of US dollars)	Percent of GDP
Total Debt	538.7	17.7	667.3	20.2
Multilateral	377.9	12.4	477.5	14.5
World Bank (IDA)	135.3	4.5	132.2	4.0
OPEC Fund	86.6	2.9	86.8	2.6
Arab Bank for Ec. Dev. in Africa (BADE.	44.0	1.4	54.8	1.7
Intl. Fund for Agric. Dev. (IFAD)	31.1	1.0	30.5	0.9
AfDB (incl. FAD)	30.4	1.0	30.2	0.9
IMF 1/	26.0	0.9	94.8	2.9
EU	24.6	0.8	48.1	1.5
Bilateral	160.8	5.3	189.8	5.8
Paris club	0.0	0.0	0.0	0.0
Non-Paris club	160.8	5.3	189.8	5.8
Commercial	0.0	0.0	0.0	0.0

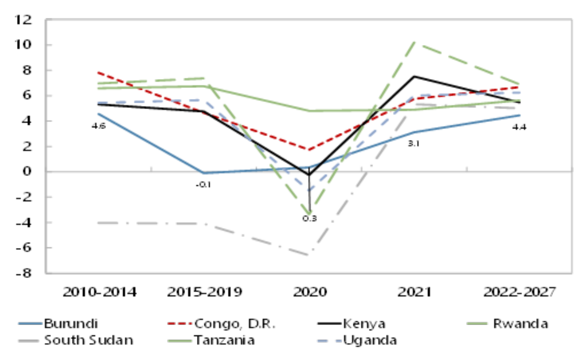
Sources: Burundian authorities; and Bank-Fund staff estimates.

1/ Debt to the IMF contracted in 2021 is serviced by the Ministry of Finance. Other debt to the IMF is serviced by the central bank (BRB).

C. Macroeconomic Forecasts

9. **The baseline underpinning the DSA assumes further economic recovery in 2022, which will continue over the medium term, supported by public investment.** The growth outlook is predicated on a pickup in vaccination, continued political stability, and reengagement with the international community, with sustained although still limited external financing flows. GDP growth is projected to recover to 3.3 percent in 2022, slightly dampened by the effects of the war in Ukraine. This growth outlook is predicated on a slowdown of the pandemic and greater public investment financed by resources from the 2021 SDR allocation, as per the authorities' plan.[5] An accelerated surge of COVID-19 cases since early 2021, social distancing measures abroad, and border closures kept growth in the services sector anemic. Floods and landslides, that occurred in the second quarter of 2021 hampered agricultural production and related activities. The 2022 outlook is positive reflecting partly greater availability of COVID-19 vaccines, and the impact of the SDR allocation in alleviating imports rationing, and global growth recovery. In line with its

Text Figure 1. Real GDP Growth in Burundi and in SSA Peer Economies



Source: IMF WEO and IMF staff projections and calculations

[5] Staff projects that the central bank will on-lend in local currency to the government the equivalent of half of the SDR allocation in FY2022/23 (2.6 percent of GDP) and the remainder in FY2023/24 and FY2024/25. These resources would fast-track implementation of the authorities' public investment plan (PIP), including a regional railway linking Burundi to Tanzania and road, electricity, and health projects.

peers in sub-Saharan Africa (Text Figure 1), Burundi's growth would pick up to around 5 percent in the medium term supported by stronger services activities, agricultural and manufacturing[6] production, and investment[7] (several of which are ongoing and close to being finalized or planned under the World Bank and the AfDB current project portfolio) and resulting increases in productive capacity. If sustained, investment will support growth and mitigate the effects of the expected fiscal consolidation stemming from the unwinding of COVID-related spending. These areas of growth drivers are consistent with Burundi's development plan. Growth will also be supported by a more peaceful and stable political environment compared to before 2019, building on successful elections in 2020 and a government elected with a strong reform mandate. Inflation is projected to rise to 11 percent in 2022, pushed by increased prices of imported food and fuel, reflecting the effects of the war in Ukraine on the global economy. It is however expected to remain contained, as price regulations help limit imported inflation.

10. External accounts would remain weak in 2022 and beyond. The current account deficit is expected to further widen in 2022, driven by higher imports owing to: (i) the unfavorable impact of the war in Ukraine on Burundi's terms of trade (higher prices on imports such as petroleum and lower prices on exports such as coffee and tea); (ii) vaccines and other COVID-19 related needs; and (iii) easing of import restrictions as the RCF disbursement and SDR allocation improved FX availability. Export volumes will recover mildly in 2022 with mining exploitation restarting following the end of contract negotiations and a vibrant food industry. Imports would remain large including because of high economic activity and public investment and donations of vaccine doses, which would cover 21 percent of the population (US$ 1.8 million for each percentage point of the covered population). Beyond 2022, the CA deficit would subsequently narrow as terms of trade improve slightly and imports decline. It would be financed mainly with donor inflows, which are conservative, accounting for Burundi's normalization of relations with the international community and limited implementation capacity, and private borrowing (trade credits).[8] FX reserves are projected at 2.1 months of imports in 2022 and would decrease afterwards partly owing to the import content of investment projects, in the absence of significant inflows.

11. The main changes compared to the 2021 DSA are as follows (Box 1 and Text Table 5):

- **Real sector.** Real GDP growth has been revised downward for 2022 and 2023 (0.9 and 0.6 percentage points respectively) as the negative impact of the war in Ukraine on prices and global demand offset the positive impact of the SDR allocation and the RCF loan, which are expected to support increase in public investment and alleviate FX access limitations,

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

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

[8] In principle, the authorities compile trade credit data from enterprises, customs, and commercial banks surveys. However, in the absence of such surveys for several years, the authorities have been estimating trade credits. They have also requested CD support in this area.

and hence boost economic growth in the secondary sector, especially through the construction of public infrastructure.

Text Table 5. Burundi: Selected Macroeconomic Indicators, 2020–41

	Average 2020-25	Average 2026-41	2020	2021	2022	2023	2024	2025	2026	2027
Real GDP growth (percent)										
October 2021 DSA	3.3	4.1	-1.0	1.6	4.2	4.7	4.9	5.2	4.8	4.6
Current DSA	3.5	4.1	0.3	3.1	3.3	4.1	4.9	5.1	4.8	4.6
Primary fiscal balance (percent of GDP) 1/										
October 2021 DSA	-1.7	1.2	-3.2	-4.3	-4.3	-1.1	0.1	0.2	0.3	0.4
Current DSA	-2.4	-0.3	-3.1	-5.0	-1.8	-4.1	-3.0	-0.6	0.4	0.5
Non-interest current account balance (in percent of GDP)										
October 2021 DSA	-17.8	-19.7	-10.2	-17.0	-22.6	-19.4	-19.1	-18.7	-18.9	-19.1
Current DSA	-12.6	-8.6	-10.0	-13.3	-14.1	-13.8	-13.1	-11.0	-10.3	-9.7
Exports growth (percent)										
October 2021 DSA	6.5	7.6	-15.9	16.9	9.9	8.8	9.2	9.9	6.4	6.6
Current DSA	10.2	7.0	-15.9	-10.8	71.2	0.4	5.2	11.4	5.9	6.1
Imports growth (percent)										
October 2021 DSA	11.6	6.2	2.7	33.1	16.9	5.2	5.6	5.9	6.5	6.3
Current DSA	8.7	5.2	2.7	14.1	24.5	5.3	4.3	0.9	3.7	4.0

Sources: Burundi authorities; and IMF staff estimates and projections.
1/Fiscal year values (i.e. July-June, 2020 is FY 2019/20).

- **Fiscal sector**. Revenue projections remain broadly in line with projections during the 2021 DSA. Project grants are higher in the medium term mainly because of the inclusion in fiscal tables of vaccine grants in FY2022 and project grants from the US and EU starting in FY2023. Project grants from the World Bank have been increased in 2022–23 but reduced starting in 2024. Starting in 2028, the DSA assumes World Bank financing to Burundi on concessional credit terms (loans) rather than grants, which reduces overall grants significantly compared to projections during the 2021 DSA. Current spending is slightly higher in the medium term mainly because of higher interest payments. Public investment is higher mainly because of the inclusion of project grants from the US and EU and higher domestically-financed investment in FY2022–25. As a result, the path of the projected fiscal deficit worsened compared to projections at the time of the RCF, especially in FY2023 and in FY2024, when higher (domestic) investment is supported by the SDR allocation and the RCF loan. Beyond FY2024, the worsening of the deficit is mainly due to higher interest payments and higher investment as well as lower grants (starting in 2028). The path of the fiscal adjustment is weaker than the one envisaged in the 2021 DSA because of higher investment, interest payments and lower grants starting in 2028. The expected fiscal adjustment and supporting reforms are expected to raise the primary fiscal balance from an annual average of -2.4 percent of GDP during 2020–25 to an annual average of -0.3 percent of GDP during 2026–41. The baseline assumes significant fiscal adjustment starting in FY2025 as (i) spending pressures related to COVID-19 subside, (ii) the ambitious investment program of FY2022–24 is completed, (iii) revenue collection moderately improves owing to stronger growth, widening of the tax base and administrative measures (better enforcement and computerization), (iv) budget support increase, and (v) subsidies remain contained to provide room for domestically-financed public investment (Text Table 6).

- **External sector**. The path of the non-interest current account balance in the current DSA is more favorable than in the 2021 DSA with lower deficits mainly due to downward revisions in projections of imports of goods and services to more realistic levels starting in 2022. The path of export growth was negatively affected in 2020 and 2021 by the COVID-19 pandemic and regulatory changes in key exports markets to enforce repatriation of exports proceeds. Export growth is expected to recover in 2022 and remain strong in the medium and long term mainly owing to a projected good performance of traditional exports (coffee and tea) and mining expansion, especially gold.

Text Table 6. Burundi: Decomposition of Fiscal Adjustment

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42
	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	1.0	0.6	5.5	-0.4	-1.2	-0.2	-0.3	-2.0	-1.9	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax revenue	0.6	0.1	0.7	-0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Taxes on income, profits, and capital gains	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods & services	0.2	0.2	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on international trade & transactions	0.5	-0.2	0.4	-0.2	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue [1]	0.1	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.4	0.3	4.8	-0.3	-1.3	-0.3	-0.4	-2.0	-1.9	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Program grants	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	-0.1	0.3	5.2	-0.8	-1.3	-0.3	-0.3	-2.0	-1.8	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other grants and transfers [2]	0.5	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure	2.9	-2.2	7.9	-1.7	-3.7	-1.3	-0.5	-1.0	-1.0	-0.6	-0.5	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Expense	2.9	-3.7	0.2	-0.5	-0.7	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Compensation of employees	-0.2	-0.5	0.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases/use of goods & services	-0.3	-0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies and Social benefits	1.7	-1.8	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.0	0.3	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Of which: Domestic	0.0	0.3	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other expense	1.8	-1.1	0.0	-0.6	-0.6	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Domestically financed	1.6	-0.9	0.0	-0.6	-0.6	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Covid spending	1.1	0.4	-0.8	-0.4	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	0.0	1.5	7.7	-1.2	-3.0	-1.1	-0.4	-0.8	-0.9	-0.5	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1
Of which: Domestically financed	0.7	0.8	2.6	-0.5	-1.9	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net lending (+) / borrowing (-)	-1.8	2.9	-2.4	1.3	2.5	1.1	0.2	-1.0	-0.9	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3

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

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

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

12. Domestic borrowing is projected to finance most of the declining fiscal deficit going forward, though net external borrowing would remain and substantially increase starting in 2028. Significant external disbursements, including from the IMF, have financed COVID-related spending and the economic recovery. As the pandemic wanes and the large investment program of FY2022–24 is completed, fiscal consolidation is expected to reduce financing needs—fiscal deficits would gradually decline and limit the impact of domestic borrowing on private investment and macroeconomic stability. Multilateral and regional lenders accounted for most external borrowing in 2021 (82.4 percent) mainly because of the RCF loan from the IMF. Their share is projected to fall to around 51–57 percent during 2022–27 before rising to about 90 percent starting in 2028 when the DSA assumes World Bank financing on credit terms. Projected Multilaterals' loan maturity varies between 20 and 38 years and grant elements vary between 27.5 percent to 53.7 percent. Non-Paris Club bilateral creditors are assumed to maintain lending to Burundi, with loan maturities varying from 20 to 30 years and grant elements varying between 29.8 and 49.4 percent.[9] However, despite Burundi's reengagement with the international community, staff's baseline projections of external disbursements are conservative and do not reflect the full potential of donor support. As a result, in the medium term, domestic sources are projected to finance almost all of the fiscal deficit and deposit accumulation until FY2027. Starting with FY2028, net external borrowing picks up, and the contribution of domestic financing of the fiscal deficit declines from about 68 percent to about 51 percent by FY2032. In the longer term, an improving fiscal balance would reduce financing needs and the need for domestic issuance. Domestic financing is assumed to be in the form of central bank lending (mainly the SDR allocation), treasury bills and bonds with maturities varying from less than one year to more than seven years and interest rates varying from 2 to about 8.5 percent.

Box 1. Medium-to-Long Term Macroeconomic Forecasts

Growth is expected to peak at around 5.1 percent in the medium-term as delayed growth-enhancing projects are implemented, before settling at around 4 percent in the long-term. Growth would increase to 3.3 percent in 2022 (3.1 percent in 2021), slightly dampened by the effects of the war in Ukraine, and increase to around 5.1 percent by 2025 as sectors targeted under the *National Development Plan 2018–2027* (NDP) benefit from additional investment, more skilled labor, and favorable business conditions, partly stemming from the implementation of reforms envisaged in the NDP, which aims to address key weaknesses through export diversification, infrastructure development, improved access to social safety nets and public services, and better governance. Growth would progressively stabilize around 4 percent over the medium term, supported by relatively stable terms of trade,[1] higher production in agriculture, mining and services sectors, and capital projects. The primary sector will continue to provide a stable basis for growth but will be overtaken by the tertiary and secondary sectors as the main drivers of expansion.

Inflation is projected to decline. Inflation is projected to rise to 11 percent in 2022, pushed by increased prices of imported food and fuel, reflecting the effects of the war in Ukraine on the global economy. It is however expected to remain contained, as price regulations and FX allocation policy limit imported inflation. Annual inflation is expected to be around 4 percent in the medium term. Inflation will continue to be heavily determined by agriculture—food items represent 45 percent of the basket.

The baseline assumes a fiscal consolidation. There is a need to rein in (i) the increase of public debt beyond its already high level; and (ii) money growth while strengthening the domestic banking system's ability to provide credit to the private sector. Tax revenue is expected to gradually rise from 16.7 percent of GDP in FY2020/21 to above 18 percent of GDP in the long term, mainly driven by better revenue collection from income taxes and taxes on goods and services, including VAT on imports. Grants are conservative as re-engagement with the international community and the lifting of US and EU sanctions is projected to significantly boost (project) grants only during 2022–27 (about 8 percent of GDP per year on average) from a level of 4.7 percent of GDP in FY2020/21. Grants are projected to fall to about 2 percent of GDP in the long

[9] Creditors that have projected disbursements with a grant element of less than 35 percent are OPEC Fund (27.5 percent) and Exim bank India (29.8 percent).

Box 1. Medium-to-Long Term Macroeconomic Forecasts (concluded)

term as the DSA assumes World Bank financing on credit terms from 2028. Current spending is projected to drop significantly from 23.2 percent of GDP in FY2020/21 to about 16.6 percent of GDP in the long term. This reflects efforts to contain subsidies and transfers and unwinding of the COVID-related spending. Capital spending would reflect the decline in foreign project support, decreasing from about 8 percent of GDP in FY2020/21 to about 6 percent of GDP in the long term.[2] As a result, the fiscal balance will improve from a deficit of about 7.8 percent of GDP in FY2020/21 to smaller deficit of 3.2 percent of GDP in 2031/32 and further improve in the much longer term. Public debt would peak in 2023 at 67.7 percent of GDP and start declining thereafter.[3]

The current account deficit would remain large as the slightly improved exports are offset by large imports and declining transfers. Stronger exports and a large import bill would maintain the trade deficit high, despite declining from 21.6 percent of GDP in 2021 to about 12.5 percent of GDP in the long term. The balance in services will slightly improve in the medium term because of lower outlays on freight. The balance on the income account would remain insignificant. Transfers would decline from 14.1 percent of GDP in 2021 to about 7 percent of GDP in the long term. As a result, the current account deficit will remain large, despite declining from 13.4 percent of GDP in 2021 to about 8 percent of GDP in the long term. It will be financed mainly with project grants, which will average about 8 percent of GDP per year in the medium term and about 2 percent of GDP per year in the long term, and public and private sector borrowing, including trade credits, which would average about 4.5 percent of GDP per year during 2022–42.

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[1] Manufacturing production will be boosted by ongoing imports substitution policies (expansion of cement and fertilizer factories) and food and beverage production increases. The expansion will be financed by strong private sector credit, supported by the BRB's special refinancing measures and newly created banks.

[2] The baseline assumes that the central bank will advance to the government the equivalent of half of the SDR allocation in FY2023 (2.8 percent of GDP) to boost public investment and the remainder of the SDR allocation in 2024 (about 3 percent of GDP). These central bank advances are included in domestic debt and treated like other central bank advances, which are reimbursed over time with an interest rate varying between 2 and 6 percent.

[3] Staff projections include the immediate impact of the agreement between Burundi and Tanzania signed on January 16, 2022, to build a $900 Million (26.2 percent of Burundi 2022 GDP) railway to connect the two nations and boost trade. Staff assumed that the Burundi government will spend BIF 200 billion (2.5 percent of GDP) in FY2023 and BIF 100 billion (1.1 percent of GDP) in FY2024 on this project. The DSA does not assume further financing from Burundi tied to this project.

13. Realism tools highlight the sensitivity of external debt to the current account deficit, which is mainly due to weak exports (Figure 3). The projected path of the external debt indicators in this DSA is broadly similar to the ones in the 2021 DSA. Burundi's large current account deficits have been financed mainly by project grants, public sector borrowing, and private non-FDI inflows, largely trade credits.[10] FDI inflows have been modest. Even though the current account deficit is projected to remain large, its financing would rely less on public sector borrowing in the long term, which would allow public external debt to decline in the context of fiscal consolidation.

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

14. Realism tools also highlight the sensitivity of total public debt to the primary fiscal deficit and GDP growth (Figure 3). The path of public debt in this DSA is broadly similar to the one in the 2021 DSA, though the path of public external debt somewhat worsens starting in 2028 as this DSA assumes World Bank financing on credit terms from 2028 onward. The 2021 DSA projected public debt to decline to 38.6 percent of GDP by end-2032 after peaking to 70.8 percent of GDP at end-2021. Going forward, debt relative to GDP is expected to peak at end 2023 and start on a gradual downward path, reaching 49.9 percent of GDP by end-2032, with contributions from lower fiscal deficits and GDP growth over the next five years being more favorable than in recent years.

15. Realism tools further suggest that the planned fiscal adjustment is in line with the projected growth path.

- **Realism of planned fiscal adjustment** (Figure 4 top left chart). The projected fiscal adjustment over the next three years is in the normal range for low-income countries. The fiscal adjustment over this period reflects in part the anticipated winding down of COVID-related spending and the scaling up of public investment.

- **Consistency between fiscal adjustment and growth** (Figure 4 top right chart). The tool is not well suited to take account of the impact of the pandemic on growth. Nonetheless, it suggests that the projected growth impact of public spending in the near-to-medium term is consistent with realistic fiscal multipliers.

- **Consistency between public investment and growth** (Figure 4 bottom charts). The increase in public investment will clearly support projected growth, slightly more than in the 2021 DSA. Other factors, including private investment will have a positive contribution to projected growth, though much lower than the contribution observed in the 2021 DSA.

16. Both upside and downside risks to the outlook are significant: on the upside, growth could get a bigger boost from the recently announced mining sector developments and emergency grants, as well as donor support reaching its full post-reengagement potential; on the downside, external and domestic risks could dampen growth and exacerbate external imbalances.

- *Upside risks.* Recently announced donor support and foreign direct investment in the mining sector would significantly strengthen the BOP and support growth.[11] Higher yield of recent revenue measures (Text Table 7) would increase fiscal space and may improve debt dynamics. There could potentially be a larger external financing from the international community (not built into the baseline), reflecting the recent lifting of U.S. and E.U. sanctions

[11] These include recently announced in-kind grants from Japan (fuel) and Russia (fuel, fertilizers, medicines, and health equipment), and an equity disbursement from a mining contract signed on March 29, 2022, for a nickel exploitation project. Press reports noted that the contract includes an equity deposit of US$500 million, which has not yet been made.

and the full effect of the reengagement with the international community.[12] The 2022 Article IV Consultation could help boost donor confidence and catalyze this support. Disbursements of grants and project loans could be larger than current staff projections, especially for the AfDB (Text Table 8) if project implementation accelerates after the pandemic. Highly concessional long-term external financing would substitute for more expensive domestic financing, reducing borrowing cost and debt vulnerabilities. It would likely be accompanied by an ambitious reform agenda supportive of stronger growth. Further flexibility in the exchange rate management[13] and other reforms to support a structural change of the economy and enhance competitiveness would improve the outlook.

Text Table 7. Burundi: Revenue Measures Implemented with the 2021/22 Budget

A new tax on mobile phone megabits (18 percent of the cost)
The non-exemption from income tax and VAT on sales made by companies
A new anti-pollution tax on imported used vehicles
A new road fee
The widening of the rental tax base to include land leases
Strengthening of tax collection from mining sector activities
Strict enforcement of dividend collection from public enterprises

Text Table 8. Burundi: Staff Projections on Disbursements vs. Potential Disbursements, 2022–32 1/

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Loans (Projects)											
Projected disbursements (staff)	1.0	0.9	0.8	0.7	0.7	0.6	3.0	2.6	2.4	2.2	2.1
Potential disbursements (Authorities)	2.2	1.5	1.0	0.1	-	-	-	-	-	-	-
Multilateral	0.8	0.3	0.1	0.1	-	-	-	-	-	-	-
Of which: IMF	-	-	-	-	-	-	-	-	-	-	-
Of which: IDA	-	-	-	-	-	-	2.4	2.1	1.8	1.7	1.6
Of which: AfDB	-	-	-	-	-	-	-	-	-	-	-
Of which: Others	0.8	0.3	0.1	0.1	-	-	-	-	-	-	-
BADEA	0.5	0.1	-	-	-	-	-	-	-	-	-
OPEC Fund	0.3	0.2	0.1	0.1	-	-	-	-	-	-	-
Bilateral	1.5	1.2	0.9	-	-	-	-	-	-	-	-
Paris Club	-	-	-	-	-	-	-	-	-	-	-
Non Paris Club	1.5	1.2	0.9	-	-	-	-	-	-	-	-
India	0.9	0.8	0.7	-	-	-	-	-	-	-	-
EXIM Bank of Indian(EBI)	0.9	0.8	0.7	-	-	-	-	-	-	-	-
Saudi Arabia	0.5	0.3	0.2	-	-	-	-	-	-	-	-
Fonds Saoudien	0.5	0.3	0.2	-	-	-	-	-	-	-	-
Koweit	0.1	0.0	-	-	-	-	-	-	-	-	-
Fonds Koweitien	0.1	0.0	-	-	-	-	-	-	-	-	-
Grants (Projects)											
Projected disbursements (staff)	10.2	10.6	8.3	8.0	7.8	7.3	3.9	3.6	3.4	3.3	3.2
Of which: IDA	6.4	6.3	3.9	3.7	3.6	2.9	-	-	-	-	-
Of which: AfDB	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Of which: IMF *(CCRT grants)*	0.1	-	-	-	-	-	-	-	-	-	-
Of which: Others (incl. US and EU)	2.8	3.4	3.6	3.5	3.4	3.6	3.1	2.8	2.6	2.5	2.4
Memorandum items:											
GDP at current market prices											
In billions of Burundi Francs	7416.0	8305.0	9316.2	10457.3	11620.3	12867.6	14215.1	15675.0	17249.2	19002.8	20918.7
In billions of US$	3.6	4.0	4.3	4.7	5.1	5.5	5.9	6.3	6.7	7.2	7.7

Source. Authorities and IMF staff projections

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

[12] While project financing has been scaled up, a more ambitious reform agenda would catalyze additional flows, including in the form of budget support. Grants averaged 17.7 percent of GDP per year during 2010–14, before the 2015 political crisis, compared to about 8 percent assumed in the baseline medium-term projections. Budget support averaged 3 percent of GDP per year during 2010–14. The DSA assumes limited budget support (0.5 percent of GDP) starting in FY2024. Projected project grants are assumed to come mainly from the World Bank (until 2027), AfDB, EU and US.

[13] Burundi's de jure exchange rate arrangement is floating, and its de facto exchange rate arrangement is crawl-like.

- *Downside risks* pertain to both domestic and external risks. Domestic risks are linked to delays in implementing the domestic policies that underpin the baseline, including modest fiscal consolidation, prudent monetary policy that keeps inflation under control, gradual implementation of governance and growth-enhancing reforms envisaged under the NDP, and regulatory and supervisory provisions conducive to fostering financial sector stability. A longer muddle-through exchange rate policy stance would amplify macroeconomic imbalances and raise risks to long-term growth. External uncertainties are linked to the end of the pandemic and possible stronger and longer spillovers from the war in Ukraine, as well as natural disasters potentially leading to higher domestic inflation; a deterioration of the political and security situation (spillovers from the war in Ukraine and domestic risks); rising energy and food prices and borrowing costs following accommodative monetary policies unwinding by major central banks; and weak global demand and investor confidence owing to outbreaks of COVID-19 variants.

D. Country Classification and Determination of Scenario Stress Tests

17. Burundi's debt-carrying capacity is classified as weak, as in the 2021 DSA. The country's composite indicator (CI) is 2.06, based on the April 2022 WEO data and 2020 CPIA scores (Text Table 9). Under weak debt carrying capacity, the thresholds applicable to the public and publicly guaranteed external debt are 30 percent for the PV of debt-to-GDP ratio, 140 percent for the PV of debt-to-exports ratio, 10 percent for the debt service-to-exports ratio, and 14 percent for the debt service-to-revenue ratio. The benchmark for the PV of total public debt is 35 percent of GDP.

Text Table 9. Burundi: Debt Carrying Capacity

Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.06	Weak 2.23	Weak 1.95

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

Applicable thresholds

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

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

Sources: Burundian authorities, World Bank and IMF staff estimates.

18. Stress tests use standard settings, except the contingent liabilities and exchange rate depreciation stress tests. Both bound tests and tailored tests on commodity prices use the default settings. The contingent liabilities stress test accounts for a recent loan contracted by the central bank that the government guarantees but that will still be serviced by the central bank itself and potential domestic arears accumulated since 2018 (para. 2). The exchange rate stress test assumes a real depreciation of 70 percent in 2023 to close the real exchange rate overvaluation.

DEBT SUSTAINABILITY

A. External Debt Sustainability: Signals from the Model

19. Burundi's risk of external debt distress is high. One indicator breaches its respective threshold under the baseline, suggesting that Burundi is at high risk of external debt distress. The PV of external debt to GDP is relatively low and remains under its threshold under the baseline and shock scenario. The ratio of external debt service-to-exports breaches its threshold in 2027–29 when repayment of the 2021 RCF loan starts. It drops below the threshold starting in 2030.

20. The stress tests suggest that Burundi's external debt sustainability is particularly vulnerable to shocks to exports and non-debt flows, including transfers and FDI, and the exchange rate.[14] A shock to exports would result in large and protracted breaches of the thresholds for two debt burden ratios. A large one-time depreciation of the exchange rate commensurate to the parallel exchange rate premium would sharply increase the ratio of the PV of external debt to GDP in the near term, which would nonetheless remain below its sustainability threshold. In the longer term, this ratio would improve substantially.

B. Public Debt Sustainability: Signals from the Model

21. Burundi's overall risk of debt distress is high. The PV of the public debt-to-GDP ratio breaches its threshold under the baseline scenario.[15] The breach narrows in the forecast but remains above the threshold throughout the projection horizon. The decline in the PV of public debt to GDP below the 35 percent benchmark after 2032 is predicated on sustained growth and fiscal consolidation assumed in the baseline.

22. The stress tests suggest that Burundi's public debt sustainability is particularly vulnerable to shocks to the exchange rate, commodity prices and GDP growth. A standard shock to commodity prices or growth, or a large shock to the exchange rate (commensurate to the parallel exchange rate premium) would leave the PV of public debt-to-GDP ratio well above the benchmark for a significant portion of the projection horizon and even beyond this horizon for the shock on growth or commodity prices. A large shock to the exchange rate (commensurate to the parallel exchange rate premium) would

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

[15] The authorities are rebasing GDP, which could lead to an upward shift of GDP and improve debt sustainability indicators based on GDP.

sharply increase this ratio in the near term. In the longer term, this ratio would improve substantially, reaching the threshold of 35 percent by 2032.

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

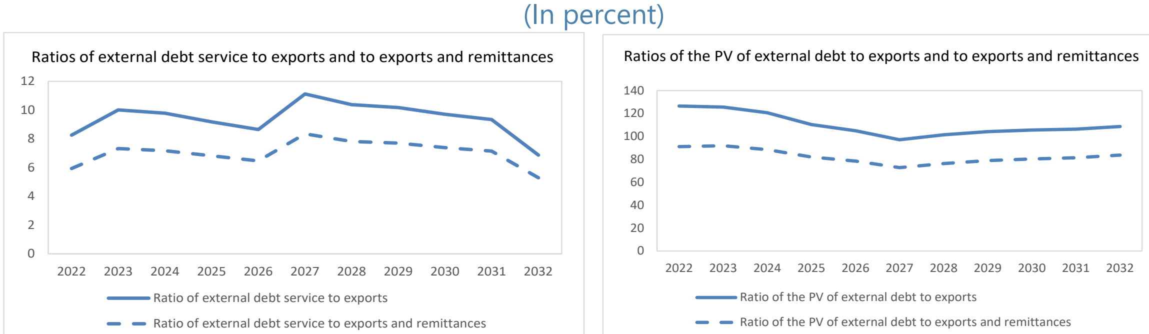
CONCLUSION: RISK RATING AND VULNERABILITIES

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

25. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to re-engagement with the international community, fiscal consolidation, expectations of donor financing, a positive macroeconomic outlook including robust exports and GDP growth, and the rebasing of GDP, which will likely raise GDP estimates and improve public debt ratios. Although the overall debt service to revenue ratio and gross financing needs remain high in the near term, given the large share of domestic debt, roll-over risks are limited. Given the country's good track record in servicing its debt, there is a high likelihood that Burundi will be able to meet all its current and future financial obligations. Sustained remittance inflows serve to lower the effective risks associated with the external debt liquidity indicators (Text Figure 2). Prospects of a more ambitious reform agenda, notably in relaxing FX access limitations will also help alleviate key growth bottlenecks and improve the debt to GDP path.

Text Figure 2. Burundi: Rations of External Debt Service and PV of External Debt to Exports and to Exports Remittances

(In percent)



Sources: Country authorities; and staff estimates and projections.

26. Staff's assessment of debt sustainability is subject to significant risks, including from domestic policies and the external environment. In addition to risks to the baseline outlook (para. 16), existing domestic and external imbalances including the large parallel ER market premium further heighten risks to debt sustainability. A longer muddle-through exchange rate policy stance, which could lead to increased parallel ER market premium, would amplify these existing imbalances. Delays in fiscal consolidation, slow implementation pace of structural reforms to enhance competitiveness and boost exports and growth, information gap on arrears, and heightened effects of the COVID-19 pandemic or war in Ukraine would also heighten debt vulnerabilities. Burundi's debt is vulnerable, especially to shocks to exports, non-debt flows, growth, commodity prices and the exchange rate. Stronger GDP growth supported by prospects of stronger donor financing and efficient use of the 2021 SDR allocation (SDR 147.6 million equivalent to 6.3 percent of 2021 GDP) would mitigate debt vulnerabilities.

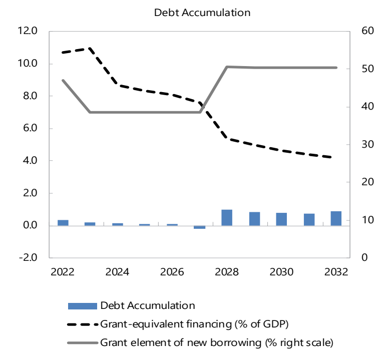
Authorities' Views

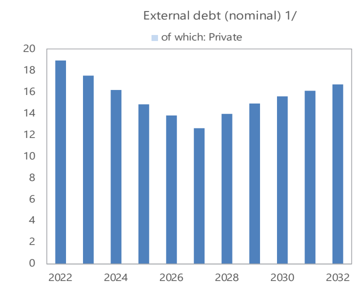
27. The authorities reiterated their commitment to maintaining macroeconomic stability, including external and debt sustainability. To improve FX market functioning and the management of exchange rate policy, the authorities have engaged in capacity building activities to determine the equilibrium exchange rate, accounting for the gap between the official ER and the parallel ER market. The authorities appreciated the ongoing discussions, anchored on (i) cross-country experiences on ER unification and reforms; (ii) options of ER regimes and monetary policy framework, including the related instruments, to be adopted as part of this reform, as well as potential socio-economic implications; and (iii) the coordination framework between fiscal and monetary policies. The authorities stressed their commitment to agree with staff on a policy reform roadmap, which will guide their actions in implementing the ER reform in the medium term, while accounting for the specificities of Burundi's economy as well as the economic and socio-political implications of the reform.

Table 1. Burundi: External Debt Sustainability Framework, Baseline Scenario, 2019–42

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	**18.3**	**17.7**	**20.2**	**18.9**	**17.5**	**16.2**	**14.9**	**13.8**	**12.6**	**16.7**	**15.6**	**19.3**	**15.6**
of which: public and publicly guaranteed (PPG)	**18.3**	**17.7**	**20.2**	**18.9**	**17.5**	**16.2**	**14.9**	**13.8**	**12.6**	**16.7**	**15.6**	**19.3**	**15.6**
Change in external debt	1.1	-0.6	2.5	-1.3	-1.4	-1.4	-1.3	-1.0	-1.2	0.6	-0.5		
Identified net debt-creating flows	**11.7**	**9.5**	**11.8**	**13.5**	**13.1**	**12.3**	**10.1**	**9.5**	**9.1**	**8.0**	**6.9**	**11.3**	**9.9**
Non-interest current account deficit	**11.5**	**10.0**	**13.3**	**14.1**	**13.8**	**13.1**	**11.0**	**10.3**	**9.7**	**8.7**	**7.6**	**13.4**	**10.6**
Deficit in balance of goods and services	23.8	24.3	28.0	28.7	28.1	26.7	24.0	22.8	21.9	19.2	15.5	**25.4**	**23.0**
Exports	9.9	8.8	7.5	10.5	9.8	9.5	9.6	9.5	9.4	9.2	9.3		
Imports	33.7	33.1	35.5	39.2	37.9	36.3	33.6	32.3	31.2	28.3	24.8		
Net current transfers (negative = inflow)	-11.9	-13.5	-14.1	-14.0	-13.7	-13.1	-12.5	-12.1	-11.7	-10.2	-7.8	**-11.7**	**-11.9**
of which: official	0.0	0.0	0.0	0.0	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5		
Other current account flows (negative = net inflow)	-0.4	-0.7	-0.6	-0.6	-0.6	-0.5	-0.5	-0.4	-0.4	-0.3	0.0	**-0.2**	**-0.4**
Net FDI (negative = inflow)	**0.0**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-0.2**	**-1.5**	**-0.2**
Endogenous debt dynamics 2/	**0.2**	**-0.3**	**-1.2**	**-0.4**	**-0.5**	**-0.6**	**-0.6**	**-0.5**	**-0.4**	**-0.4**	**-0.5**		
Contribution from nominal interest rate	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1		
Contribution from real GDP growth	-0.3	-0.1	-0.5	-0.6	-0.7	-0.8	-0.8	-0.7	-0.6	-0.6	-0.6		
Contribution from price and exchange rate changes	0.5	-0.4	-0.9	...	...	...	...	...	...	...	...		
Residual 3/	**-10.6**	**-10.1**	**-9.3**	**-14.8**	**-14.5**	**-13.6**	**-11.4**	**-10.6**	**-10.3**	**-7.4**	**-7.4**	**-11.8**	**-10.3**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**		**13.3**	**12.4**	**11.5**	**10.6**	**10.0**	**9.1**	**10.0**	**9.2**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**188.9**	**126.6**	**125.7**	**120.7**	**110.3**	**105.0**	**97.0**	**108.7**	**98.7**		
PPG debt service-to-exports ratio	**8.7**	**8.5**	**8.2**	**8.3**	**10.0**	**9.8**	**9.2**	**8.7**	**11.1**	**6.9**	**6.7**		
PPG debt service-to-revenue ratio	**4.9**	**4.1**	**3.2**	**4.4**	**5.1**	**4.8**	**4.5**	**4.2**	**5.3**	**3.2**	**3.1**		
Gross external financing need (Million of U.S. dollars)	371.0	325.4	456.9	537.9	577.3	595.9	545.8	550.4	574.8	693.1	1201.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	1.8	0.3	3.1	3.3	4.1	4.9	5.1	4.8	4.6	4.0	4.0	**1.7**	**4.3**
GDP deflator in US dollar terms (change in percent)	-2.6	2.1	5.3	5.3	4.5	3.9	3.7	3.0	2.8	2.7	2.9	**2.7**	**3.4**
Effective interest rate (percent) 4/	0.6	1.0	1.0	1.2	1.2	1.3	1.3	1.3	1.3	1.1	0.9	**0.7**	**1.2**
Growth of exports of G&S (US dollar terms, in percent)	-0.5	-9.2	-7.9	52.8	2.1	5.4	10.4	6.1	6.1	6.9	7.3	**1.9**	**10.5**
Growth of imports of G&S (US dollar terms, in percent)	12.3	0.5	16.3	20.2	5.2	4.2	1.0	3.6	3.9	5.4	5.8	**2.6**	**5.7**
Grant element of new public sector borrowing (in percent)	...	...	...	47.0	38.6	38.6	38.6	38.6	38.6	50.3	50.3	**...**	**44.7**
Government revenues (excluding grants, in percent of GDP)	17.8	18.2	18.9	19.5	19.4	19.5	19.5	19.6	19.6	19.7	20.4	**15.5**	**19.6**
Aid flows (in Million of US dollars) 5/	529.9	506.5	636.6	387.3	427.7	366.8	385.0	403.8	407.1	371.0	464.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	10.7	11.0	8.7	8.3	8.1	7.6	4.2	2.8	**...**	**7.1**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	95.3	95.3	94.6	94.8	95.0	95.1	80.4	84.1	**...**	**88.0**
Nominal GDP (Million of US dollars)	3,012	3,086	3,351	3,644	3,963	4,316	4,704	5,075	5,456	7,653	15,062		
Nominal dollar GDP growth	-0.8	2.5	8.6	8.8	8.7	8.9	9.0	7.9	7.5	6.9	7.1	**4.3**	**7.8**
Memorandum items:													
PV of external debt 7/	...	...	14.1	13.3	12.4	11.5	10.6	10.0	9.1	10.0	9.2		
In percent of exports	...	...	188.9	126.6	125.7	120.7	110.3	105.0	97.0	108.7	98.7		
Total external debt service-to-exports ratio	8.7	8.5	8.2	8.3	10.0	9.8	9.2	8.7	11.1	6.9	6.7		
PV of PPG external debt (in Million of US dollars)			472.3	483.4	490.1	495.9	500.5	505.4	495.4	762.5	1382.8		
(PVt-PVt-1)/GDPt-1 (in percent)				0.3	0.2	0.1	0.1	0.1	-0.2	0.9	0.4		
Non-interest current account deficit that stabilizes debt ratio	10.3	10.6	10.8	15.5	15.2	14.5	12.2	11.3	10.9	8.1	8.1		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

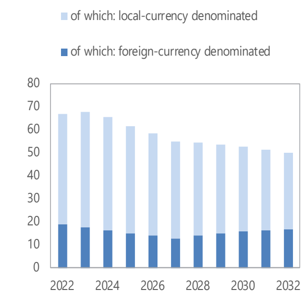
Table 2. Burundi: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–42

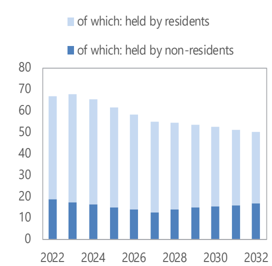
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	60.0	66.0	66.6	66.9	67.7	65.5	61.4	58.1	54.8	49.9	30.5	46.2	57.8
of which: external debt	18.3	17.7	20.2	18.9	17.5	16.2	14.9	13.8	12.6	16.7	15.6	19.3	15.6
Change in public sector debt	7.0	6.0	0.6	0.4	0.8	-2.3	-4.0	-3.3	-3.3	-1.2	-2.3		
Identified debt-creating flows	5.6	3.5	-2.4	0.6	1.3	-1.9	-3.8	-3.2	-2.9	-1.1	-2.2	2.5	-1.2
Primary deficit	4.1	3.6	1.3	4.0	4.4	1.5	-0.4	-0.5	-0.6	0.8	-0.9	4.0	1.3
Revenue and grants	22.4	22.3	23.6	29.7	30.0	27.8	27.6	27.4	27.0	22.9	22.6	22.9	25.9
of which: grants	4.6	4.2	4.7	10.2	10.6	8.3	8.0	7.8	7.3	3.2	2.2		
Primary (noninterest) expenditure	26.4	26.0	25.0	33.7	34.4	29.3	27.2	26.9	26.4	23.6	21.7	26.9	27.2
Automatic debt dynamics	1.5	-0.1	-3.8	-3.4	-3.2	-3.5	-3.4	-2.7	-2.3	-1.9	-1.3		
Contribution from interest rate/growth differential	0.6	0.1	-3.6	-3.4	-3.2	-3.5	-3.4	-2.7	-2.3	-1.9	-1.3		
of which: contribution from average real interest rate	1.6	0.3	-1.6	-1.3	-0.6	-0.3	-0.2	0.1	0.2	0.1	-0.1		
of which: contribution from real GDP growth	-1.0	-0.2	-2.0	-2.1	-2.6	-3.1	-3.2	-2.8	-2.5	-2.0	-1.3		
Contribution from real exchange rate depreciation	0.8	-0.2	-0.2	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	1.5	2.4	3.0	-0.2	-0.4	-0.3	-0.3	-0.2	-0.4	-0.1	-0.1	1.6	-0.3
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	60.6	61.5	62.8	60.9	57.3	54.4	51.4	43.3	24.1		
PV of public debt-to-revenue and grants ratio	...	...	256.5	207.1	209.0	219.3	208.1	198.4	190.6	189.5	106.9		
Debt service-to-revenue and grants ratio 3/	51.7	60.3	50.8	51.0	47.5	66.3	55.0	63.9	56.3	59.6	31.6		
Gross financing need 4/	15.6	17.1	13.4	19.1	18.7	20.0	14.8	17.0	14.6	14.4	6.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	1.8	0.3	3.1	3.3	4.1	4.9	5.1	4.8	4.6	4.0	4.0	1.7	4.3
Average nominal interest rate on external debt (in percent)	0.6	1.0	1.0	1.2	1.3	1.3	1.3	1.3	1.3	1.1	1.0	0.7	1.2
Average real interest rate on domestic debt (in percent)	5.1	0.8	-2.3	-0.8	-0.5	-0.3	-0.2	0.5	0.7	0.7	0.7	-4.6	0.3
Real exchange rate depreciation (in percent, + indicates depreciation)	5.1	-1.2	-1.1	...	...	...	...	...	...	...	...	-1.0	...
Inflation rate (GDP deflator, in percent)	0.8	6.0	8.5	8.6	7.6	7.0	6.8	6.1	5.9	5.8	6.0	7.4	6.5
Growth of real primary spending (deflated by GDP deflator, in percent)	10.3	-1.4	-0.8	39.2	6.4	-10.7	-2.5	3.7	2.5	2.9	3.4	-2.9	4.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-3.0	-2.3	0.7	3.6	3.6	3.8	3.7	2.9	2.7	2.0	1.5	-1.5	2.9
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

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

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

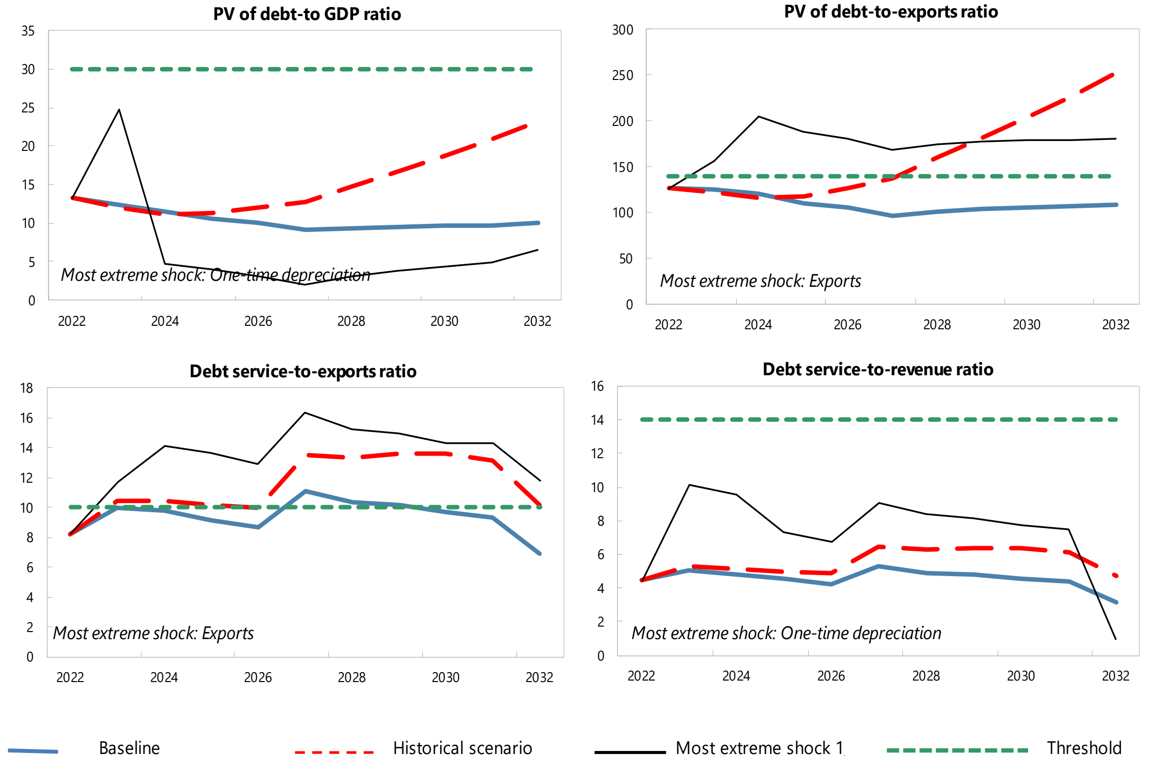
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

Figure 1. Burundi: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2022–32



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

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	7	7

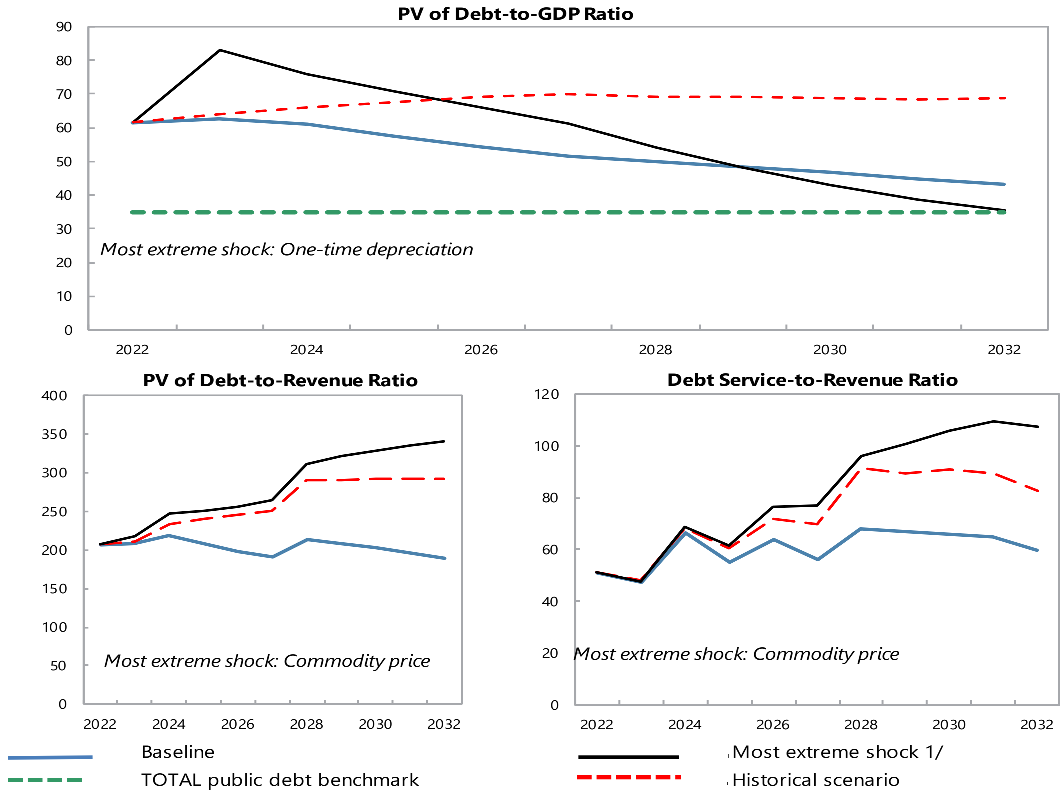
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Burundi: Indicators of Public Debt under Alternative Scenarios, 2022–32



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	9%	9%
Domestic medium and long-term	64%	64%
Domestic short-term	27%	27%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	-0.3%	-0.3%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	-1.5%	-1.5%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Burundi: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–32

(In Percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of debt-to GDP ratio											
Baseline	13	12	11	11	10	9	9	10	10	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	13	12	11	11	12	13	15	17	19	21	23
B. Bound Tests											
B1. Real GDP growth	13	13	14	13	12	11	11	11	12	12	12
B2. Primary balance	13	12	12	11	10	9	10	10	10	10	10
B3. Exports	13	13	14	13	12	11	12	12	12	12	12
B4. Other flows 3/	13	16	19	18	17	16	16	16	16	16	15
B5. Depreciation	13	25	5	4	3	2	3	4	4	5	7
B6. Combination of B1-B5	13	19	18	16	15	14	15	15	15	15	15
C. Tailored Tests											
C1. Combined contingent liabilities	13	13	12	11	11	10	11	11	11	11	12
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	13	12	11	11	10	9	9	10	10	10	10
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	127	126	121	110	105	97	101	104	106	106	109
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	127	122	116	118	127	137	**159**	**182**	**204**	**227**	**252**
B. Bound Tests											
B1. Real GDP growth	127	126	121	110	105	97	101	104	106	106	109
B2. Primary balance	127	127	123	113	108	101	106	109	111	112	114
B3. Exports	127	**157**	**206**	**189**	**181**	**169**	**174**	**178**	**179**	**179**	**180**
B4. Other flows 3/	127	**167**	**202**	**187**	**180**	**171**	**174**	**175**	**175**	**172**	**169**
B5. Depreciation	127	126	25	20	17	10	16	21	24	27	36
B6. Combination of B1-B5	127	**178**	**147**	**162**	**155**	**145**	**150**	**153**	**154**	**152**	**153**
C. Tailored Tests											
C1. Combined contingent liabilities	127	132	128	118	116	109	114	119	121	123	126
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	127	126	121	110	105	97	101	104	106	106	109
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	8	**10**	10	9	9	**11**	**10**	**10**	10	9	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	8	**10**	**10**	**10**	**10**	**14**	**13**	**14**	**14**	**13**	**10**
B. Bound Tests											
B1. Real GDP growth	8	**10**	10	9	9	**11**	**10**	**10**	10	9	7
B2. Primary balance	8	**10**	10	9	9	**11**	**10**	**10**	10	9	7
B3. Exports	8	**12**	**14**	**14**	**13**	**16**	**15**	**15**	**14**	**14**	**12**
B4. Other flows 3/	8	**10**	**11**	**11**	**10**	**12**	**12**	**11**	**11**	**12**	**12**
B5. Depreciation	8	**10**	10	7	7	9	9	9	8	8	1
B6. Combination of B1-B5	8	**11**	**13**	**12**	**11**	**14**	**13**	**13**	**12**	**14**	**10**
C. Tailored Tests											
C1. Combined contingent liabilities	8	**10**	10	9	9	**11**	**11**	**10**	10	10	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	8	**10**	10	9	9	**11**	**10**	**10**	10	9	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	4	5	5	5	4	5	5	5	5	4	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	4	5	5	5	5	6	6	6	6	6	5
B. Bound Tests											
B1. Real GDP growth	4	5	6	5	5	6	6	6	5	5	4
B2. Primary balance	4	5	5	5	4	5	5	5	5	4	3
B3. Exports	4	5	5	5	4	6	5	5	5	5	4
B4. Other flows 3/	4	5	5	5	5	6	6	5	5	6	5
B5. Depreciation	4	10	10	7	7	9	8	8	8	7	1
B6. Combination of B1-B5	4	6	7	6	6	7	6	6	6	7	5
C. Tailored Tests											
C1. Combined contingent liabilities	4	5	5	5	4	5	5	5	5	4	3
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	4	5	5	5	4	5	5	5	5	4	3
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Burundi: Sensitivity Analysis for Key Indicators of Public Debt, 2022–32

(In percent)

	Projections 1/										
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
					PV of Debt-to-GDP Ratio						
Baseline	**61**	**63**	**61**	**57**	**54**	**51**	**50**	**48**	**47**	**45**	**43**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**61**	**64**	**66**	**68**	**69**	**70**	**69**	**69**	**69**	**68**	**69**
B. Bound Tests											
B1. Real GDP growth	**61**	**69**	**77**	**76**	**76**	**75**	**76**	**77**	**77**	**77**	**78**
B2. Primary balance	**61**	**65**	**65**	**61**	**58**	**54**	**53**	**51**	**49**	**47**	**46**
B3. Exports	**61**	**64**	**63**	**60**	**57**	**53**	**52**	**50**	**49**	**47**	**45**
B4. Other flows 3/	**61**	**67**	**69**	**65**	**62**	**58**	**57**	**55**	**53**	**51**	**49**
B5. Depreciation	**61**	**83**	**76**	**71**	**66**	**61**	**54**	**48**	**43**	**38**	**35**
B6. Combination of B1-B5	**61**	**60**	**61**	**57**	**54**	**51**	**49**	**47**	**46**	**44**	**42**
C. Tailored Tests											
C1. Combined contingent liabilities	**61**	**73**	**71**	**67**	**63**	**60**	**58**	**56**	**54**	**51**	**50**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**61**	**65**	**68**	**69**	**70**	**71**	**73**	**74**	**76**	**77**	**78**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
					PV of Debt-to-Revenue Ratio						
Baseline	207	209	219	208	198	191	213	208	203	196	190
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	207	211	234	240	245	251	290	291	292	292	293
B. Bound Tests											
B1. Real GDP growth	207	225	264	263	263	265	315	321	326	329	331
B2. Primary balance	207	215	232	220	210	202	225	219	213	206	199
B3. Exports	207	212	228	216	206	198	222	217	211	204	197
B4. Other flows 3/	207	223	247	235	225	217	242	237	231	222	214
B5. Depreciation	207	294	288	270	253	239	239	213	191	172	159
B6. Combination of B1-B5	207	205	220	207	197	189	209	204	198	191	185
C. Tailored Tests											
C1. Combined contingent liabilities	207	244	255	242	230	221	246	240	233	224	217
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	207	218	247	251	257	264	311	321	329	335	340
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
					Debt Service-to-Revenue Ratio						
Baseline	51	47	66	55	64	56	68	67	66	65	60
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	51	48	68	60	72	70	91	90	91	89	83
B. Bound Tests											
B1. Real GDP growth	51	50	76	66	80	77	98	101	104	107	104
B2. Primary balance	51	47	68	58	68	62	72	71	70	69	63
B3. Exports	51	47	66	55	64	56	68	67	66	65	60
B4. Other flows 3/	51	47	67	56	64	57	68	67	66	66	62
B5. Depreciation	51	46	66	54	62	55	66	65	64	62	54
B6. Combination of B1-B5	51	46	65	55	63	57	67	66	65	64	59
C. Tailored Tests											
C1. Combined contingent liabilities	51	47	78	60	85	68	75	82	78	73	70
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	51	47	69	62	76	77	96	101	106	109	108
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

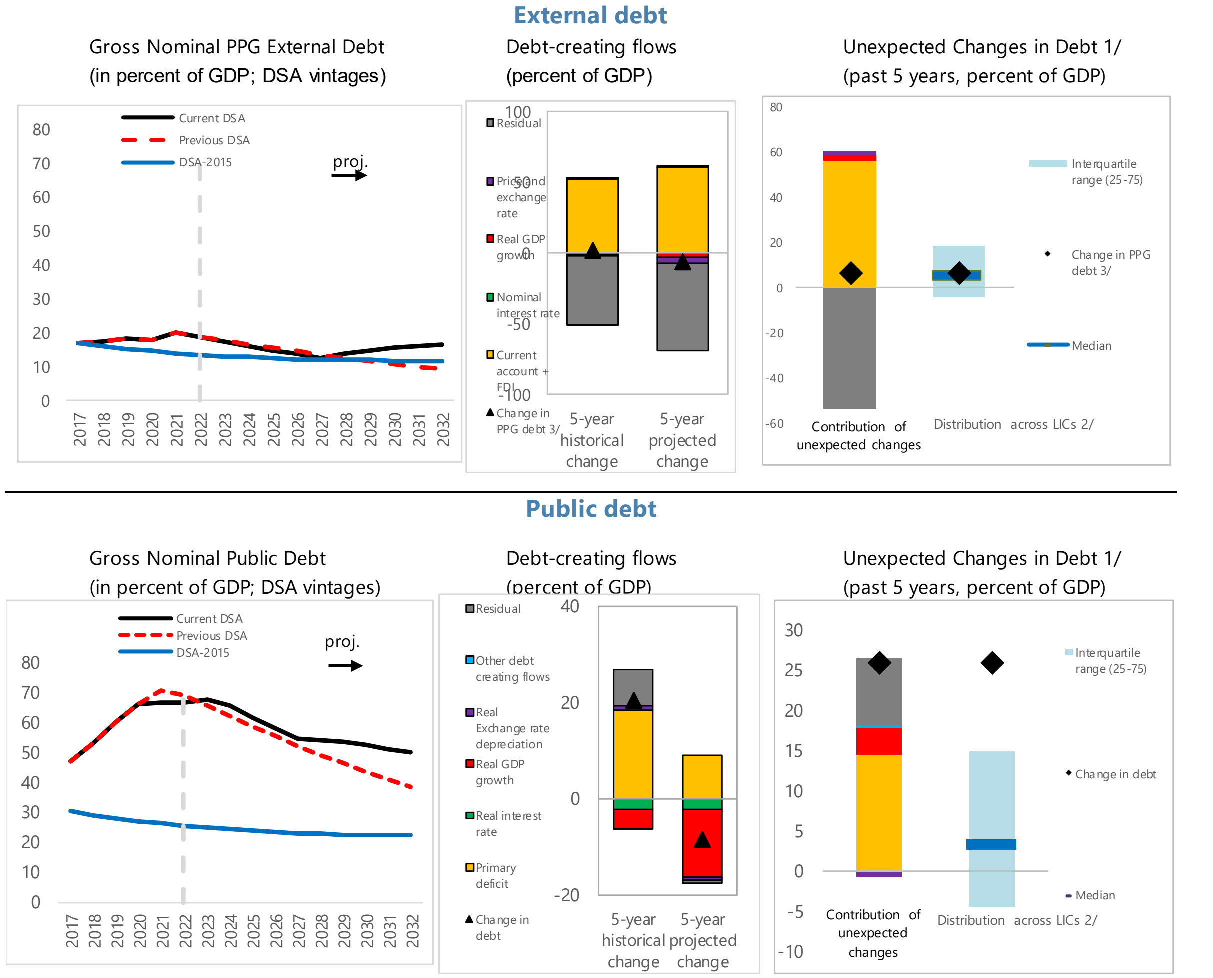
Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

Figure 3. Burundi: Drivers of Debt Dynamics – Baseline Scenario



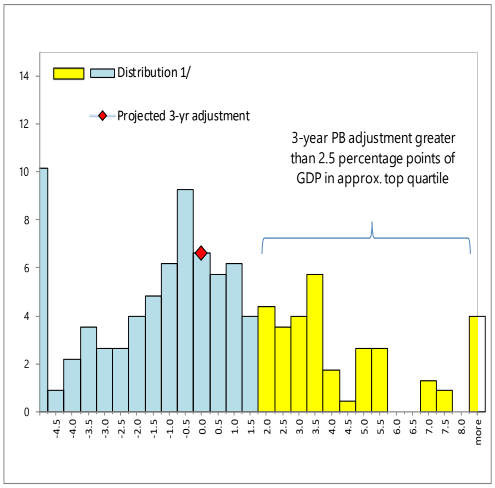
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

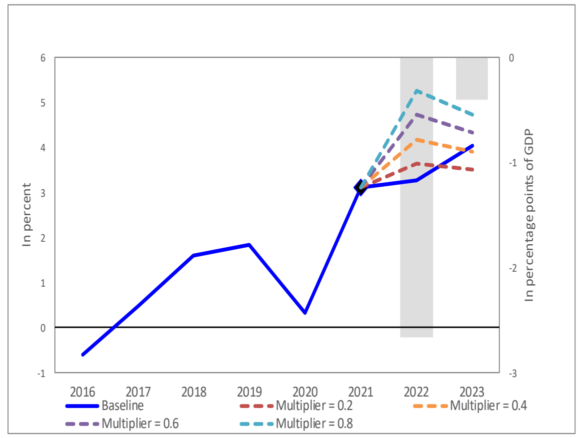
Figure 4. Burundi: Realism Tools

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



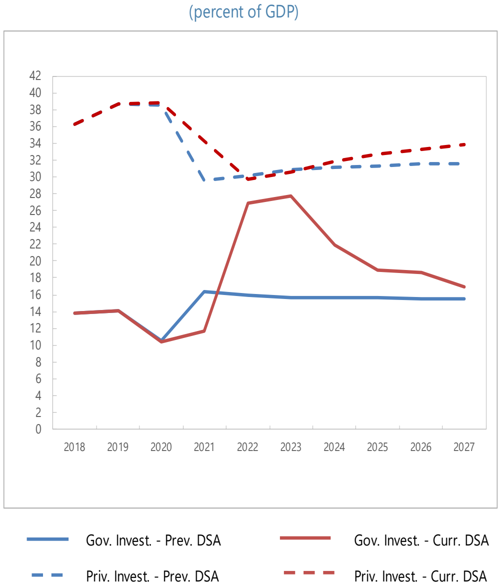
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

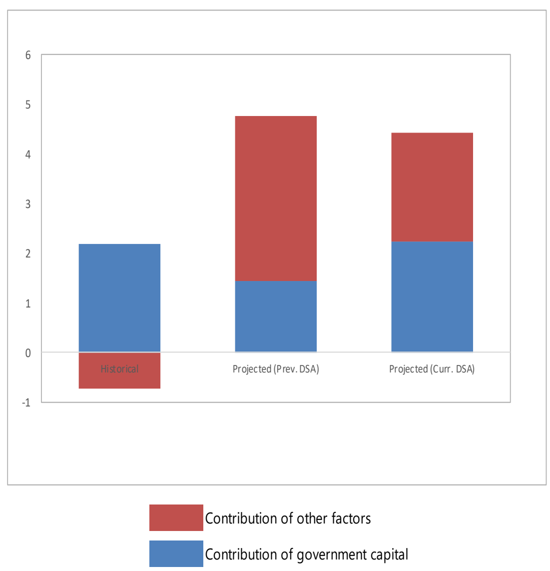


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



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



INTERNATIONAL MONETARY FUND

BURUNDI

July 7, 2022

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

The African Department
(In Consultation with other Departments)

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RELATIONS WITH THE IMF

(As of May 31, 2022)

Membership Status

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

General Resources Account:	**SDR Million**	**Percent Quota**
Quota	154.00	100.00
Fund Holdings of currency (Exchange Rate)	144.14	93.60
Reserve Tranche Position	9.90	6.43

SDR Department:	**SDR Million**	**Percent Allocation**
Net cumulative allocation	221.45	100.00
Holdings	96.85	43.74

Outstanding Purchases and Loans:	**SDR Million**	**Percent Quota**
RCF Loans	53.90	35.00
ECF Arrangements	10.40	6.75

Latest Financial Commitments:
Arrangements:

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

Outright Loans:

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	Oct 25, 2021	Oct 27, 2021	53.90	53.90

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

	Forthcoming				
	2022	**2023**	**2024**	**2025**	**2026**
Principal	2.90	4.50	2.50	0.50	
Charges/Interest	0.38	0.79	0.79	0.78	0.79
Total	3.28	5.29	3.29	1.28	0.79

Implementation of HIPC Initiative:

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

Disbursement of IMF Assistance (SDR Million):

Assistance disbursed to the member	19.28
Interim assistance	0.26
Completion point balance	19.02
Additional disbursement of interest income[3]	3.07
Total disbursements	22.35

Implementation of Multilateral Debt Relief Initiative (MDRI):

MDRI-eligible debt (SDR Million)[4]	26.40
Financed by: MDRI Trust	9.01
Remaining HIPC resources	17.39

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

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

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

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

Debt Relief by Facility (SDR Million):

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

Implementation of Catastrophe Containment Relief (CCR) Trust:

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Jul 20, 2020	5.48	5.48
N/A	Oct 02, 2020	4.82	4.82
N/A	Apr 01, 2021	4.16	4.16
N/A	Dec 15, 2021	3.50	3.50

Safeguards Assessments:

An update safeguards assessment is in progress in the context of financing under the RCF, and the mission took place in late June 2022. The previous assessment was conducted in 2012. While most of the recommendations from the 2012 assessment were implemented at the time, the 2022 update assessment will take stock of developments since.

Exchange System and Exchange Rate Arrangement:

While the de jure exchange rate arrangement is floating, the de facto exchange rate arrangement is a crawl-like arrangement. 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. Based on information available to staff, Burundi continues to maintain a multiple currency practice (MCP) that is inconsistent with Article VIII, Section 3: the exchange rate used for government transactions (the official rate) may differ by more than 2 percent from market exchange rates and there is no mechanism to prevent such a deviation. Staff is currently assessing the information recently obtained from the authorities to determine whether or not the measure still gives rise to an MCP under the new MCP policy adopted by the Executive Board on July 1, 2022. Burundi maintains certain foreign exchange restrictions for security reasons and has notified the Fund of those restrictions in the past pursuant to Decision 144-(52/51).

Article IV Consultation:

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

Resident Representative:

Mr. Felix Vardy (appointed Res. Rep.)

AFRITAC-Centre (AFC) technical assistance to Burundi in FY2019 – FY2022

In FY2019 and FY2022, AFC delivered several TA to Burundi in various sectors.

Description	Start Date	End Date
Public Financial Management (PFM)		
(2) Missions to support the adoption and implementation of the Government Finance Statistics Manual 2014 (GFSM 2014) by clearing their fiscal data backlogs.	01/24/2022 01/31/2022	01/28/2022 02/04/2022
Review and update of TOFE statistics	06/14/2021	06/25/2021
Mission to support the process of switching to the program budgeting	01/5/2022	01/18/2022
Diagnostic mission to assess public finance management system.	04/28/2022	05/18/2022
Revenue administration		
Strengthening the evaluation function by customs	10/25/2021	11/05/2021
Financial markets		
Implementation of risk-based supervision in the banking sector	10/15/2019	10/25/2019
Review of the regulatory framework on credit classification and provisioning in banking institutions (IFRS 9 implementation) – desk review of new draft prudential regulations on payment institutions	02/22/2021	03/19/2021

Description	Start Date	End Date
Financial markets		
Methodological guidance for on-site control of the accounting function and the data quality-control framework in banking institutions	04/17/2020	04/30/2020
Develop a draft Internal Capital Adequacy Assessment Process (ICAAP) regulation.	01/31/2022	03/25/2022
Methodology of the on-site control of the accounting function and quality control of data in the establishments of credit.	04/19/2021	04/30/2021
Develop the capacity of banking supervisors of the to implement risk-based supervision.	03/15/2022	04/28/2022
Macroeconomic statistics		
Implementation of quarterly national accounts in volume	05/17/2021	05/28/2021
Support for the project to change the base year according to the 2008 System of National Accounts (2008 SNA) by the Institute of Statistics and Economic Studies of Burundi (ISTEEBU).).	07/26/2021	08/6/2021
Public debt management		
Preparation of the quarterly debt bulletin	06/28/2021	07/9/2021

STATISTICAL ISSUES

As of June 30, 2022

I. Assessment of Data Adequacy for Surveillance
General. Data is assessed broadly adequate for surveillance, with significant improvements since the 2014 Article IV Consultation, supported by CD, including regarding the accuracy, timeliness, and coverage of data. Notably, BOP data have been expanded, including a broader coverage of remittances and FDI data based on surveys. National accounts data have significantly improved and the official data are being used by staff for the macroframework starting in 2020. The authorities have also initiated steps towards adopting e-GDDS standards. Nonetheless, shortcomings persist and data could be further improved, including for national accounts, balance of payments and government finance statistics (GFS). Shortcomings regarding data coverage affect mostly GFS, especially data on local government and contingent liabilities. The ongoing rebasing of GDP will help address outstanding methodological issues. Inadequate funding, staffing, and equipment remain a challenge.
National accounts. National accounts statistics are broadly adequate. Annual GDP estimates (base year 2005) are currently compiled and disseminated by the national statistical office (ISTEEBU), based on the methodology of the 1993 *System of National Accounts (SNA)*. However, for 2015−19 there are large discrepancies between real GDP growth rates published by ISTEEBU and the World Bank's growth estimates. While the World Bank's estimates are not based on surveys and do not have a consistent sectoral decomposition, a World Bank's capacity development (CD) mission (in May 2019) identified methodological issues in the compilation of 2015-19 national accounts estimates. CD has been provided by the World Bank (on methodology) and the IMF (AFRITAC-Centre and STA) on GDP rebasing, though the workplan was disrupted by the COVID-19 crisis. The authorities are making progress in rebasing the GDP series to 2016, addressing remaining methodological weaknesses, and implementing the 2008 *SNA* methodology. The first rebased NA data are expected to be published by end-2022. The latest finalized national accounts annual data used in staff's macroframework are for 2020, implying a dissemination lag of about a year. For 2021, the macroframework uses the authorities' annual and quarterly GDP estimates. AFRITAC-Centre and STA have also provided limited technical assistance to improve the quality of the Supply and Use Table (SUT) for the new base year (2016), including on the treatment of the final household consumption expenditure, informal sector estimates as well as changes to the trade margins. Once the 2016 SUT is finalized, ISTEEBU will be able to produce GDP estimates for the period 2017–21 following the new base year (2016) and complete the backcasted GDP series for 2006–15 (by June 2023). Regarding the quarterly national accounts compilation, the system used by ISTEEBU is still under calibration with technical assistance of AFRITAC-Centre and the financial support of the

World Bank. ISTEEBU started publishing quarterly GDP series compiled using the production approach only and benchmarked to currently available ISTEEBU annual GDP series, following the old base year (2005) and based on the methodology of the 1993 SNA. Changes will be made to the current quarterly GDP series to incorporate the rebased annual GDP series following the recommendations of the 2008 *SNA* and using 2016 as new base year.
Price statistics. Data provision is adequate, with appropriate coverage, methodology and timeliness. The ISTEEBU produces and disseminates the monthly consumer price index (CPI) for the main cities and an aggregate CPI for the whole country. The CPI is based on the methodology recommended by the Common Market for Eastern and Southern Africa (COMESA). Current weights, based on the 2008 household expenditure survey and should be updated as soon as possible. ISTEEBU plans to update CPI weights based on a survey on household consumption expenditure that is expected to be completed and released by the end of 2022. CPI data are typically released with lags of one month.
Government finance statistics (GFS). GFS are broadly adequate, notwithstanding some weaknesses mainly in coverage of pending bills and contingent liabilities, local government data, and timeliness. They are presented in the Table of Government Financial Operations (TOFE). The TOFE is produced using the *Government Finance Statistics Manual 1986* (GFSM1986), instead of *GFSM 2014*, which provides the most recent international GFS compilation standards and uses an analytic framework that includes appropriate balancing items and thus harmonizes flows and stocks. This contributes to discrepancies between above-the-line items (flows) and below-the-line items (changes in stocks), which are sometimes significant (about 2 percent of GDP in FY2019/20 and FY2020/21) and reflected in the TOFE as part of "accounts payable." These discrepancies also imply potential inaccuracies in other spending lines of the TOFE. Moreover, recent IMF CD missions (of June 2021 and January/February 2022) noted among other challenges that data sources for the TOFE do not appear to be archived and therefore are not readily available, which hinders the assessment of the methodology used to compile the TOFE. In addition, the GFS only cover central government operations carried out under the central government budget and some special accounts. The other central government units and local governments are excluded from reported GFS. Capacity is limited by a weak IT infrastructure. Staffing is hampered by a high turnover in the department responsible for compiling statistics and infrequent training on methodology and tools (e.g., Excel).
Monetary and financial statistics (MFS). The MFS are compiled by the Banque de la République du Burundi (BRB) following the IMF's *Monetary and Financial Statistics Manual and Compilation Guide*. BRB reports monthly balance sheet data for the central bank, other depository corporations, and other financial corporations using the standardized report forms. They are broadly adequate for surveillance and harmonized with the monetary statistics of other East African Community countries.

Until 2016, Burundi reported data on several indicators of the Financial Access Survey (FAS), including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).
Financial sector surveillance. Until 2018Q2, the BRB reported 13 core Financial Soundness Indicators (FSIs) for deposit-takers and other encouraged FSIs along with metadata to the IMF for dissemination on its website. Since reengagement with the IMF in 2020, select FSIs have been shared with the IMF country team. During the 2022 Article IV mission, the authorities expressed interest in STA CD support to compile the FSIs in line with the updated *2019 FSI Compilation Guide* and migrate to the new reporting templates.
External sector statistics. Annual balance of payments (BOP) and international investment position (IIP) statistics are compiled by the *Banque de la République du Burundi* (BRB) according to the sixth edition of the *Balance of Payments Manual* (*BPM6*). However, further actions are required to improve the external sector data. First, some divergences have been noted between domestic and external sources of mining exports data. The compilation of remittances' data has significantly improved in recent years, owing to an STA CD mission in January 2020 that helped broaden the coverage of remittances from 2019 onwards. Nonetheless, remittances are still being underestimated as large transactions are taking place through channels that are not yet well captured. FDI data are now being produced based on surveys. On the financial account, challenges remain in understanding and having reliable figures on "other investments." Long delays in receiving survey results contribute to a gap between the value of imports and the financial flows recorded from the International Transaction Reporting System. IIP data were last published in 2018, and authorities have expressed the need for CD on the compilation of IIP data.

II. Data Standards and Quality	
Burundi participates in the IMF Enhanced General Data Dissemination System (e-GDDS) since August 9, 2011. An e-GDDS mission took place in March/April 2022 to assist the authorities launch the National Summary Data Page (NSDP) and disseminate key economic data according to a regular schedule.	No data ROSC is available.

III. Reporting to STA
Monthly and quarterly GFS are not reported, and the last reported annual GFS was for 2013. Subsequent years' data series have just been updated to FY 2019/20 by AFC TA missions and are being finalized for review by STA and dissemination. Monetary and Financial Statistics, based on the Standardized Report Forms, are published in *IFS*. Balance of payments and international investment position data are published in *IFS* and in the *Balance of Payments Yearbook*.

Table 1. Burundi: Table of Common Indicators Required for Surveillance
(As of June 27, 2022)

	Date of Latest Observation	Date Received	Frequency of Data[1]	Frequency of Reporting[1]	Frequency of Publication[1]
Exchange Rates	24/06/22	24/06/22	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[2]	31/01/22	25/02/22	M	M	M
Reserve/Base Money	12/31/21	03/22/22	M	M	M
Broad Money	12/31/21	03/11/22	M	M	M
Central Bank Balance Sheet	12/31/21	03/22/22	M	M	M
Consolidated Balance Sheet of the Banking System	12/31/21	03/22/22	M	M	M
Interest Rates[3]	31/03/22	28/01/22	M, Q, A	Q	Q
Consumer Price Index	30/05/22	15/06/22	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[4] – General Government[5]	N/A	N/A	N/A	N/A	N/A
Revenue, Expenditure, Balance and Composition of Financing[4]– Central Government	31/12/21	23/02/22	Q	Q	Q
Stocks of Central Government and Central Government and Guaranteed Debt[6]	31/01/22	23/02/22	M, Q, A	M	M
External Current Account Balance[7]	30/09/22	25/02/22	Q	A	A
Exports and Imports of Goods and Services	30/09/22	25/02/22	Q	A	A
GDP/GNP[8]	31/12/20	30/11/21	Q & A	Q & A	Q & A
Gross External Debt	N/A	N/A	N/A	N/A	N/A
International Investment Position	31/12/18	2018	A	N/A	N/A

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

[2] Any reserve assets that are pledged or 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.

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

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

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

[6] Including currency and maturity composition.

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

[8] GDP estimates for 2021, building on surveys, are available and used for the macroframework--they are not yet published.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank
https://www.worldbank.org/en/country/burundi/overview

World Bank Group Projects:
https://projects.worldbank.org/en/projects-operations/projects-list?os=0&qterm=burundi

African Development Bank
https://www.afdb.org/en/countries/east-africa/burundi

Statement by Ms. Mannathoko and Mr. Cham on Burundi
July 20, 2022

The new administration elected to power two years ago at the start of the pandemic, has been steering an economy beset by multiple shocks, including the aftermath of a political and security crisis, the COVID-19 pandemic, and more recently, the spillover effects of the war in Ukraine. The authorities prioritized reengagement with the IMF and international community, securing a much-appreciated SDR allocation, and Catastrophe Containment and Relief Trust and Rapid Credit Facility (RCF) support through 2021, which has helped them weather the storm, thus far, amidst high fiscal and balance of payment pressures. The authorities have also made significant progress in improving security within the region, leading to the recent lifting of political sanctions and paving the way for effective reengagement with multilateral agencies and development partners. Although growth momentum was disrupted by the COVID-19 pandemic, Burundi's economy has remained resilient and the authorities are committed to reforms needed to bring the pandemic under control, curb rising poverty, and unlock the country's agricultural and mineral potential, consistent with the objectives of the 2018-27 National Development Plan.

Introduction

1. Our Burundian authorities appreciate the open engagement with staff during the recent Article IV consultation. They broadly share staff's assessment. We also thank the mission team for topical Selected Issues papers. While the authorities are more optimistic than staff on the growth path, they agree that the pandemic and spillovers from the war in Ukraine have slowed economic recovery and intensified macroeconomic imbalances. They are aligned with the priority of maintaining macroeconomic stability, and safeguarding external and debt sustainability, as reflected in their continued commitment to domestic resource mobilization and prudent borrowing for growth. Other priorities include tackling the impacts of COVID19, strengthening health services, revitalizing the agricultural sector and youth employability, and bolstering the fight against corruption. They expect their public investment plan under the national development strategy, to boost economic growth, reducing debt vulnerabilities while attracting foreign investment and FX inflows. They hope to expedite the implementation of program budgeting to better align public spending with government objectives.
2. The new administration took advantage of the post-conflict era to advance the country's reform agenda, reengaging with the international community and working to restore

macroeconomic stability following the lifting of sanctions by the United States of America and the European Union. Reforms outlined in the 2018–27 development plan (*Plan National de Dėveloppement*) seek to promote inclusive growth via export diversification, enhancing infrastructure development, improving access to social safety nets and public services, and strengthening governance, broadly in line with traditional Fund priorities. The authorities have made significant progress in the implementation of guidance and technical assistance recommendations and look forward to Executive Directors' support in the completion of the Article IV review.

Recent Economic Developments and Outlook

3. Following stagnation in 2020, real GDP is estimated to have recovered to 3.1 percent in 2021 and is projected by staff at 3.3 percent in 2022, driven mainly by a recovery in services due to easing of travel and border restrictions, even though gains are expected across all sectors. Nevertheless, the recovery could be further impacted by spillovers from the war in Ukraine which, among other things, has affected fuel supply and transportation. The projected growth trajectory is still upward, however, with ongoing investment and World Bank and AfDB supported projects anticipated to be finalized during 2022-25. Medium-term growth is projected at 4.6 percent or more, supported by stronger terms of trade, higher agricultural and mining production, and full resumption of service sector activities. Downside risks to the outlook include the possibility of new variants of COVID, prolonged war in Ukraine and financial tightening in advanced economies.

4. After deflation in 2019, inflation has been trending upward since 2020 amidst climate impacts on harvests fueling food prices, subsequent pandemic induced supply chain disruption pressures and rising commodity import prices, including in the wake of the war in Ukraine. Inflation averaged 8.3 percent in 2021 and reached 11.9 percent in in May 2022.

5. While the current account deficit is projected to deteriorate in 2022 compared to 2021 due to worsening terms of trade, it is expected to improve over the medium-term as exports rebound, particularly for coffee. Improved relations with the European Union, United States and international community, and re-engagement with the International Monetary Fund are also expected to facilitate resumption of foreign financial resource inflows. Remittance inflows remain strong. With the help of the general SDR allocation, international reserves, while still below recommended levels, doubled in months of import cover in 2021, relative to 2020.

6. While the vaccination campaign started late, at least six vaccination cites are now up and running. A nationwide vaccination plan was approved this year that will gradually extend vaccination to 102 sites nationwide. COVID-19 risks remain a concern, though the situation stabilized early 2022, after a huge wave linked to the omicron variant in December 2021. Vaccine supply challenges have waned, and with 2.4 million doses of Johnson and Johnson expected, coupled with the authorities' vaccination campaign, vaccination rates are expected to increase significantly.

Fiscal Policy and Debt Sustainability

7. A key priority to help safeguard fiscal and debt sustainability is domestic resource mobilization. To this end, revenue collection is projected to improve to 19.5 percent of GDP

benefitting from improved VAT collections, international trade taxes and project grants following the lifting of sanctions. While higher than expected revenue performance in 2022 benefited from the implementation of new tax measures including taxes on income, profits, and capital gains; taxes on goods and services, international trade and transactions, and strong VAT and non-tax revenue; the authorities are also interested in capacity development support and see digitalization providing significant potential to increase VAT collections through electronic billing and digital payment systems. They also aim to increase mining revenues through ongoing mining sector reform. Efforts will also aim to further widen the tax base by capturing activities in the informal sector and land transactions and ownership. The authorities are also implementing additional revenue measures in the 2022/23 budget including the introduction of a road fee in the fuel price structure, excise tax on cigarettes, and lump sum levies on products such as soap and drinks. They will also clarify the discharge tax concept which would apply to about 25 products with regulated prices. These revenue mobilization efforts are complemented by prudent borrowing for productive investments that will help boost growth and so support debt sustainability.

8. The authorities continue to rationalize spending and to strengthen public financial management measures needed to enhance spending efficiency. They froze hiring in the public sector, except in defense and security, health, and education. Budget laws have also introduced multi-year procurement and payment plans to strengthen investment management. On staff recommendations regarding streamlining tax expenditures by documenting tax expenditures in the budget execution report to assess their efficiency, they also noted that associated tax exemptions are mainly linked to donor and international rules, constraining their room for maneuver. Public debt continues to be assessed as sustainable, and the authorities are committed to placing it on a sustained downward trajectory. In addition to revenue and spending measures underway, they have sought technical assistance for more effective arrears management.

Exchange Rate, Monetary and Financial Sector Policies

9. The amplifying impact on debt ratios of a potential large exchange rate depreciation (in the context of the parallel market premium triggered by the large, sudden drop, in donor support some years back) is an issue receiving careful thought and attention, as the authorities seek to design exchange rate reforms and unification that will not amplify vulnerabilities and instability. The authorities especially appreciate ongoing technical discussions with staff on cross-country experiences of exchange rate unification and reforms, options for post-unification exchange rate regimes and the corresponding monetary policy framework and instruments, associated fiscal and monetary policy coordination, and potential socio-economic implications. The authorities note that exchange rate unification will have to be backed by substantive donor support for it to work.

10. Given rising inflationary pressures, the Central Bank of Burundi recognizes the importance of well-timed recalibration of the monetary policy stance and is exploring this. Accommodative measures that provided liquidity to commercial banks to lend to priority sectors to support the production of coffee, fertilizer, and maize, helped to sustain production in the wake of pandemic. Nevertheless the central bank recognizes the shift in the global environment and stands ready to recalibrate monetary policy to address rising inflation even as it enhances its communication. Liquidity tightening is planned, to signal the winding down

of the long-term refinancing window, alongside careful calibration of the exit from other accommodative measures. For supply-side measures, going forward, the authorities expect to help to contain food inflation by boosting agricultural production to increase food supply.

11. The authorities plan to modernize the monetary policy framework and strengthen the interest rate link. Technical preparations to transition to an inflation targeting framework are underway and will complement plans for exchange rate unification. Reforms will also deepen the interbank market, and reintroduce a more efficient monetary policy communication framework, while also building on Fund supported capacity development to strengthen domestic and foreign exchange related liquidity forecasting and macro-modeling.

12. The banking sector remains sound, and well capitalized with ample liquidity, however the authorities recognize the need for caution in the wake of recent large shocks and volatile global conditions. While nonperforming loans (NPLs) have been stable, they are concentrated in certain sectors that were most impacted by COVID-19, and the significant drop in NPLs to 4.1 percent as at end-September 2021, reflects an increasing number of write-offs and loan restructurings. The authorities continue to monitor developments and are strengthening their supervisory capacity, enhancing regulatory and supervisory frameworks and financial stability assessments, to better ensure financial stability. Other reforms underway include enhancing digitalization and payment systems which should enable greater payments efficiency and support financial inclusion.

13. The authorities continue to strengthen the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework to align with international standards. They plan to operationalize a financial intelligence unit and are working to meet the requirement for full membership in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Structural Reforms

14. Measures are underway to improve governance, enhance competitiveness, boost digitalization, and build human and physical capital, while improving the business environment, to better promote private sector participation. In the labor market, reforms seek to address skills mismatches, and create employment opportunities needed to reduce poverty and inequality. Given the macro-criticality of climate change and Burundi’s vulnerability to climate risks such as drought and floods, the authorities are also exploring avenues to build resilience and minimize climate related business and welfare risks for youth and women. Related to this, two new banks are now operational; the Women Development Bank and Youth Bank to boost agriculture.

15. As they work to develop effective governance systems with transparency and accountability, the authorities, in line with their RCF commitments prepared the first COVID-19 spending report covering spending up to August 10, 2021. Bi-annual reports on COVID-19 spending audited by the Court of Auditors are published on the ministry’s website within three months of the end of each semester. The authorities are also conducting an overall audit of COVID-19 related spending and compiling information on beneficial owners of COVID-related contracts.

16. Burundi has received support on statistics, and the authorities continue to work on National Accounts for 2020 and beyond. Migration and rebasing of the National Accounts is planned. The authorities have also initiated steps towards adopting e-GDDS standards, with Fund support. The CPI rebasing project has also benefited from TA support from AFRITAC East.

Conclusion

17. The Burundian authorities continue to pursue reforms they deem essential to stability, recovery and medium-term growth, notwithstanding the very challenging environment. Fund support has played a valuable role in helping them to stabilize the economy in the wake of the pandemic, while also contributing to the development of capacity needed for effective implementation of policies for stability and recovery. The authorities consider Fund support an important complement to their own reform agenda and national economic objectives.