September 2013
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Burundi: Third Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria—Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Burundi.

In the context of the third review under the Extended Credit Facility arrangement and request for modification of performance criteria, the following documents have been released and are included in this package:

- The staff report for the Third Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria, prepared by a staff team of the IMF, following discussions that ended on June 21, 2013, with the officials of Burundi on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 22, 2013. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.

- A Press Release summarizing the views of the Executive Board as expressed during its September 6, 2013 discussion of the staff report that completed the request and/or review.

- A statement by the Executive Director for Burundi.

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

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

*Also included in Staff Report

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

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BURUNDI

August 22, 2013

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

KEY ISSUES

Context: Program implementation was conducted under very challenging economic circumstances due to persistent terms of trade shocks and recurrent revenue slippages.

Program: The Executive Board approved the three-year arrangement under the Extended Credit Facility (ECF) on January 27, 2012, with a total access of SDR 30 million. The first and second reviews were completed on July 27, 2012 and February 14, 2013, respectively. For the third review, all performance criteria were observed, with the exception of the indicative target on pro-poor expenditure, but fiscal slippages in the first quarter of 2013 required the adoption of significant measures to avoid the program going off track. Satisfactory progress has been made on structural reforms, albeit with some delays. Policy discussions focused on measures to strengthen fiscal performance which have been reflected in a revised 2013 budget, bolstering public financial, and debt management.

Outlook and risks: The macroeconomic outlook remains difficult, owing to downside risks related to uncertainties in the external environment. Spending pressures in the run-up to elections could lead to a deterioration of the fiscal position, while governance slippages and slow implementation of public financial management (PFM) reforms could curtail donor support. Other risks arise from the influx of refugees affected by the conflict in Eastern Congo and the repatriation of refugees from Tanzania.

Staff Views: The staff recommends the completion of the third review under the ECF arrangement, setting of revised performance criteria and indicative targets for September–December 2013, new targets for March and June 2014 and structural benchmarks for 2014, modification of the external nonconcessional debt limit, and disbursement of SDR 5million. The authorities have consented to the publication of this report following the completion of the review.

Approved By
Roger Nord and Elliott Harris

A staff team comprising Messrs O. Williams (Head), F. Boutin-Dufresne, J. Dridi (all AFR), and A. Roitman (FAD) visited Burundi during June 10–21, 2013. The mission was assisted by Mr. Koffi Yao, the IMF Resident Representative in Burundi. The mission met with His Excellency President Pierre Nkurunziza, Second-Vice President Gervais Rufyikiri, Senate President Gabriel Ntsizerana, Minister of Finance Tabu Manirakiza, Central Bank Governor Jean Ciza, other senior government officials, parliamentarians, the private sector and civil society, and the donor community.

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APPENDIX

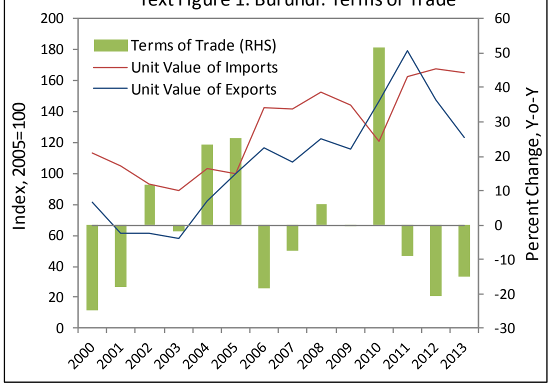
RECENT DEVELOPMENTS AND PROGRAM IMPLEMENTATION

1. **The socio-political context remains delicate.** The return of refugees from Tanzania and spillovers from tensions in Eastern Congo have put further strains on an already vulnerable socio-economic environment. This is compounded by a series of strikes by public sector workers demanding higher wages. A UN-brokered dialogue between the government and the opposition in exile has been initiated ahead of the 2015 elections (MEFP ¶2).

2. **The confluence of persistent terms of trade shock and the emergence of revenue slippages adversely affected economic performance.**

- **Growth and inflation.** Real GDP growth is projected to reach 4.5 percent in 2013, following earlier declines linked to a cumulative 44 percent deterioration in the terms of trade since 2011. Preliminary trade data through end-May indicate buoyant export growth (29 percent, y-o-y) and equally strong imports (30 percent, y-o-y) in volume terms. Inflation decelerated from its peak of about 25 percent (y-o-y) in March 2012 to 8.2 percent (y-o-y) at end-May 2013, in part reflecting a tighter monetary stance.

Text Figure 1. Burundi: Terms of Trade



- **The fiscal position weakened mainly as a result of revenue slippages which put the program off track.** Budget execution in 2012 reflected delays in World Bank budget support and higher-than-programmed foreign-financed capital spending, which led to a widening of the deficit and greater recourse to domestic financing.[1] There was also a small accumulation of domestic payment arrears equivalent to 0.1 percent of GDP owing to weaknesses in the management of the treasury cash flow plan and late disbursements in budget support. During the first quarter of 2013, the program went off track following the adoption of a new income tax law, the granting of tax credits and exemptions that resulted in revenue shortfall of about 1 percent of annual GDP compared to program targets.

- **Monetary conditions eased slightly with the deceleration in inflation.** The central bank reduced its key interest rate by 150 basis points to 12.5 percent in May 2013. As liquidity conditions improved, credit to the private sector rose by 11.5 percent (y-o-y).

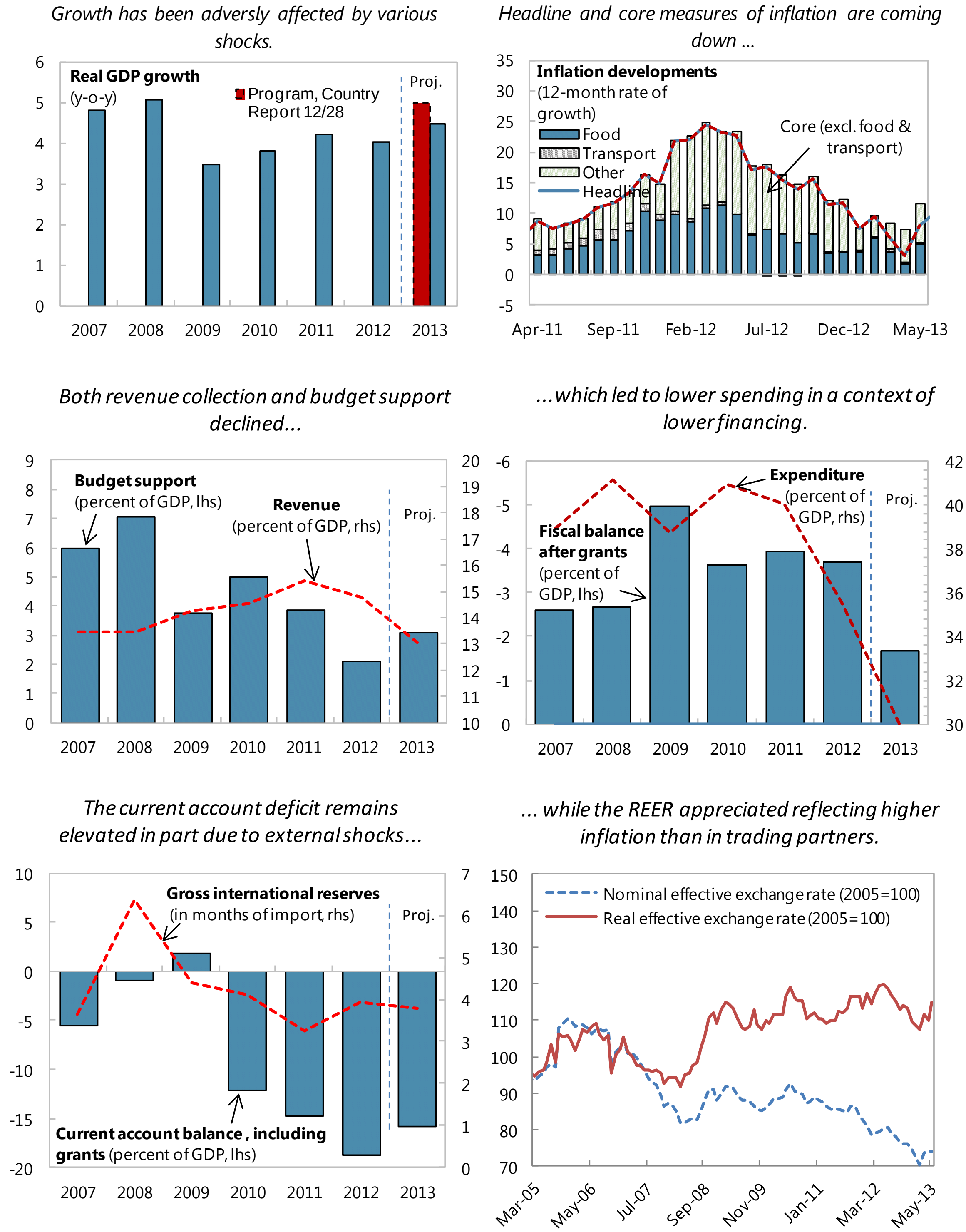
[1] The budget support operation expected in end-December 2012 was disbursed in February 2013 due to delays.

- **Greater exchange rate flexibility permitted the economy to adjust to external shocks**. The Burundi franc depreciated by 14.4 percent against the US dollar in 2012 and has since stabilized. In response to the sharp depreciation of the exchange rate in early 2013, the authorities intervened, to smooth exchange rate volatility, and removed the withdrawal limits on residents' dollar-denominated accounts.

3. Program implementation has been uneven. Most end-December indicative targets were met with the exception of pro-poor spending and the accumulation of small domestic arrears which have been repaid in Q1 2013. At end-March, all performance criteria and indicative targets were observed, with the exception of the indicative target on pro-poor expenditure owing to revenue slippages (MEFP, Table I-1).[2] Satisfactory progress was made in the implementation of structural reforms (MEFP, Table I-2).

[2] Delays in implementing the new revenue measures and to late disbursement of budget support by some donors were also a main contributing factor.

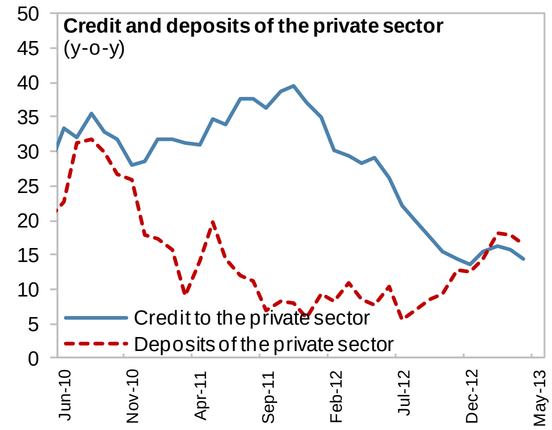
Figure 1. Burundi: Recent Developments, 2005–13



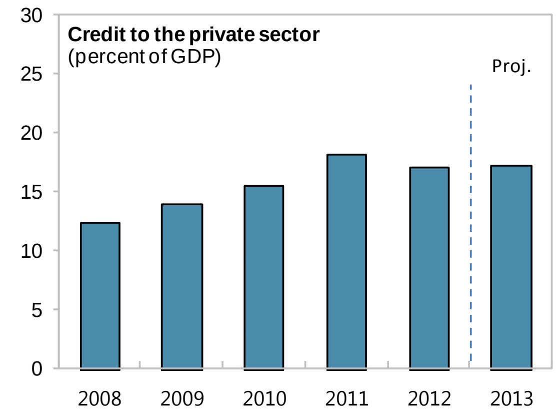
Sources: Burundi authorities; and IMF staff estimates and projections.

Figure 2. Burundi: Monetary Developments, 2008–13

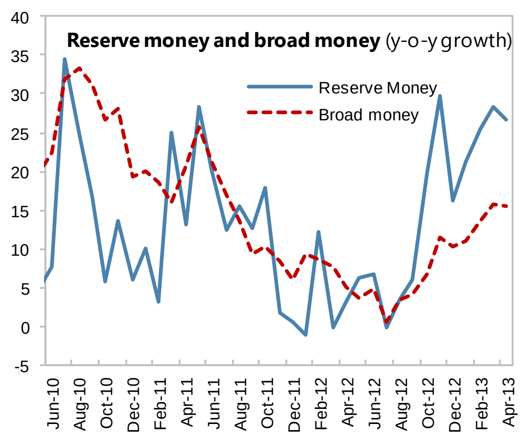
Credit growth to the private sector has picked up slightly …



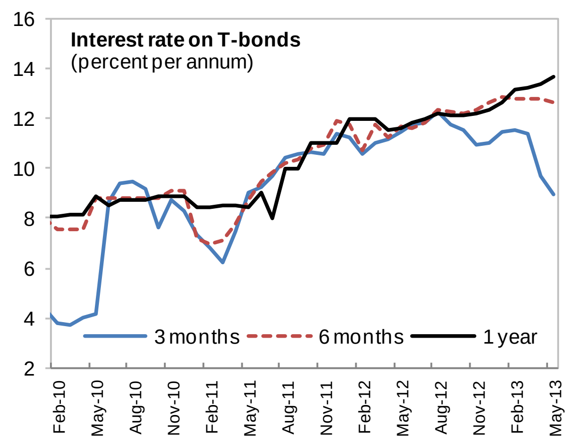
… albeit from a low base.



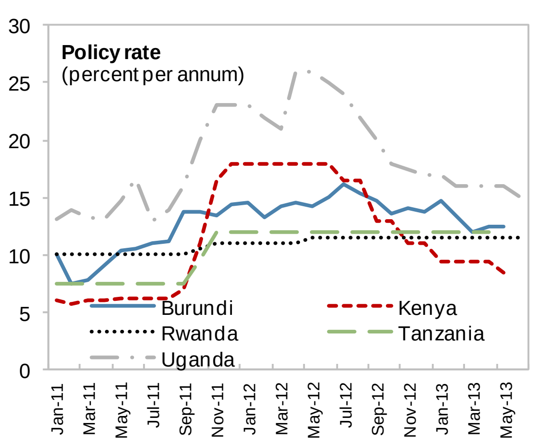
Monetary aggregates rose with greater recourse to domestic financing...



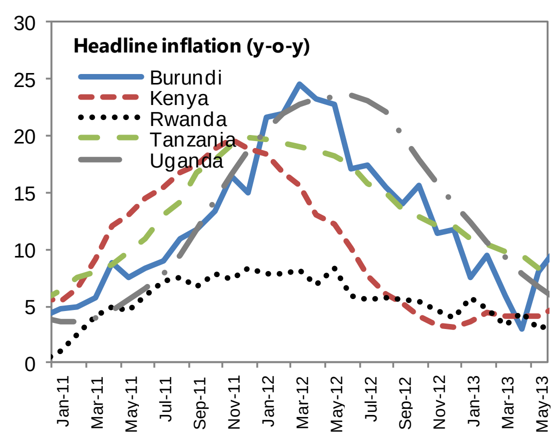
Interest rates remained high and liquidity tightened.



Policy rates were increased in late 2011 as in other countries in the region …



… helping to reverse the increase in inflation.



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

OUTLOOK AND RISKS

4. **The macroeconomic outlook remains difficult, compounded by downside risks related to uncertainties in the external economic environment.** Lower projected international food and fuel prices are expected to improve the outlook for inflation. While a series of sectoral conferences are planned in 2013 to unlock donor pledges of $2.6 billion, donors have increasingly linked their support to improvements in governance reforms.[3] Weaker revenue performance following the introduction of the new income tax law and spending pressures in the run-up to elections will put renewed pressure on the fiscal position and may bring about increased recourse to central bank financing.

POLICY DISCUSSIONS

A. Recommitting to Revenue Mobilization

5. **Revenue slippages in early 2013 put the program off track.** The new income tax law adopted in late January 2013 (Box 1) includes provisions that narrowed the tax base significantly (MEFP ¶20). The law provides for exemptions for most agriculture-related activities, pensions, allowances for transport and housing of 15 percent and 60 percent, respectively of base salary, and an increase in the taxable threshold. This as well as the granting of exemptions resulted in the emergence of a large financing gap for the year of about 2.2 percent of GDP that required corrective measures. This gap, if unaddressed, would increase over the medium term given uncertainty in budget support and pressures from a rapidly growing population.

Box 1. Burundi: Revenue Slippages

In January 2013, the authorities adopted a new income tax law which was prepared with IMF technical assistance (TA). The adopted text of the law incorporates a number of general recommendations, including a dual income tax, long term contracts, new amortization rules (pooling), and the control of transfer pricing.

However, the law also includes some provisions that narrow the tax base significantly, contrary to the revenue mobilization pillar of the program. These include exemptions for most agriculture-related activities, pensions, allowances for transport and housing of 15 percent and 60 percent, respectively of base salary, and an increase in the taxable threshold. The law also removed the branch tax on nonresident companies, withholding on imports (4 percent) and a minimal turnover tax (1 percent).

The introduction of the new income tax law and the granting of additional exemptions led to a loss in revenue equivalent to about 2.2 percent of GDP relative to the program. This comprised about a 0.8 percent of GDP loss due to the income tax law, and the remainder due to the combination of forgone withholding and turnover tax on imports, exemptions and the underestimation of tax credits linked to the investment code. Corrective revenue and expenditure measures undertaken in the revised 2013 budget are expected to offset about half of the projected revenue shortfall. The remainder, about 0.9 percent of GDP, is expected to be met through exceptional external financing.

[3] A sectoral conference took place in July and another is planned for October 2013.

6. The authorities undertook corrective measures to address revenue slippages, while preserving spending in priority sectors. The revised 2013 budget adopted by the parliament provides for revenue and expenditure measures of about 1.1 percent of GDP (Text Table 1). The revenue measures comprised an increase in taxes on petroleum products, imported vehicles, tobacco, driving licenses, petroleum products and telecoms. The previously suspended taxes on food products were reinstated. Expenditure cuts consisted of a mix of current and capital spending. The remaining gap is expected to be filled through budget support from the World Bank.[4] In order to bolster the revenue mobilization, a pillar under the program, staff introduced an indicative target on revenue collections to guide the authorities during program implementation (Technical Memorandum of Understanding (TMU), ¶6).

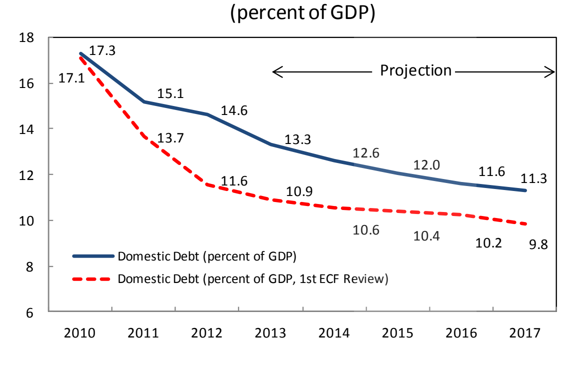
Text Table 1. Fiscal Deviations Relative to the Program in 2013 1/

	(BIF billions)	(In percent of GDP)
Estimated Deviations	93.1	2.2
Revenue shortfalls	90.1	2.2
Expenditure overruns	3.0	0.1
Corrective measures	45.5	1.1
Revenue	25.5	0.6
Expenditure	20.0	0.5
Exeptional disbursement (World Bank)	39.0	0.9

Sources: Authorities; and Fund staff estimates and projections.
1/ The residual of BIF 8.6 billion (0.2 percent of GDP) corresponds to lower interest payments in 2013 compared to the program.

7. The need to preserve debt sustainability continues to anchor medium-term fiscal policy. The fiscal anchor under the program remains a zero limit on non concessional external public borrowing and a gradually declining path for domestic debt-to-GDP ratio. However, the combination of declining budget support since 2010 by 50 percent to about 2½ percent of GDP, late donor disbursements, and policy slippages have led to a higher-than-programmed level of domestic debt (Text Figure 2). A prudent fiscal stance and a recommitment to revenue mobilization are essential in avoiding unsustainable debt dynamics. To this end, the program continues to adhere to the path initially envisaged for net domestic financing in order to ensure a declining trend in domestic debt over the medium term. The preparation of an overarching debt law with IMF technical assistance augurs well for strengthening the legal framework governing the contracting of debt (MEFP ¶25).

Text Figure 2. Burundi: Domestic debt (percent of GDP)



[4] Burundi would effectively receive two disbursements of US$25 million each in 2013, comprising the late disbursement from 2012 and the programmed disbursement in 2013.

8. Further fiscal adjustment is needed given that part of the financing gap was filled by exceptional budget support from the World Bank. The authorities agreed to review the composition of expenditure and to rationalize spending in the context of the 2014 budget. This would lay the foundation for medium-term fiscal adjustment in the face of lower budget support and fiscal revenues. Potential sources of revenues that could close the financing gap in 2014 include the sale and renewal of telecoms licenses as part of the reform of the sector in collaboration with the World Bank. To address financing gaps over the medium-term, the authorities reiterated their commitment to improve tax administration and better manage exemptions (MEFP ¶20). Against this background, the authorities are implementing a three-year strategy, in collaboration with the Fiscal Affairs Department (FAD), which focuses on (MEFP ¶29) : (i) technical assistance on exemptions; (ii) improving the organization and functions of the central and local tax offices by ensuring they are structured along well defined functional lines; (iii) simplifying and modernizing registration and return filing and payment procedures; and (iv) enhancing enforcement of tax obligations, by extending the coverage of taxpayer audits, improving the management of collections, and ensuring the timely resolution of tax disputes. The adoption of the decree clarifying responsibilities of the Burundi Revenue Authority (end-March benchmark and VAT law (June 2013 benchmark) are important steps in strengthening the legal framework governing revenue administration (MEFP Table I. 2 and Text Table 2).

B. Strengthening Public Financial Management (PFM) Reforms

9. Securing donor financing for the 2012–14 PFM strategy has facilitated its implementation. Key elements of the strategy are to (i) improve budget execution in particular better expenditure control; (ii) strengthen public accounting by improving the quality and timeliness of reporting; (iii) reinforce treasury management; and (iv) training of personal in above areas. A long-term PFM advisor has now been installed within the Ministry of Finance to monitor and support the implementation of the strategy.

10. Nevertheless important weaknesses remain in key areas. Extending expenditure controllers to the management of the payroll is critical to avoid spending overruns especially in the run-up to elections. In addition, past lapses in expenditure control resulted in extra budgetary spending (about 2 percent of GDP) that is now being audited by the Court of Auditors (MEFP ¶10 and ¶28). Although the role of the treasury committee has been strengthened through regularized meetings between the central bank and the ministry of finance and a treasury cash flow plan is in place, delays in budget support or policy slippages frequently result in recourse to central bank financing. Improvements to the Integrated Financial Management and Information System (IFMIS) are important to facilitating the implementation of reforms.

C. Safeguarding Debt Sustainability

11. An update of the debt sustainability analysis (DSA) points to a slight deterioration in key indicators relative to the 2012 DSA, and Burundi's classification remains at "high risk of debt distress" (Figures 3-4 and Tables 9-12). The deterioration is due to (i) the revision of the macroeconomic outlook following recent adverse shocks, mainly due to the terms of trade; (ii) the addition of a small number of new loans; and (iii) a lower discount rate. The main conclusion remains unchanged from past assessments in that under the baseline scenario, the present value (PV) of debt-to-exports ratio breaches the policy threshold during the medium term while other indicators remain below the respective policy thresholds.[5] Burundi's high risk of debt distress warrants retaining the general limit of a minimum grant element of 50 percent required under the program (MEFP ¶25). Burundi is in a position to service its public and publicly guaranteed debt.

12. The authorities are requesting modification of the non-concessional borrowing ceiling to help finance a key road project. The project (US$28 million) which will be financed by the Saudi Development Fund and the OPEC Fund for Development has a grant element of 49.2 percent; just marginally below the program threshold.[6] The road project is aligned with the Poverty Reduction Strategy of addressing infrastructure bottlenecks, seeks to connect Burundi with Rwanda and Tanzania, and to enhance its transportation network through improved access and trade facilitation. The project's inclusion in the DSA had no material impact.

D. Taming Inflation

13. The authorities agreed to continue to gear monetary policy toward stabilizing inflation expectations (MEFP ¶26). Following a period of monetary tightening during 2011–2012, which curbed inflation, the central bank lowered its policy rate slightly, permitting credit to the private sector to expand. The projected decline in international food and fuel prices should contribute to an easing of inflationary pressures. However, policy slippages and recourse to central bank financing may reverse recent gains. Therefore, further changes in the monetary stance to support growth should proceed gradually until the decline in inflation becomes sustained.

14. The exchange rate remains an important tool to allow the economy to adjust to external shocks (MEFP ¶27). Greater exchange rate flexibility helped the economy to weather the impact of recent shocks. However, the authorities raised concerns regarding exchange rate overshooting in the face of uncertainty in foreign exchange inflows. While the recent introduction of an interbank market for foreign exchange is important to price discovery, this could give rise to exchange rate volatility in light of uncertain inflows and would require the central bank to intervene periodically to smooth exchange rate volatility. Staff underscored that given the prominent role played by the public sector, greater fiscal adjustment was required to avoid pressure on the exchange rate, allowing it to move in concert with economic fundamentals.

E. Safeguarding Financial Sector Soundness

15. Domestic liquidity conditions improved following severe shortages in 2012. In recent months, the repatriation of coffee export revenues, donor inflows, and the entry of regional banks

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

[6] While the authorities sought to negotiate better terms for some time, these were not successful in this instance.

with access to cross-border financing, contributed to an improvement in liquidity conditions. [7] As a result, overall liquidity ratios have improved, mostly driven by larger banks (Table 8). The participation of regional banks has given renewed impetus to the government securities market. The government's timely repayment of debt service has helped commercial banks channel financing to productive sectors.

16. The central bank took appropriate measures to safeguard the soundness of the financial system. Based on recommendations from recent IMF technical assistance missions, the authorities took measures including, (i) more frequent reporting to the central bank on rolled-over loans ; (ii) the harmonization of the definition of non-performing loans (NPLs) in line with international standards; (iii) calculation of liquidity ratios based on local currency deposits (currently the ratio includes foreign deposits); and (iv) a change in the legal framework to allow the central bank to swiftly intervene in troubled banks to prevent and to contain emerging crises. The central bank has stepped up surveillance of pan-African banks through the conduct of joint inspections with home-country supervisors (MEFP ¶13).

PROGRAM ISSUES

17. The program is on track. All benchmarks were met except the auditing of extra budgetary spending owing to operational delays involving the Court of Auditors (Text Table 2). The program also includes benchmarks in the areas of debt management, tax policy and public financial management (Text Table 3). Revised performance criteria and indicative targets for September–December 2013, new targets for March 2014 are proposed for net foreign assets and net domestic assets of the central bank and net domestic financing of the government, with adjusters to deal with aid volatility. A new continuous performance criterion for nonconcessional external debt contracted or guaranteed by the government under the program is proposed for September 2013 and subsequent quarters. Other continuous performance criteria maintain zero ceilings on (i) short term external debt of the government; and (ii) accumulation of external payments arrears of the government. A new continuous indicative target for government fiscal revenue is also added starting in September 2013. The end-June and end-December indicative targets are proposed for domestic arrears accumulation, reserve money, and pro-poor spending (MEFP, Table I.1).

[7] In 2012 two of the East African Community's largest banks, Kenya Commercial Bank (KCB) and Tanzania's CRDB opened their first branches in the capital, Bujumbura.

Text Table 2. Structural Measures: Third Review Under the ECF

Measures	Implementation Date	Status	Objective
Adopt a decree on the appointment and legal status of the Commissioner of the Burundian Revenue Office.	March 30, 2013	Met with delay (July 2013)	Clarify the division of responsibilities between the commissioner of the OBR and the senior government accountant (pursuant to the Organic Budget Law and Article 6 governing the OBR).
Each quarter, submit a report on reserve operations to the General Council of the BRB.	March 30, 2013	Met	Improve BRB Board of Directors supervision of reserves management.
Implement a monthly cash flow plan in line with commitment plans	March 30, 2013	Met	Improve budget execution management and avoid end-period arrears.
Submit a law on the VAT to parliament).	June 30, 2013	Met with delay (July 2013)	Establish legal framework governing the collection of VAT.
Prepare a quarterly report on domestic debt forecasting with a view to improving budget and cash management.	March 30, 2013	Met	Make debt management a key element of the government's budgetary process and of cash requirements planning in line with World Bank recommendations.
Prepare an audit of arrears on extra-budgetary expenditure (not committed and without payment order) in prior years (to be performed by an independent auditor, for example the Audit Office or IGE [State Inspectorate General]); and adopt a payment plan.	June 30, 2013	Not met. New date proposed March 30, 2014. 17 magistrates from the Court of Auditors have been nominated and 6 staff from the Ministry of finance assigned to facilitate the audit.	Identify and verify the amounts actually due and disputed invoices.

Source: IMF staff and country authorities.

Text Table 3. Structural Measures: Fourth, Fifth Review and Sixth Reviews Under the ECF

Measures	Implementation Date	Benchmark for Review	Objective
Public financial management			
Prepare an audit of arrears on extra-budgetary expenditure (not committed and without payment order) in prior years (to be performed by an independent auditor, for example the Audit Office or IGE [State Inspectorate General]); and adopt a payment plan.	March 30, 2014	5th	Identify and verify the amounts actually due and disputed invoices.
Put in place a rationalized spending chain with pilots in the Ministries of agriculture education and health, and nominate 10 expenditure controllers in 10 ministries.	June 30, 2014	5th	Ensure timely and accurate reconciliation between government accounts and the accuracy of revenues collected.
Implement a program to unify the current data base of civil servants with that form the 2008 census.	September 30, 2014	6th	Reinforce the Ministry of Finance's management of salaries.
Put in place an interface between the revenue authority (OBR) and the Ministry of Finance.	December 30, 2014	6th	Improve budge execution.
Tax policy/Revenue administration			
Prepare an expedited customs clearance procedure and establish 3 one-stop border posts.	September 30, 2013	4th	Reduce fraud and increase customs revenue
Submit a law on excise taxes in line with IMF Technical Assistance	September 30, 2014	6th	Provide an umbrella legal framework clearly spelling out the purpose and scope of the law.
Debt management			
Submit a new law on debt management to parliament.	March 30, 2014	5th	Establish a legal framework governing public debt.
Central bank and Treasury safeguard measures			
Put in place a monitoring framework and calendar of regular meetings of the coordination committee of the Ministry of Finance and the central bank regarding the implementation of monetary and fiscal policy and the recommendations concerning public financial management, including from the special audit of large disbursements on behalf of the government processed by the BRB during June 30, 2011-March 31, 2012.	September 30, 2013	4th	Implement a monitoring framework to ensure that the safeguard recommendations are met.

Source: IMF staff and country authorities.

18. The authorities are making progress in implementing the recommendations from the recent safeguards assessment that was conducted in March-June 2012 (MEFP ¶15 and ¶30). The submission of a report on reserve operations to the central bank's General Council has been regularized (end-March benchmark). The coordination between the Ministry of Finance and the central bank is being strengthened based on regular meetings between the leadership of both institutions. However, further efforts are needed to address remaining control weaknesses in the fiscal accounts relating to government payments including a framework to monitor the implementation of recommendations from the special audits commissioned by the BRB in this respect.

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

20. The program is subject to several risks. These arise from the risk of fiscal slippage in the run-up to the 2015 Presidential elections despite a broad-based consensus by key stakeholders on the need for corrective measures. The tail risk of a sharp uptick in international food and oil prices could result in policy reversal regarding recent increases in petroleum product prices and the reinstatement of taxes on food products. Governance issues or the failure to make measurable progress in PFM reforms could curtail donor support. Reintegrating repatriated refugees is likely to add to unemployment, increase demand for public services, and could increase social conflict over access to land.

STAFF APPRAISAL

21. Performance under the ECF has been uneven. While all PCs were observed, fiscal slippages emerged that warranted the adoption of corrective measures**.**

22. Revitalizing revenue mobilization efforts is critical to the success of the program. In the context of declining budget support and a rapidly growing population, revenue collection should be stepped up to permit greater financing of public investments critical to growth and poverty reduction. Recent efforts are welcome, including the adoption of the VAT law. However, rationalizing discretionary exemptions and establishing a sustainable policy on pricing petroleum products will be critical to buttressing revenues.

23. Efforts to strengthen public financial management need to be stepped up. Weaknesses in expenditure control, budget preparation and execution, and treasury cash flow management continue to constrain the effectiveness of economic policies. The recent installation of a long-term PFM advisor will play a key role in supporting the successful implementation of the strategy.

24. Burundi remains at high risk of debt distress, underscoring the importance of reinforcing debt management. Staff urges the authorities to pursue prudent fiscal policy to avoid unsustainable debt dynamics and recourse to central bank financing in the event of policy slippages. The authorities are encouraged to pursue the adoption of a debt law governing the contracting of debt which is an important step towards strengthening debt management. Further, the authorities are encouraged to ensure that the 50 percent grant element is preserved in future loans.

25. Monetary policy should continue to be geared toward stabilizing inflation expectations. Although inflation declined significantly in recent months, a potential fiscal deterioration financed by recourse to central bank financing could reignite inflation and reverse recent gains. Any change in the monetary stance to support growth should proceed gradually until the decline in inflation becomes sustained.

26. Greater exchange rate flexibility will be an important tool in rebalancing the policy mix. The authorities are encouraged to permit greater exchange rate flexibility to facilitate external adjustment, enhance external competitiveness and to safeguard foreign reserves.

27. Based on program performance and the authorities' efforts to address program slippages, staff recommends completion of the third review under the ECF and the setting of revised performance criteria and indicative targets for September–December 2013, new targets for March and June 2014, and structural benchmarks for 2014. Staff also supports the authorities' request to modify the external nonconcessional debt limit to accommodate a road project and the introduction of an indicative fiscal revenue target, which are consistent with the program's objectives.

Table 1. Burundi: Selected Economic and Financial Indicators, 2011–16

	2011	2012		2013		2014	2015	2016
		Prog.[1]	Prel.	Prog.[1]	Proj.		Proj.	
	(Annual percentage change)							
National income and prices								
Real GDP growth	4.2	4.0	4.0	4.5	4.5	4.7	4.8	5.0
GDP deflator	14.3	15.4	15.4	11.1	11.9	7.8	7.9	6.9
Consumer prices (period average)	9.7	17.9	17.9	9.5	9.0	7.0	6.5	6.0
Consumer prices (end of period)	14.9	11.8	11.8	9.0	10.5	4.6	6.1	5.3
External sector								
Exports, f.o.b. (US$)	22.5	4.7	8.6	-17.9	-21.3	12.4	8.4	5.1
Imports, f.o.b. (US$)	7.9	7.3	14.8	-8.2	-16.3	6.3	5.5	8.6
Terms of trade (deterioration = –)	-9.0	-17.9	-20.6	-10.4	-14.9	-0.4	2.2	-1.5
	(Change in percent of beginning of period M2, unless otherwise indicated)							
Money and credit								
Net foreign assets	-12.1	-6.5	-5.3	8.6	3.1	6.9		
Domestic credit	30.7	12.3	15.3	10.0	15.6	19.5		
Government	8.0	4.9	2.0	2.8	0.9	3.1		
Private sector	24.1	6.9	9.9	8.2	15.5	16.4		
Money and quasi-money (M2)	6.1	7.3	10.3	16.0	16.9	12.9		
Reserve money (12–month growth rate)	0.6	26.5	13.7	17.9	19.7	15.5		
	(Percent of GDP)							
General government								
Revenue and grants	36.1	33.0	31.9	29.5	28.4	27.6	27.9	28.6
Of which: Tax and nontax revenue	15.4	14.8	14.8	14.9	13.0	13.1	13.2	13.3
Total expenditure	40.0	34.6	35.6	31.2	30.1	30.1	29.9	30.2
Net lending (+) / borrowing (-)	-4.0	-1.7	-3.7	-1.7	-1.7	-2.5	-2.0	-1.7
External sector								
Current account balance	-14.8	-16.3	-18.8	-16.0	-16.0	-16.5	-16.5	-15.9
Overall balance of payments	-1.6	-1.1	0.5	1.4	0.0	-0.6	-0.3	-0.2
Savings-investment balance	-14.8	-16.3	-18.8	-16.0	-16.0	-16.5	-16.5	-15.9
Private	-10.8	-14.7	-15.1	-14.3	-14.3	-14.0	-14.5	-14.2
Public	-4.0	-1.7	-3.7	-1.7	-1.7	-2.5	-2.0	-1.7
External sector								
Gross official reserves (US$ million)	296	269	309	307	324	356	384	421
Months of imports	3.3	3.3	3.9	3.6	3.8	4.0	4.0	4.4
Memorandum item:								
GDP at current market prices (BIF billion)	2971	3566	3566	4138	4169	4708	5321	5972
Nominal GDP per Capita (US Dollars)	255	270	263	293	294	315	332	354

Sources: Burundi authorities; IMF staff estimates and projections.
[1] IMF Country Report 13/64.

Table 2a. Burundi: Central Government Operations, 2011–16

	2011	2012		2013		2014	2015	2016
		Prog.	Prel.	Prog.	Proj.		Proj.	
				(BIF billion)				
Revenue and grants	1,072.0	1,175.7	1,136.9	1,220.2	1,185.2	1,300.3	1,486.6	1,705.5
Tax revenue	424.1	492.0	491.8	573.0	494.4	562.1	641.8	724.9
Taxes on income, profits, and capital gains	131.0	156.2	155.9	182.0	151.3	170.8	195.0	221.1
Taxes on goods & services	248.6	285.9	286.2	336.4	299.9	342.0	390.5	440.4
Taxes on international trade & transactions	44.5	49.9	49.7	54.6	43.2	49.3	56.2	63.4
Nontax revenue [1]	32.9	35.5	34.9	42.0	49.0	55.3	62.5	70.1
Grants	615.0	648.2	610.2	605.3	641.8	682.9	782.4	910.5
Program support	115.0	114.0	75.3	93.1	133.9	98.1	111.4	130.5
Project support	325.9	321.4	321.8	310.0	307.3	386.1	481.5	559.7
Other grants and transfers [2]	174.1	212.8	213.1	202.2	200.6	198.6	189.5	220.3
Total expenditure	1,189.5	1,235.0	1,269.8	1,291.8	1,256.7	1,417.3	1,592.8	1,805.2
Expense	726.3	792.3	792.2	830.3	818.5	880.4	935.2	1,053.2
Compensation of employees	258.2	283.8	282.2	300.8	303.3	324.0	360.5	397.9
Regularization of compensation arrears [3]	22.0	6.0	6.0	0.0	0.0	0.0	0.0	0.0
Purchases/use of goods & services	97.9	99.0	103.8	108.9	106.9	107.4	121.4	136.2
Subsidies and Social benefits	140.0	159.3	163.2	190.2	188.1	190.2	215.0	239.0
Interest	25.5	33.1	26.7	43.6	36.0	46.0	48.8	59.8
Of which: Domestic	22.0	29.4	23.3	37.9	29.3	39.2	40.5	50.2
Other expense	182.6	211.0	210.4	186.7	184.0	212.8	189.5	220.3
Of which: Domestically financed	8.6	12.2	11.3	14.1	13.0	14.2	0.0	0.0
Net acquisition of nonfinancial assets	463.2	442.8	477.6	461.5	438.2	536.9	657.6	752.0
Of which: Domestically financed	104.7	99.6	91.1	109.7	103.7	92.1	115.1	129.1
Net lending (+) / borrowing (-)	-117.4	-59.3	-132.9	-71.5	-71.5	-117.0	-106.1	-99.7
Errors and omissions	17.0	0.0	-0.6	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets [4]	-11.4	-16.5	-0.1	-8.6	-8.6	-3.0	-4.0	-4.0
Deposits	-10.4	-4.6	9.0	-1.0	-1.0	-1.0	-2.0	-2.0
Policy lending	0.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
Shares and other equity	-1.0	-10.9	-8.1	-6.6	-6.6	-1.0	-1.0	-1.0
Net incurrence of liabilities	89.1	42.9	133.5	62.9	62.9	84.3	88.2	86.0
Domestic	60.7	26.8	75.2	36.6	32.2	41.6	46.1	52.0
Foreign	28.4	16.0	58.2	26.4	30.6	42.8	42.1	34.0
Financing gap	0.0	0.0	0.0	0.0	0.0	29.7	13.9	9.7
Revenue and grants	1,072.0	1,175.7	1,136.9	1,220.2	1,185.2	1,300.3	1,486.6	1,705.5
Total expenditure	1,189.5	1,235.0	1,269.8	1,291.8	1,256.7	1,417.3	1,592.8	1,805.2
Of which: Compensation of employees	258.2	283.8	282.2	300.8	303.3	324.0	360.5	397.9
Memorandum items:								
Net domestic financing	71.1	34.6	66.3	37.6	33.3	42.6	48.1	54.0
Public debt[5]	39.7	35.6	35.2	31.3	31.3	29.6	28.2	26.6
Of which: domestic debt	15.1	11.6	14.6	12.3	13.3	12.6	12.0	11.6
GDP at current market prices (BIF billion)	2,971	3,566	3,566	4,138	4,169	4,708	5,321	5,972

Sources: Burundi authorities; IMF staff estimates and projections.

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

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

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

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

[5] As a percent of GDP.

Table 2b. Burundi: Central Government Operations, 2011–16

	2011	2012		2013		2014	2015	2016
	Est.	Prog.	Prel.	Prog.	Proj.		Proj.	
	(Percent of GDP, unless otherwise indicated)							
Revenue and grants	36.1	33.0	31.9	29.5	28.4	27.6	27.9	28.6
Tax revenue	14.3	13.8	13.8	13.8	11.9	11.9	12.1	12.1
Taxes on income, profits, and capital gains	4.4	4.4	4.4	4.4	3.6	3.6	3.7	3.7
Taxes on goods & services	8.4	8.0	8.0	8.1	7.2	7.3	7.3	7.4
Taxes on international trade & transactions	1.5	1.4	1.4	1.3	1.0	1.0	1.1	1.1
Nontax revenue [1]	1.1	1.0	1.0	1.0	1.2	1.2	1.2	1.2
Grants	20.7	18.2	17.1	14.6	15.4	14.5	14.7	15.2
Program support	3.9	3.2	2.1	2.2	3.2	2.1	2.1	2.2
Project support	11.0	9.0	9.0	7.5	7.4	8.2	9.0	9.4
Other grants and transfers [2]	5.9	6.0	6.0	4.9	4.8	4.2	3.6	3.7
Total expenditure	40.0	34.6	35.6	31.2	30.1	30.1	29.9	30.2
Expense	24.4	22.2	22.2	20.1	19.6	18.7	17.6	17.6
Compensation of employees	8.7	8.0	7.9	7.3	7.3	6.9	6.8	6.7
Regularization of compensation arrears [3]	0.7	0.2	0.2	0.0	0.0	0.0	0.0	0.0
Purchases/use of goods & services	3.3	2.8	2.9	2.6	2.6	2.3	2.3	2.3
Subsidies and Social benefits	4.7	4.5	4.6	4.6	4.5	4.0	4.0	4.0
Interest	0.9	0.9	0.7	1.1	0.9	1.0	0.9	1.0
Of which: Domestic	0.7	0.8	0.7	0.9	0.7	0.8	0.8	0.8
Other expense	6.1	5.9	5.9	4.5	4.4	4.5	3.6	3.7
Of which: Domestically financed	0.3	0.3	0.3	0.3	0.3	0.3	0.0	0.0
Net acquisition of nonfinancial assets	15.6	12.4	13.4	11.2	10.5	11.4	12.4	12.6
Of which: Domestically financed	3.5	2.8	2.6	2.7	2.5	2.0	2.2	2.2
Net lending (+) / borrowing (-)	-4.0	-1.7	-3.7	-1.7	-1.7	-2.5	-2.0	-1.7
Errors and omissions	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of financial assets [4]	-0.4	-0.5	0.0	-0.2	-0.2	-0.1	-0.1	-0.1
Deposits	-0.4	-0.1	0.3	0.0	0.0	0.0	0.0	0.0
Policy lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.0	-0.3	-0.2	-0.2	-0.2	0.0	0.0	0.0
Net incurrence of liabilities	3.0	1.2	3.7	1.5	1.5	1.8	1.7	1.4
Domestic	2.0	0.8	2.1	0.9	0.8	0.9	0.9	0.9
Foreign	1.0	0.4	1.6	0.6	0.7	0.9	0.8	0.6
Financing gap	0.0	0.0	0.0	0.0	0.0	0.6	0.3	0.2
Memorandum items:								
Net domestic financing	2.4	1.0	1.9	0.9	0.8	0.9	0.9	0.9
Propoor expenditure	12.5	11.2	9.9	11.5	8.8	9.2	9.7	10.1
GDP at current market prices (BIF billion)	2,971	3,566	3,566	4,138	4,169	4,708	5,321	5,972

Sources: Burundi authorities; IMF staff estimates and projections.

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

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

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

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

Table 3. Burundi: Monetary Survey, 2011–14

	2011	2012		2013		2014
		Prog.[1]	Act.	Prog.[1]	Proj.	Proj.
	(BIF billion)					
Net foreign assets	63.3	19.5	27.4	81.2	50.2	110.4
Central bank	26.2	14.1	14.0	65.9	26.8	80.0
Deposit money banks	37.1	5.4	13.4	15.4	23.4	30.4
Net domestic assets	771.1	879.9	913.6	962.5	1049.9	1184.7
Domestic credit	887.2	969.6	989.9	1042.0	1105.3	1274.7
Net claims on the government	342.4	375.2	355.5	395.4	362.3	389.6
Of which: on the treasury	355.9	387.3	403.1	407.5	409.9	437.1
Credit to the economy	544.8	594.4	634.4	646.6	743.0	885.1
Other items, net (assets = +)	-116.1	-89.7	-76.3	-79.5	-55.4	-89.9
M3	834.4	899.4	941.0	1043.7	1100.1	1295.1
Foreign currency deposits	162.2	178.2	199.7	206.8	233.5	316.6
M2	672.1	721.2	741.3	837.0	866.6	978.6
Currency in circulation	153.2	177.0	173.9	234.3	206.0	242.2
Local currency deposits	518.9	544.2	567.5	602.7	660.6	736.4
Demand deposits	331.8	353.8	362.6	381.6	421.2	466.0
Quasi-money	187.1	190.5	204.8	221.0	239.5	270.4
	Change as a percentage of beginning period M2					
Net foreign assets	-12.1	-6.5	-5.3	8.6	3.1	6.9
Central bank	-12.3	-1.8	-1.8	7.2	1.7	6.1
Deposit money banks	0.2	-4.7	-3.5	1.4	1.3	0.8
Net domestic assets	19.9	16.2	21.2	11.5	18.4	15.6
Domestic credit	30.7	12.3	15.3	10.0	15.6	19.5
Net claims on the government	8.0	4.9	2.0	2.8	0.9	3.1
Credit to the economy	22.8	7.4	13.3	7.2	14.6	16.4
Of which: private sector	24.1	6.9	9.9	8.2	15.5	16.4
M3	7.8	9.7	15.9	20.0	21.5	22.5
Foreign currency deposits	1.7	2.4	5.6	4.0	4.6	9.6
M2	6.1	7.3	10.3	16.0	16.9	12.9
Currency in circulation	2.2	3.5	3.1	7.9	4.3	4.2
Local currency deposits	3.9	3.8	7.2	8.1	12.6	8.7
Demand deposits	-1.5	3.3	4.6	3.9	7.9	5.2
Quasi-money	5.4	0.5	2.6	4.2	4.7	3.6
Memorandum items:						
Reserve money (12–month percent change)	0.6	26.5	13.7	17.9	19.7	15.5
Velocity (GDP/M2; end of period)	4.4	4.9	4.8	4.9	4.8	4.8

Sources: Burundi authorities; IMF staff estimates and projections.

[1] IMF Country Report 13/64.

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

	2011	2012				2013			
	Dec.	Mar.	June	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
						Act.	Proj.		
	(BIF billion)								
Net foreign assets	26.2	16.9	5.5	28.1	14.0	11.2	62.4	48.9	26.8
Assets	411.5	418.0	401.2	431.6	483.8	455.4	507.1	507.1	516.9
Liabilities	385.4	401.1	395.8	403.5	469.8	444.1	444.7	458.2	490.2
Net domestic assets	185.1	176.5	219.4	191.6	231.3	236.9	229.4	264.8	225.2
Domestic credit	299.3	273.9	352.6	303.3	344.5	334.8	327.3	359.2	310.4
Net claims on the government	266.5	213.7	228.6	233.1	315.4	297.6	310.7	327.7	241.3
Other credit	32.8	60.2	124.0	70.2	22.3	37.3	16.7	31.5	69.2
Other items, net (assets = +)	-114.2	-97.4	-133.3	-111.7	-113.2	-97.9	-97.9	-94.4	-85.2
Reserve money	211.2	193.4	224.8	219.8	245.3	248.2	291.8	313.7	252.0
Currency in circulation	153.2	147.4	170.5	162.9	173.9	166.9	229.0	246.3	206.0
Bank reserves	34.9	22.9	27.8	0.0	39.9	45.8	47.3	48.4	48.4
Cash in vault	16.9	18.1	20.7	54.4	24.4	22.3	18.7	19.1	2.7
Other nonbank deposits	6.2	5.0	5.9	2.6	7.2	13.2	-3.3	0.0	-5.2
Memorandum items:									
Net foreign assets of BRB (US$ million)	19.2	12.1	3.8	19.1	9.1	7.1	39.5	31.0	17.0

Sources: Burundi authorities; IMF staff estimates and projections.

Table 5. Burundi: Balance of Payments, 2011–16

	2011	2012		2013		2014	2015	2016
		Prog.	Prel.	Prog.	Proj.		Proj.	
	(US$ million)							
Current account	-322.8	-386.9	-433.4	-422.0	-423.3	-478.2	-516.1	-544.1
(excluding official transfers)	-603.4	-652.6	-756.1	-626.3	-657.4	-684.3	-715.7	-746.6
Trade balance	-647.7	-697.9	-751.5	-653.6	-636.0	-669.7	-702.8	-768.0
Exports, f.o.b.	124.0	129.8	134.7	106.5	106.0	119.2	129.3	135.9
Of which: coffee	75.6	77.7	70.0	52.6	41.2	49.9	55.3	56.1
Imports, f.o.b.	-771.7	-827.7	-886.2	-760.2	-742.0	-788.9	-832.0	-903.9
Of which: petroleum products	-164.0	-172.2	-143.3	-175.9	-146.1	-146.3	-145.8	-147.2
Services (net)	-99.3	-103.4	-118.7	-122.3	-135.3	-132.8	-137.0	-109.3
Income (net)	-19.0	-16.3	-9.1	-18.3	-11.7	-10.1	-9.6	-8.6
Current transfers (net)	443.1	430.7	446.0	372.2	359.7	334.3	333.3	341.7
Of which: official (net)	280.6	265.6	322.7	204.3	234.0	206.1	199.7	202.5
Capital account[1]	258.4	223.1	223.1	194.2	187.9	231.0	277.2	311.1
Financial account	151.7	137.1	178.2	265.0	235.4	229.3	230.7	227.6
Direct investment	3.4	2.6	0.6	68.0	68.0	71.4	75.0	78.7
Other investment	148.3	134.5	177.6	197.0	167.4	157.9	155.7	148.8
Assets	-46.8	-21.6	-48.9	-35.5	-38.9	-80.8	-72.1	-78.4
Liabilities	195.2	156.1	226.5	232.5	206.3	238.7	227.8	227.2
Errors and omissions	-122.6	0.0	42.8	0.0	0.0	0.0	0.0	0.0
Overall balance	-35.3	-26.8	10.7	37.2	-0.1	-17.9	-8.2	-5.5
Financing (increase in assets = –)	35.3	26.8	-10.7	-37.2	0.1	0.1	0.2	0.1
Of which: change in official reserves	36.7	26.2	-13.2	-37.5	-14.9	-32.4	-27.6	-37.0
Fund Purchases and loans	20.4	15.4	15.4	15.4	15.1	15.2	7.6	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	17.8	8.0	5.4
	(Percent of GDP, unless otherwise indicated)							
Memorandum items:								
Current account	-14.8	-16.3	-18.8	-16.0	-16.0	-16.5	-16.5	-15.9
Gross official reserves								
US$ million	296	269	309	307	324	356	383.7	420.6
Months of imports	3.3	3.3	3.9	3.6	3.8	4.0	4.0	4.4
PV of external debt (percent of exports of GS)	196	187	187	226	226	220	212	209
Government external debt (percent of GDP)	24	21	21	19	19	18	18	16
Coffee price (US cents per lb)	273	188	188	159	138	133	141	138
Oil (US$/barrel)	104	105	105	103	102	98	93	90
Nominal GDP (US$ million)	2,182	2,372	2,307	2,632	2,643	2,898	3,126	3,420

Sources: Burundi authorities; IMF staff estimates and projections.

[1] Based on preliminary information provided by donors.

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
							Projections						
Fund obligations based on existing credit													
(SDR million)													
Principal	3.2	10.6	12.5	13.0	12.0	12.5	10.3	7.6	5.0	2.4	0.5	0.0	0.0
Charges and interest	0.0	0.0	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Fund obligations based on existing and prospective credit													
(SDR million)													
Principal	3.2	10.6	12.5	13.0	12.0	12.5	11.8	10.6	8.0	5.4	3.5	1.5	0.5
Charges and interest	0.0	0.0	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Total obligations based on existing and prospective credit													
SDR million	3.2	10.6	12.7	13.2	12.1	12.6	11.8	10.7	8.0	5.4	3.5	1.5	0.5
Percent of exports of goods and services	2.8	8.3	9.2	7.8	6.7	6.4	5.6	4.6	3.2	2.0	1.2	0.5	0.1
Percent of debt service[1]	22.3	54.0	55.3	48.4	46.6	45.8	42.7	42.4	32.7	23.7	15.2	7.0	2.3
Percent of gross official reserves	1.5	4.5	5.0	4.8	4.0	3.7	3.0	2.6	1.8	1.1	0.6	0.3	0.1
Percent of GDP	0.2	0.6	0.6	0.6	0.5	0.5	0.4	0.4	0.3	0.2	0.1	--	--
Percent of quota	4.1	13.7	16.5	17.1	15.8	16.3	15.4	13.9	10.4	7.0	4.6	1.9	0.6
Outstanding Fund credit													
SDR million	94.8	94.2	86.7	73.8	61.8	49.3	37.6	26.9	19.0	13.6	10.1	8.6	8.1
Percent of exports of goods and services	82.9	73.8	63.0	43.5	34.1	25.0	17.7	11.7	7.6	5.0	3.4	2.6	2.3
Percent of debt service[1]	668.5	482.2	378.0	271.2	237.1	179.8	135.6	107.0	77.3	59.3	43.5	39.9	37.6
Percent of gross official reserves	44.3	40.1	34.5	26.9	20.4	14.7	9.6	6.5	4.4	2.6	1.8	1.4	1.2
Percent of GDP	5.4	4.9	4.2	3.3	2.6	1.9	1.4	1.0	0.6	0.4	0.3	0.2	0.2
Percent of quota	123.1	122.4	112.7	95.8	80.2	64.0	48.8	35.0	24.6	17.6	13.1	11.1	10.5
Net use of Fund credit (SDR million)	6.8	-0.6	-7.5	-13.0	-12.0	-12.5	-11.8	-10.6	-8.0	-5.4	-3.5	-1.5	-0.5
Disbursements	10.0	10.0	5.0	--	--	--	--	--	--	--	--	--	--
Repayments and repurchases	3.2	10.6	12.5	13.0	12.0	12.5	11.8	10.6	8.0	5.4	3.5	1.5	0.5
Memorandum items:													
Exports of goods and services (US$ million)	172.8	193.6	210.0	260.0	279.2	303.9	327.6	355.9	386.0	421.4	457.8	497.9	541.5
Debt service (US$ million)	21.4	29.6	35.0	41.7	40.2	42.3	42.7	38.8	37.8	35.2	35.6	33.0	33.0
Gross official reserves (US$ million)	324	356	384	421	467	518	600	634	670	791	853	922	999
Nominal GDP ((US$ million)	2,643.3	2,897.6	3,126.4	3,419.7	3,678.9	3,936.0	4,114.2	4,357.3	4,578.8	4,861.2	5,145.7	5,480.7	5,829.5
Quota (SDR, million)	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0	77.0

Sources: IMF staff estimates and projections.

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

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

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

Source: IMF staff estimates.

Table 8. Burundi: Banking Systems Soundness Indicators, 2009–13
(percent, unless otherwise indicated)

	2009 Dec.	2010 Dec	2011 Mar	2011 Jun	2011 Sept	2011 Dec	2012 Mar	2012 Jun	2012 Sep	2012 Dec.	2013 Mar.
Capital Requirement											
Capital requirement over weighted assets (solvency ratio)	19.1	19.7	21.7	20.7	20.0	19.8	19.8	18.9	19.7	20.2	21.1
Core capital (Tier 1 capital) over weighted assets	15.5	16.9	18.9	18.1	17.6	17.3	17.3	16.6	17.5	18.0	18.9
Quality of assets											
Nonperforming loans (percent of total gross loans granted)	13.0	10.0	8.8	7.6	7.3	7.7	8.1	7.3	8.0	8.7	9.6
Provisions (percent of nonperforming loans)	88.7	87.6	90.5	90.6	81.9	83.3	76.7	83.1	78.0	77.8	72.8
Nonperforming loans net of provisions (percent of capital)	5.4	4.3	2.8	2.6	5.0	4.9	7.1	5.0	6.7	7.1	9.4
Large exposures (percent of capital)	28.2	28.6	25.8	27.3	21.7	23.5	20.8	23.4	20.8	22.9	23.8
Profitability rates											
Return on assets	2.6	2.5	1.0	1.9	2.9	3.2	0.7	1.1	1.5	1.5	…
Return on equity capital	22.8	21.8	6.7	13.2	20.3	23.0	4.6	8.0	10.2	10.5	…
Net interest (percent of gross results)	207.0	191.3	168.3	164.8	165.7	175.6	176.9	184.9	192.7	197.8	204.1
Costs excluding interest (percent of gross outturn)	172.3	143.4	101.4	100.0	121.4	114.0	128.6	112.1	153.7	241.0	199.1
Liquidity											
Liquid assets (percent of all loans granted)	91.4	90.5	77.7	55.8	49.5	59.5	56.0	45.8	26.7	52.6	52.5
Liquid assets (percent of short-term commitments)	168.8	153.5	133.0	91.2	79.4	93.1	88.6	70.8	74.2	85.5	103.9

Sources: Burundi authorities.

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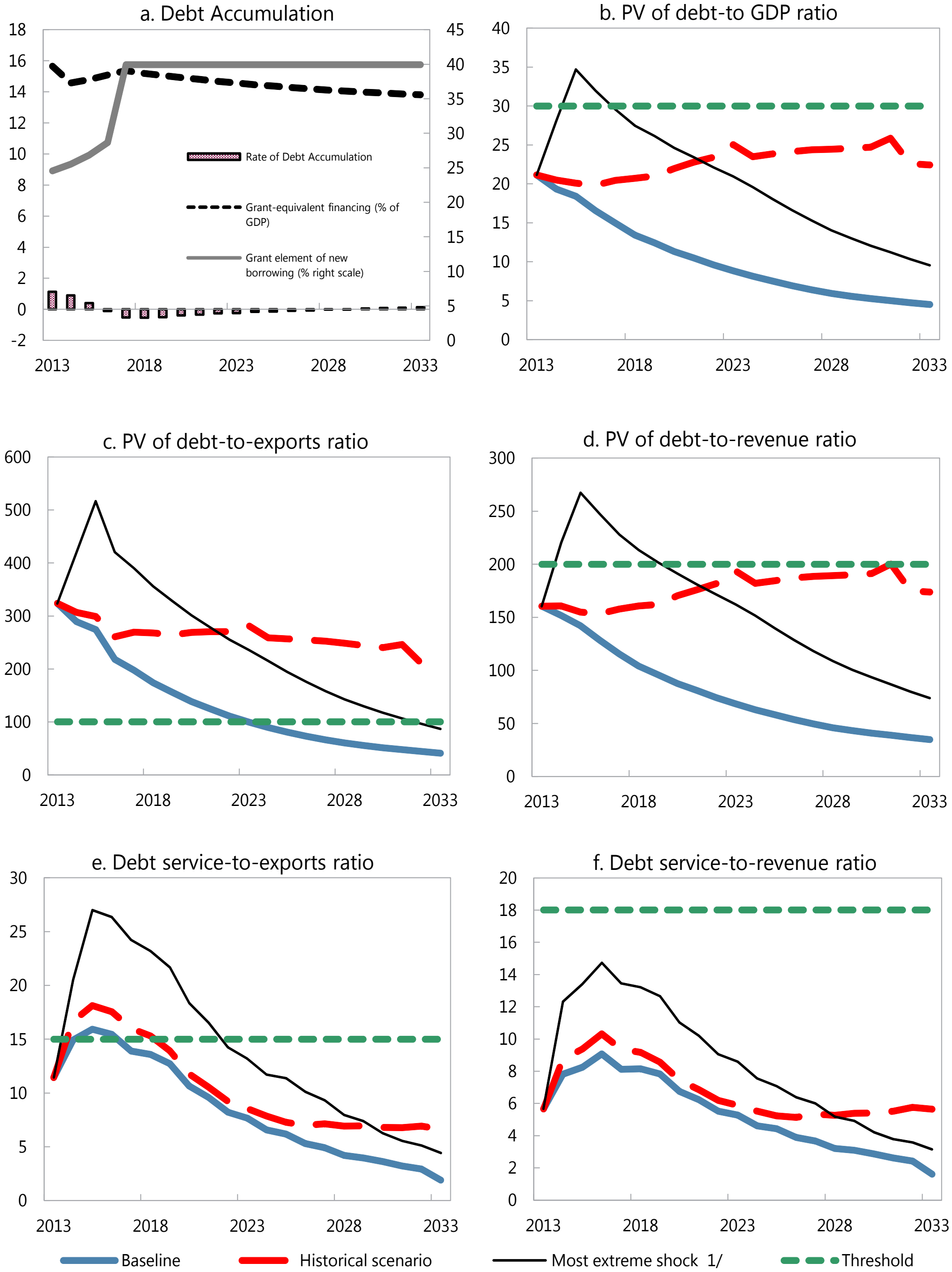
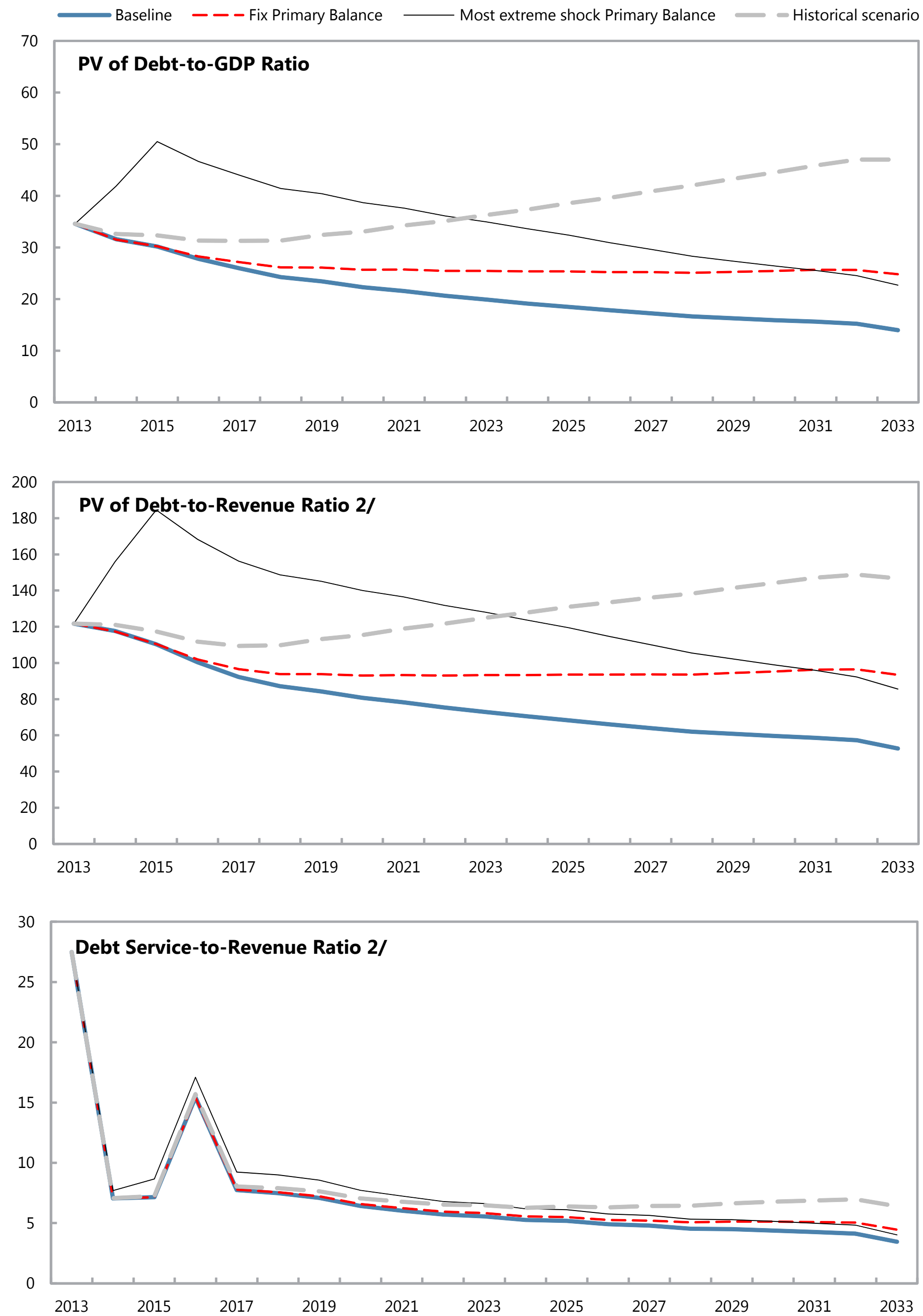
Figure 3. Burundi: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013-2033



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023. In figure b. it corresponds to a Non-debt flows shock; in c. to a Non-debt flows shock; in d. to a Non-debt flows shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Figure 4. Burundi: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2013-2033[1]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023.

2/ Revenues are defined inclusive of grants.

Table 9: External Debt Sustainability Framework, Baseline Scenario, 2010-2033 1/

(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average 6/	Standard Deviation 6/	Projections									
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-2018 Average	2023	2033	2019-2033 Average
External debt (nominal) 1/	**22.5**	**23.6**	**22.6**			**19.8**	**18.3**	**17.6**	**15.9**	**14.4**	**13.0**		**9.0**	**5.5**	
of which: public and publicly guaranteed (PPG)	22.5	23.6	22.6			19.8	18.3	17.6	15.9	14.4	13.0		9.0	5.5	
Change in external debt	0.9	1.0	-0.9			-2.8	-1.5	-0.7	-1.6	-1.5	-1.5		-0.6	-0.2	
Identified net debt-creating flows	13.7	3.9	7.4			0.5	1.8	1.2	0.4	-1.4	-0.8		-2.4	0.7	
Non-interest current account deficit	**12.2**	**14.7**	**18.7**	**7.9**	**7.9**	**15.9**	**16.4**	**16.4**	**15.8**	**14.0**	**13.5**		**13.3**	**22.1**	17.3
Deficit in balance of goods and services	-52.5	-54.9	-56.7			-42.3	-41.1	-40.3	-40.9	-39.1	-38.6		-40.2	-51.8	
Exports	8.9	10.3	9.5			6.5	6.7	6.7	7.6	7.6	7.7		8.9	11.0	
Imports	-43.6	-44.6	-47.2			-35.7	-34.4	-33.6	-33.3	-31.5	-30.9		-31.3	-40.8	
Net current transfers (negative = inflow)	-23.0	-20.3	-19.3	-20.4	4.2	-13.6	-11.5	-10.7	-10.0	-9.9	-9.6		-8.8	-7.8	-8.3
of which: official	-17.4	-12.9	-14.0			-8.9	-7.1	-6.4	-5.9	-6.0	-5.8		-5.1	-4.2	
Other current account flows (negative = net inflow)	87.7	89.9	94.7			71.7	69.0	67.3	66.6	62.9	61.7		62.3	81.7	
Net FDI (negative = inflow)	**4.4**	**-9.3**	**-10.1**	**-4.2**	**6.2**	**-14.7**	**-13.8**	**-14.5**	**-14.7**	**-14.8**	**-13.7**		**-15.3**	**-21.1**	-17.0
Endogenous debt dynamics 2/	**-3.0**	**-1.5**	**-1.2**			**-0.7**	**-0.7**	**-0.7**	**-0.7**	**-0.6**	**-0.6**		**-0.4**	**-0.4**	
Contribution from nominal interest rate	0.1	0.1	0.1			0.2	0.1	0.1	0.2	0.2	0.1		0.1	0.0	
Contribution from real GDP growth	-0.7	-0.9	-0.9			-0.9	-0.9	-0.8	-0.8	-0.8	-0.7		-0.5	-0.4	
Contribution from price and exchange rate changes	-2.3	-0.8	-0.4			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-12.7**	**-2.9**	**-8.3**			**-3.3**	**-3.3**	**-1.9**	**-2.1**	**0.0**	**-0.6**		**1.7**	**-0.8**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	24.5			21.2	19.3	18.4	16.6	15.0	13.4		8.8	4.5	
In percent of exports	...	...	258.5			323.7	289.4	274.3	218.0	197.5	173.7		99.5	41.1	
PV of PPG external debt	**...**	**...**	**24.5**			**21.2**	**19.3**	**18.4**	**16.6**	**15.0**	**13.4**		**8.8**	**4.5**	
In percent of exports	**...**	**...**	**258.5**			**323.7**	**289.4**	**274.3**	**218.0**	**197.5**	**173.7**		**99.5**	**41.1**	
In percent of government revenues	**...**	**...**	**154.6**			**160.4**	**151.6**	**142.0**	**128.2**	**115.5**	**104.1**		**68.4**	**34.9**	
Debt service-to-exports ratio (in percent)	**587.5**	**1.8**	**2.1**			**16.7**	**14.9**	**15.9**	**15.4**	**13.9**	**13.6**		**7.7**	**1.9**	
PPG debt service-to-exports ratio (in percent)	**587.5**	**1.8**	**2.1**			**11.4**	**14.9**	**15.9**	**15.4**	**13.9**	**13.6**		**7.7**	**1.9**	
PPG debt service-to-revenue ratio (in percent)	**358.5**	**1.1**	**1.3**			**5.7**	**7.8**	**8.2**	**9.1**	**8.1**	**8.1**		**5.3**	**1.6**	
Total gross financing need (millions of U.S. dollars)	1394.9	121.7	201.8			60.3	102.4	92.2	76.6	8.3	31.8		-64.6	124.6	
Non-interest current account deficit that stabilizes debt ratio	11.3	13.6	19.6			18.7	17.9	17.0	17.4	15.5	14.9		14.0	22.3	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.8	4.2	4.0	4.1	0.8	4.5	4.7	4.8	5.0	5.2	5.4	4.9	5.9	6.9	6.2
GDP deflator in US dollar terms (change in percent)	12.1	3.5	1.6	8.2	8.8	9.7	4.7	3.0	4.2	2.3	1.5	4.2	-0.1	0.9	0.3
Effective interest rate (percent) 5/	0.3	0.6	0.5	0.7	0.2	0.9	0.8	0.9	1.0	1.0	1.1	0.9	1.2	0.2	1.2
Growth of exports of G&S (US dollar terms, in percent)	52.3	25.1	-3.1	21.5	25.6	-20.9	12.0	8.4	23.8	7.4	8.8	6.6	8.6	10.5	9.0
Growth of imports of G&S (US dollar terms, in percent)	76.0	10.2	12.0	26.6	32.2	-13.3	5.5	5.4	8.3	1.8	5.1	2.1	5.7	7.1	8.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	24.5	25.5	26.8	28.6	39.9	39.9	30.9	39.9	39.9	39.9
Government revenues (excluding grants, in percent of GDP)	14.6	16.6	15.8			13.2	12.7	13.0	12.9	13.0	12.9		12.9	12.9	12.9
Aid flows (in millions of US dollars) 7/	490.9	513.5	467.9			420.2	431.6	472.5	526.1	575.4	608.3		763.8	1422.7	
of which: Grants	460.9	487.7	423.0			402.6	408.6	450.5	506.1	558.5	590.4		740.3	1376.6	
of which: Concessional loans	30.0	25.8	44.9			17.6	23.1	22.1	20.1	16.9	17.9		23.5	46.1	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			15.6	14.6	14.8	15.1	15.4	15.2		14.6	13.8	14.3
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			92.4	91.4	93.4	95.4	98.2	98.2		98.2	98.1	98.1
Memorandum items:															
Nominal GDP (millions of US dollars)	2024.0	2181.9	2306.8			2643.3	2897.6	3126.4	3419.7	3678.9	3936.0		5145.7	10102.8	
Nominal dollar GDP growth	16.4	7.8	5.7			14.6	9.6	7.9	9.4	7.6	7.0	9.3	5.9	7.9	6.5
PV of PPG external debt (in millions of US dollars)			526.7			552.5	576.3	587.6	583.9	565.7	545.7		468.8	469.8	
(PVt-PVt-1)/GDPt-1 (in percent)						1.1	0.9	0.4	-0.1	-0.5	-0.5	0.2	-0.3	0.1	-0.1
Gross workers' remittances (millions of US dollars)	...	...	...			...	...	...	...	...	...		...	...	
PV of PPG external debt (in percent of GDP + remittances)	...	...	24.5			21.2	19.3	18.4	16.6	15.0	13.4		8.8	4.5	
PV of PPG external debt (in percent of exports + remittances)	...	...	258.5			323.7	289.4	274.3	218.0	197.5	173.7		99.5	41.1	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.1			11.4	14.9	15.9	15.4	13.9	13.6		7.7	1.9	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

Table 10. Burundi: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013-2033 (continued)
(In percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
PV of debt-to GDP ratio								
Baseline	21	19	18	17	15	13	**9**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	21	20	20	20	20	21	**25**	22
A2. New public sector loans on less favorable terms in 2013-2033 2	21	20	20	18	17	15	**11**	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	21	20	19	18	16	14	**9**	5
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	21	21	21	19	17	16	**11**	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	21	22	23	21	18	17	**11**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	21	28	35	32	30	27	**21**	10
B5. Combination of B1-B4 using one-half standard deviation shocks	21	27	33	30	28	26	**19**	9
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	21	28	26	24	22	19	**13**	7
PV of debt-to-exports ratio								
Baseline	324	289	274	218	197	174	**99**	41
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	324	307	299	261	270	268	**281**	204
A2. New public sector loans on less favorable terms in 2013-2033 2	324	305	292	239	219	197	**125**	67
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	324	298	280	225	203	180	**103**	43
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	324	379	451	363	330	294	**174**	70
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	324	298	280	225	203	180	**103**	43
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	324	421	516	421	390	356	**236**	87
B5. Combination of B1-B4 using one-half standard deviation shocks	324	408	497	404	372	338	**219**	82
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	324	298	280	225	203	180	**103**	43
PV of debt-to-revenue ratio								
Baseline	160	152	142	128	116	104	**68**	35
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	160	161	155	153	158	161	**194**	174
A2. New public sector loans on less favorable terms in 2013-2033 2	160	160	151	141	128	118	**86**	57
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	160	159	150	137	123	111	**73**	37
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	160	162	161	147	133	122	**83**	41
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	160	172	174	159	142	129	**85**	43
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	160	220	267	247	228	213	**162**	74
B5. Combination of B1-B4 using one-half standard deviation shocks	160	211	255	236	216	201	**149**	69
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	160	219	203	185	166	151	**99**	51

Table 10. Burundi: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013-2033

(In percent)

Debt service-to-exports ratio

Baseline	11	15	16	15	14	14	**8**	2
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	11	17	18	18	16	15	**9**	7
A2. New public sector loans on less favorable terms in 2013-2033 2	11	17	19	18	17	17	**9**	4
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	11	17	18	18	16	16	**9**	3
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	11	21	27	26	24	23	**13**	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	11	17	18	18	16	16	**9**	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	11	17	20	20	19	18	**10**	6
B5. Combination of B1-B4 using one-half standard deviation shocks	11	18	22	22	20	19	**11**	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	11	17	18	18	16	16	**9**	3

Debt service-to-revenue ratio

Baseline	6	8	8	9	8	8	**5**	2
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 1/	6	9	9	10	9	9	**6**	6
A2. New public sector loans on less favorable terms in 2013-2033 2	6	9	10	11	10	10	**6**	3
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	6	9	10	11	10	10	**6**	2
B2. Export value growth at historical average minus one standard deviation in 2014-2015 3/	6	9	10	11	10	10	**6**	3
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	6	10	11	13	12	11	**7**	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 4/	6	9	10	12	11	11	**7**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	6	9	11	13	12	11	**8**	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 5/	6	12	13	15	13	13	**9**	3
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	35	35	35	35	35	35	**35**	35

Sources: Country authorities; and staff estimates and projections.

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

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly a an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 11. Burundi: Public Sector Debt Sustainability Framework, Baseline Scenario, 2010-2033

(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2010	2011	2012	Average 5/	Standard Deviation 5/	2013	2014	2015	2016	2017	2018	2013-18 Average	2023	2033	2019-33 Average
Public sector debt 1/	39.8	39.9	38.3			33.2	30.5	29.4	27.2	25.4	23.8		20.0	15.0	
of which: foreign-currency denominated	22.5	23.6	22.6			19.8	18.3	17.6	15.9	14.4	13.0		9.0	5.5	
Change in public sector debt	14.3	0.1	-1.6			-5.1	-2.7	-1.2	-2.2	-1.7	-1.6		-0.6	-1.2	
Identified debt-creating flows	-0.7	1.8	-0.8			-5.0	-2.2	-0.6	-1.4	-1.2	-1.0		-0.6	-1.0	
Primary deficit	2.3	2.5	3.1	-3.8	14.9	1.2	1.4	1.1	0.6	0.0	0.1	0.7	-0.1	-0.3	-0.1
Revenue and grants	37.4	39.0	34.2			28.4	26.8	27.4	27.7	28.2	27.9		27.3	26.5	
of which: grants	22.8	22.4	18.3			15.2	14.1	14.4	14.8	15.2	15.0		14.4	13.6	
Primary (noninterest) expenditure	39.7	41.5	37.3			29.7	28.2	28.4	28.4	28.2	27.9		27.2	26.3	
Automatic debt dynamics	-3.0	-0.7	-3.5			-6.1	-3.5	-1.6	-2.1	-1.1	-1.1		-0.5	-0.7	
Contribution from interest rate/growth differential	-3.0	-4.3	-6.0			-5.4	-3.3	-2.5	-2.3	-1.7	-1.2		-0.7	-0.8	
of which: contribution from average real interest rate	-2.1	-2.7	-4.4			-3.8	-1.8	-1.1	-0.9	-0.4	0.1		0.4	0.2	
of which: contribution from real GDP growth	-0.9	-1.6	-1.5			-1.6	-1.5	-1.4	-1.4	-1.3	-1.3		-1.2	-1.0	
Contribution from real exchange rate depreciation	0.1	3.6	2.5			-0.7	-0.2	0.9	0.3	0.6	0.1		...	...	
Other identified debt-creating flows	0.0	0.0	-0.4			-0.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	-0.4			-0.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	15.0	-1.7	-0.9			0.0	-0.5	-0.6	-0.7	-0.6	-0.6		0.0	-0.2	
Other Sustainability Indicators															
PV of public sector debt	...	...	40.1			34.6	31.6	30.2	27.8	26.0	24.3		19.9	14.0	
of which: foreign-currency denominated	...	...	24.5			21.2	19.3	18.4	16.6	15.0	13.4		8.8	4.5	
of which: external	...	...	24.5			21.2	19.3	18.4	16.6	15.0	13.4		8.8	4.5	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	57.9	11.3	18.2			11.4	7.7	7.8	10.0	9.6	10.0		10.7	9.9	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	117.5			121.8	117.7	110.4	100.4	92.3	87.1		73.0	52.7	
PV of public sector debt-to-revenue ratio (in percent)	...	...	253.7			262.3	247.9	233.0	215.4	200.3	188.6		154.1	108.3	
of which: external 3/	...	...	154.6			160.4	151.6	142.0	128.2	115.5	104.1		68.4	34.9	
Debt service-to-revenue and grants ratio (in percent) 4/	141.4	12.4	35.2			27.5	7.1	7.2	15.4	7.7	7.5		5.6	3.5	
Debt service-to-revenue ratio (in percent) 4/	362.2	29.1	76.0			59.2	14.9	15.1	33.1	16.8	16.2		11.8	7.1	
Primary deficit that stabilizes the debt-to-GDP ratio	-12.0	2.5	4.7			6.3	4.0	2.2	2.8	1.7	1.7		0.5	0.9	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.8	4.2	4.0	4.1	0.8	4.5	4.7	4.8	5.0	5.2	5.4	4.9	5.9	6.9	6.2
Average nominal interest rate on forex debt (in percent)	0.3	0.6	0.5	0.7	0.2	0.9	0.8	0.9	1.0	1.0	1.1	0.9	1.2	0.2	1.2
Average real interest rate on domestic debt (in percent)	3.3	-0.9	-9.5	-3.3	7.9	-10.8	-4.6	-0.2	-0.1	3.0	3.8	-1.5	5.3	3.8	5.0
Real exchange rate depreciation (in percent, + indicates depreciation)	0.3	19.1	12.7	3.7	12.2	-3.6	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	12.2	6.0	16.3	13.1	9.5	18.5	12.3	7.0	7.9	5.4	4.1	9.2	2.4	3.4	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.1	-0.1	0.1	0.2	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	24.5	25.5	26.8	28.6	39.9	39.9	30.9	39.9	39.9	...

Sources: Country authorities; and staff estimates and projections.

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

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

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

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

Table 12. Burundi: Sensitivity Analysis for Key Indicators of Public Debt 2013-2033

	Projections							
	2013	2014	2015	2016	2017	2018	2023	2033
PV of Debt-to-GDP Ratio								
Baseline	35	32	30	28	26	24	20	14
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	35	33	32	31	31	31	36	47
A2. Primary balance is unchanged from 2013	35	32	30	28	27	26	25	25
A3. Permanently lower GDP growth 1/	35	32	30	28	26	25	21	17
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	35	32	31	29	28	26	22	18
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	35	42	51	47	44	41	35	23
B3. Combination of B1-B2 using one half standard deviation shocks	35	37	42	39	37	35	30	21
B4. One-time 30 percent real depreciation in 2014	35	40	38	35	32	30	24	16
B5. 10 percent of GDP increase in other debt-creating flows in 2014	35	38	36	33	31	29	24	17
PV of Debt-to-Revenue Ratio 2/								
Baseline	122	118	110	100	92	87	73	53
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	122	121	117	112	109	110	125	147
A2. Primary balance is unchanged from 2013	122	117	111	102	97	94	93	94
A3. Permanently lower GDP growth 1/	122	118	111	101	93	88	76	62
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	122	119	113	104	96	92	81	65
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	122	156	185	168	156	149	128	86
B3. Combination of B1-B2 using one half standard deviation shocks	122	139	151	139	129	123	108	79
B4. One-time 30 percent real depreciation in 2014	122	148	138	125	114	108	88	61
B5. 10 percent of GDP increase in other debt-creating flows in 2014	122	141	133	121	112	106	89	62
Debt Service-to-Revenue Ratio 2/								
Baseline	27	7	7	15	8	7	6	3
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	27	7	7	16	8	8	6	6
A2. Primary balance is unchanged from 2013	27	7	7	15	8	8	6	4
A3. Permanently lower GDP growth 1/	27	7	7	15	8	8	6	4
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	27	7	7	16	8	8	6	4
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	27	7	8	17	9	8	6	5
B3. Combination of B1-B2 using one half standard deviation shocks	27	7	8	16	9	8	6	5
B4. One-time 30 percent real depreciation in 2014	27	8	9	17	9	9	7	4
B5. 10 percent of GDP increase in other debt-creating flows in 2014	27	7	7	16	8	8	6	4

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.

APPENDIX. LETTER OF INTENT

Bujumbura, August 21, 2013

Ms. Christine Lagarde
Managing Director
International Monetary Fund
Washington, D.C., 20431

Dear Ms. Lagarde:

1. On January 27, 2012, the Executive Board of the International Monetary Fund (IMF) approved a new three-year arrangement under the Extended Credit Facility (ECF) in favor of the Republic of Burundi. This arrangement is intended to support our medium-term program and to strengthen macroeconomic stability, expedite growth, and reduce poverty. Under this arrangement, the government of Burundi and an IMF mission recently assessed implementation of the program as part of the third review of the arrangement. This review focused on program implementation from October 1, 2012 to March 31, 2013, as well as on the outlook and the economic and financial measures to be implemented in 2013.

2. Since early 2013, Burundi has continued to face a difficult economic environment owing largely to the fall in budget support following the euro zone crisis and the modest recovery in domestic economic activity due to the fire at the central market in the capital Bujumbura. Further, in response to the worsening living standards of low-income earners, the government introduced a tax exemption on monthly wages of below BIF 150,000 (about US$100). The combined effect of these developments has created fiscal pressures, particularly as domestic revenues have underperformed initial expectations, and put significant strains on macroeconomic stability. To rein in these problems and preserve fiscal sustainability, the government has implemented fiscal and tax measures including, in particular, (i) the reintroduction of VAT on foodstuffs and petroleum products; (ii) the elimination of exemptions under all procurement contracts, and (iii) a substantial decrease in domestically-financed spending. The new measures have been included in a revised budget approved by Parliament in July 2013.

3. These shocks notwithstanding, program implementation at end-March 2013 was satisfactory overall. All performance criteria and indicative targets were observed, with the exception of the indicative target on pro-poor expenditure owing, once again, to spending cuts and delays in the disbursement of budget support. Nevertheless, the government is firmly committed to pressing ahead with the program with a view to preserving fiscal and debt sustainability and relaunching the country’s economic recovery in the medium term. Moreover, the government intends to maintain its prudent fiscal and monetary policies to anchor inflationary pressures.

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

5. Further, the government is requesting a change in the external non-concessional borrowing limit under the ECF so as to be able to use the 28 million US dollar loan that is not yet contracted by the Burundian government with the Saudi Fund for Development and cofinanced by the OPEC Fund for International Development to finance road infrastructure.

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

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

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

Sincerely yours,

/s/

Tabu Abdallah MANIRAKIZA
Minister of Finance and
Economic Development Planning

/s/

Jean CIZA
Governor, Bank of the Republic of Burundi

/s/

Gervais RUFYIKIRI
Second Vice-President, Republic of Burundi

Attachments: Memorandum of economic and Financial Policies (MEFP)
Technical Memorandum of Understanding (TMU)

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

I. INTRODUCTION

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

2. The political and social situation remains fragile because of social pressures in the form of strikes and wage increase demands and is exacerbated by the return of refugees from Tanzania and tensions in the eastern part of the Democratic Republic of Congo (DRC). All of these developments make it difficult to formulate and implement prudent macroeconomic policy, undermining the significant progress made since 2005. Further, Burundi continues to face worsening terms of trade and markedly lower levels of budget support that cannot be fully offset by the increased mobilization of domestic resources given its narrow tax base. Mediation efforts by the United Nations to promote dialogue between the ruling party and the parties in opposition, nonetheless, augur well for the future. However, for all of the above reasons, Burundi still needs technical and financial support from UN agencies and other bilateral partners to complete the transformation of its economy and strengthen its political institutions.

3. As a follow up to the October 2012 Burundi development partners conference held in Geneva, in July 2013, the government organized a sectoral conference covering infrastructure, education, and private sector development. We commend our development partners for their support, which is a demonstration of their commitment to helping us combat endemic poverty in Burundi by promoting sustainable economic growth and reducing unemployment. We plan to hold a second sectoral conference in October 2013. The aim of these two sectoral conferences is to mobilize the financial resources needed to implement the second-generation poverty reduction and growth strategy. Despite the progress achieved since 2005, the government is aware that much remains to be done in these areas. The authorities have therefore requested political support and additional resources to promote growth and reduce endemic poverty.

II. PROGRAM IMPLEMENTATION

4. Macroeconomic developments are largely in line with program projections. Economic growth slowed slightly to 4.0 percent at end-December 2012 versus 4.2 percent in 2011. This slowdown in economic activity reflects the reduction in investment spending prompted by the decline in budget support, worsening terms of trade, and the tightening of monetary policy. Inflation slowed to 11.8 percent at end-December 2012.

5. The overall fiscal deficit (cash basis, including grants) is around 3.7 percent, slightly above the target of 2.7 percent. Domestic revenue amounted to FBu 526.7 billion, that is, 14.8 percent of GDP, as a result of the introduction of tax measures on alcoholic beverages and telephone communications to offset the effects of exemptions on foodstuffs. These tax measures adopted in the context of the 2012 revised budget partially made up for the revenue shortfall resulting from the exemption of food products. Total expenditure exceeded projections by around one percentage point of GDP owing to goods and services and grant-financed capital project expenditure overruns. Pro-poor spending was lower than expected, however, reflecting the shortfall in budget support.

6. Despite facing social demands for the harmonization of salaries, the government maintained its efforts to keep the wage bill trending downward in relation to GDP, achieving a 0.8 percent reduction from 2011 to 7.9 percent of GDP. The installation of OPEN PRH, a human resource and civil service payroll management software program, jointly managed by the Ministry of Finance and the Ministry responsible for the Civil Service, has made it possible to expunge ghost workers and will be used as a tool for controlling recruitment not provided for in the budget.

7. In 2012, monetary policy remained prudent. The BRB kept its refinancing rate indexed to the interest rate of 13-week treasury paper plus 3 percentage points. The annual average refinancing rate was 14.5 percent. Growth of the money supply and of credit was moderate, amounting to around 10.5- and 13.8 percent, respectively. Foreign exchange policy flexibility was maintained by determining the weighted average of foreign exchange buying and selling rates set the preceding day by the commercial banks.

8. The external current account deficit widened to around 19 percent of GDP in 2012, propelled by sharply higher humanitarian aid imports. This deficit was, however, more than offset by the financial and capital accounts surplus generated by capital inflows, resulting in an increase of gross official reserves to US$309 million at end-2012 (that is, the equivalent of 3.9 months of imports of goods and services).

9. Program implementation is broadly satisfactory. At end-March 2013, all quantitative performance criteria were met, with the exception of the indicative target on pro-poor spending, owing to the downward revision of the total forecast for the year and delays in awarding contracts for public projects in the first quarter of the fiscal year

10. Progress in the area of public finances continues to be consolidated. In the context of a pilot program, the government has deployed three expenditure commitment auditors (CEDs) to the

ministries of education, health, and agriculture and is planning to deploy CEDs to eight other ministries by end-December 2014. However, in order for the CEDs to be fully functional, their capacities would need to be strengthened and the SIGEFI system would need to be reconfigured to take account of the decentralization of the expenditure chain. Although with some delay, the government has made arrangements to audit the stock of payment arrears estimated at FBu 90 billion resulting from extrabudgetary spending on cartage, goods and services for the army, education, and health. A plan to settle these arrears is to drawn up. The cash-flow management committee has been strengthened but its work is hampered by the unpredictability of budget grant disbursements. Lastly, the Parliament has adopted a draft law on the VAT designed to expand the VAT tax base and reduce the size of the informal sector.

11. As part of the financial system reform, the central bank pursues the implementation of projects related to the modernization of the financial sector, one of the components of the proposed financial sector development (PSD). In this context, the central bank will: (1) strengthen the supervision of banks and non-banking institutions and microfinance financial institutions; (2) modernize the payment systems (ACH / RTGS, payment Services and central securities depository) by strengthening the IT infrastructure; and (3) implement an automated banking system and the legal and institutional framework of the payment system. Significant progress has been made on all aspects of the modernization of the financial sector, particularly the legal framework. In fact, the law on the National Payment System went to the Council of Ministers on April 4, 2012. It was returned to the Second Vice-President of the Republic for corrections and possible amendments. The central bank will resubmit shortly the amended draft to the Ministry of Finance for promulgation. Finally, the legal framework will be enhanced by the drawing of agreements that will be signed by all participants.

12. The revision of the Banking Law is in its final stage. It will take into account the legal framework for mobile banking and micro-finance institutions to ensure consistency of regulations governing the financial sector. The draft regulations on electronic money, on payment services and on commercial agents in Bank operations and payment services are being finalized to expand the legal framework for mobile banking and electronic banking. Their enactment will take place after the promulgation of the revised banking law, from which they emanate. A draft project to amend the decree regulating microfinance institutions has been revised and will be finalized after validation of the revised banking law by the BRB management, to avoid contradictions in the two texts, especially regarding the payment services (including mobile banking). Two new banks from Kenya and Tanzania have opened branches in Burundi, thus enhancing financial integration in the EAC. In addition, an interbank electronic payment protocol is being signed by the commercial banks and the Post Office. It aims to create a common recent interbank company whose primary mission is the management of the Centre for Electronic Payment Processing for interbank electronic payment transactions.

13. In the area of bank supervision, business continuity planning was adopted by the banking sector and the banking supervision department was reorganized to include the financial stability assessment function. Preparation of the risk-based supervision methodology and the detailed risk-

based supervision manual as well as the attendant draft circular are in the process of being finalized. Given the final migration to IFRS reporting is scheduled to take place at end-June 2013, the central bank agreed with the commercial banks that all reporting must respect this deadline Quality control of reporting and any adjustments needed will be carried out on the basis of the first three monthly reports generated. The dashboards and consistency tests will be designed in October 2013. With a view to assessing the systemic risks of pan-African banks (Ecobank Burundi, FinBank, DTB Burundi, KCB Bank Burundi, and CRDB Bank Burundi), the supervisors of the banking supervision department have participated in joint inspection missions with supervisors from the Central Bank of Kenya during on-site supervision missions of the KCB and the DTB, the parent companies of KCB Bank Burundi and DTB Burundi, respectively. Further, in December 2012, supervisors from the Central Bank of Nigeria carried out an inspection mission of FinBank, a subsidiary of Access Bank, accompanied by supervisors from the BRB.

14. A draft version of the revised banking law has been finalized and submitted to the IMF for its input. The BRB intends to finalize the draft taking on board comments from the National Bank of Belgium prior to circulating it to the profession for comment. To ensure consistency in financial sector regulation, it will also take into account the legal framework governing mobile banking and microfinance institutions. The draft regulations on the role of e-money, payment services, and commercial agents in Bank operations and payment services are being finalized to expand the legal framework for mobile banking and e-money. They will be published following promulgation of the revised banking law, from which they derive. A draft revision of the decree governing microfinance institutions was reviewed and will be finalized following validation of the draft revised banking law by the Bank's management, to avoid contradictions in the two texts, especially with regard to payment services (including mobile banking).

15. In line with the safeguards recommendations, the BRB hired an international audit firm to (i) conduct a special audit of large disbursements on behalf of the government processed by the BRB during June 30, 2011–March 31, 2012, (ii) evaluate the implementation of the new decree on public expenditures management, and (iii) ascertain the status of implementation of earlier special audit recommendations contained in the 2011 report of the audit firm, Deloitte GPO. Although some progress has been made, especially in the area of central bank internal controls, the audit findings indicated ongoing control weaknesses that need to be addressed, including the lack of supporting documents for certain transactions and the partial implementation of the decree establishing the General Regulation on Government Budget Management., The government plans to pursue its program of privatizing coffee stations. At end- December 2012, 41 washing stations were sold to domestic and international private investors in two bidding procedures. A new invitation to bid will be issued for the 76 remaining washing stations following the adoption by Parliament of the privatization law. Given the significant need for financing to revitalize the sector, the government intends to give the private sector a lead role in its strategy to boost production and mitigate the cyclicality of coffee production.

16. Efforts to increase the role of the private sector in the modernization of the Burundian economy have been stepped up. As a result, for two consecutive years, 2012 and 2013, Burundi

has been ranked among the ten best global reformers. According to the World Bank Doing Business report, the country has moved up 22 places, from 181st in 2011 to 172nd in 2012, and 159th in 2013. Looking ahead to beyond these encouraging results, a national private sector development strategy is in the final stages of preparation with a focus on (i) supporting entrepreneurship, (ii) strengthening the legal and regulatory framework, and (iii) facilitating integration into the regional and global economy. Measures undertaken in the context of improving the business environment also include preparation of the draft law establishing the general regime for public private partnership contracts, which has already been discussed at the level of the Council of Ministers.

III. ECONOMIC OUTLOOK AND POLICIES FOR 2013

A. Macroeconomic Framework

17. Despite the difficult social context, the government is firmly committed to pursuing economic reforms aimed at laying the foundation for accelerating economic growth and poverty reduction as outlined in the PRSP-II. However, wage claims and the associated strikes as well as sociopolitical tensions in the subregion (in the DRC) are risks that could result in slippages in program implementation.

18. Notwithstanding these risks, GDP growth is projected to rise slightly to 4.5 percent, up from 4.0 percent in 2012. This upturn in activity is expected to be driven essentially by investments in the telecommunications, hotel, and tourism sectors as well as in the manufacturing sector. In addition, several investments have been made in the energy sector with the implementation of the Kabu 16 major projects and the arrival of additional diesel generators at REGIDESO, thus increasing the country’s electricity supply. Agricultural exports, however, are expected to fall off sharply, owing to the cyclical nature of coffee production. Inflation is expected to slow to around 9.0 percent in 2013. Projections for 2013 show a reduction in the current account deficit to 16 percent of GDP. These projections are driven by the significant drop in imports owing to falling petroleum product prices and lower external aid related imports. Official reserves are projected to increase to 3.8 months of imports, reflecting in part a cutback in BRB interventions on the foreign exchange market.

B. Fiscal Policy

19. The aim of fiscal policy is to support growth, by improving the composition of expenditure, and mitigate the effects of shocks on the most vulnerable segments of the population. In response to weak domestic revenue mobilization at end-March, the government took additional steps to raise revenue and cut government spending. Against that backdrop, revenue and expenditure are expected to amount to 13.2 percent and 30.1 percent of GDP, respectively. The overall fiscal balance deficit (cash basis, including grants) should be contained at 1.7 percent of GDP. Thus, pro-poor spending will be maintained without jeopardizing fiscal consolidation, and the wage bill will be brought under control.

20. Total fiscal revenue was revised downward and is projected to amount to FBu 541.4 billion, that is, 1.9 percentage points of GDP below initial projections. This shortfall is attributable to the adoption of the law governing professional income tax (IPR) that introduced tax exemptions for incomes below the FBu 150.000/month (about US$100) threshold as well as tax advantages related to transport and housing benefits. VAT exemptions granted to enterprises also contributed to the shortfall. However, to attenuate the resulting decline in revenue, the government implemented new tax measures such as the reintroduction of VAT on foodstuffs and petroleum products and the elimination of exemptions on all government procurement contracts. It will also request IMF technical assistance for drafting an excise code and for restructuring the system of tax exemptions to strengthen domestic revenue collection.

21. Total expenditure is estimated at FBu 1,257 billion, that is, 30.1 percent of GDP. Efforts to streamline expenditure will remain a major priority given the lower revenues and declining budget support. In that regard, the government intends to cut domestically-financed capital spending and current expenditure by around 20.5 billion without compromising economic growth. The wage bill relative to GDP is set to dip to 7.3 percent of GDP versus 7.9 percent in 2012.

22. In the health sector, the government will continue its policy of free health care for children under five years and care for women in childbirth. The building of health centers will help to meet the growing demand for health services. The hiring of medical personnel in a context of wage bill containment will contribute to higher quality medical care.

23. With the support of the development partners that have been providing sustained assistance to the education sector through the Education Funding Pool, the government also intends to continue the program of free primary schooling and will expand it to include secondary education in line with its basic education policy. Plans are being made to increase the number of teachers in order to achieve a significant reduction in the teacher-student ratio.

24. In the agricultural sector, the government, in close collaboration with donors, plans to combat the high cost of living and eliminate food insecurity. The support of development partners, in the context of the Fertilizer Fund, represents a significant contribution to improving agricultural production. The government also intends to implement the National Agricultural and Livestock Investment Plan, the priorities of which are as follows: (i) sustainable growth of food production and food security; (ii) professionalization of producers and promotion of innovation; (iii) development of market segments and agri-business, including livestock and fisheries and; (iv) institution-building.

25. The government is committed to maintaining a prudent debt policy to avoid overindebtedness and therefore intends to seek grant funding or highly concessional loans with a grant element of at least 50 percent, in sufficient volume to cover its financing requirements. In view of the central role of debt management in the budgeting process, the government intends to prepare a quarterly report on debt forecasting. Efforts to strengthen the government's debt management capacity will be pursued in 2013 with particular emphasis on the recommendations of the World Bank DEMPA mission of August 2012. In that context, careful attention will be paid to preparing a legal framework governing debt management. A fiscal and monetary policy

coordination committee is to be created shortly and the law on public debt management will be submitted to Parliament by December 30, 2013 at the latest (new structural benchmark).

C. Monetary and Exchange Rate Policy

26. Monetary policy will continue to focus on reducing inflation and stabilizing the expectations of economic agents. Despite the decline in the inflation rate, monetary policy will remain prudent. The central bank will remain vigilant to changes in inflation and improve its ability to predict this macroeconomic indicator. If the decline in inflation becomes sustained and if it does not represent a risk to economic activity, the central bank will analyze, in consultation with the IMF, the possibility of gradual easing of monetary policy to provide the economic resources necessary for its operation without reigniting inflationary pressures.

27. Foreign exchange policy remained flexible as the daily reference exchange rate continued to be determined by the weighted average of foreign currency buying and selling rates set the preceding day by commercial banks. However, to reduce exchange rate volatility, in March 2013 the BRB decided that the margins applicable to foreign currency buying and selling transactions had to be contained within a ceiling/floor of 1 percent around the reference rate published by the Central Bank. Further, deposit and withdrawal transactions on resident foreign currency accounts are now unrestricted, as are the amounts, as an incentive to encourage economic operators to place their foreign currency holdings in local banks. Similarly, with a view to encouraging the development of the interbank foreign exchange market, on April 12, 2013 the BRB launched the delocalized interbank foreign exchange market (MID), which opens on all business days and replaces the symmetrical foreign exchange auction market (MESD) that used to be held on Tuesdays and Fridays at the Central Bank. Since then, exchange bureaus may no longer be supplied by commercial banks and all banks with excess foreign exchange liquidity are required to sell exclusively on the MID. In turn, at its own initiative, the BRB may intervene in the MID through foreign exchange selling or buying auctions depending on market conditions.

D. Structural Measures

28. Having completed the installation of the institutional steering mechanism for its strategy to enhance public financial management, the government has turned its attention to the implementation of the twelve programs selected through the technical groups. Streamlining the expenditure chain to reduce execution time lags remains a key element of the reform despite the progress already achieved and that has made it possible to: (i) improve expenditure execution rates; (ii) decrease the number of participants in the process, with the five stages having been replaced by a single stage with the CEDs; and (iii) reduce the processing time to within five days. A program to strengthen the operational capacities of CEDs is envisaged with financing from the AfDB. At end-September 2013, 10 CEDs are expected to be redeployed to various institutions and ministerial departments. Conditional on the availability of qualified human resources, the government intends to continue the rollout of its CED deconcentration program in a pragmatic manner to cover at least 80 percent of expenditures by end-2013 by appointing CEDs to the major ministries as a priority. As

regards overdue payments, the national audit office has appointed controllers to identify the amounts concerned and establish a repayment schedule.

29. Faced with declining budgetary support and spending pressures, the government is committed to improve revenue collection, strengthening tax administration in collaboration with the IMF. Thus, over the next three years, our strategy is to:

- improve the central and operational organization of revenue services, through reorganizing the central and local structures of the tax authorities in accordance with clear functional lines and by optimizing the effects of segmentation;
- improve the registration and procedures, by expanding and enhancing the reliability of the taxpayers register, and by simplifying basic procedures; and
- encourage voluntary filing of income statements, by extending the coverage of the tax control and improving the management of recovery and litigation procedures.

30. Public financial management safeguard measures remain at the heart of these reforms. Coordination between the Ministry of Finance and the Central Bank is to be strengthened through the establishment of a regular schedule of meetings between the management of the two institutions. Furthermore, to facilitate the justification and verification of transactions, a filing system for supporting documentation attached to payment orders will be created in the government accounting office.

IV. POVERTY REDUCTION AND GROWTH STRATEGY PAPER

31. To mobilize the political support and resources necessary to finance the priority action program contained in the Poverty Reduction and Growth Strategy Paper (PRSP-II), the government organized a donor conference in Geneva in October 2012. The financial commitments of our development partners are encouraging in light of the sluggish global economy. The pledges made at the conference, amounting to the equivalent of US$2.6 billion, confirmed donors' commitment to enhancing their support for the efforts made by the government to reduce poverty over time and lay the foundation for sustainable growth. In collaboration with its partners, Burundi undertook to organize two sectoral conferences to facilitate disbursement of the commitments made in Geneva and thus mobilize all the resources needed to ensure successful implementation of the PRSP-II. The first conference was held in July 2013 and the second one is scheduled to take place during the month of October 2013. In parallel, the government is currently preparing the first progress report covering the first year of implementation of the PRSP-II, with a focus on an inclusive approach.

V. PROGRAM MONITORING

32. Semiannual monitoring of the program by the IMF Executive Board will continue, based on the quantitative monitoring indicators and structural benchmarks set out in Tables I.1 and I.2. These

indicators are defined in the attached Technical Memorandum of Understanding (TMU). The semi-annual reviews will be based on the data at end-September 2013 and end-March 2014. To ensure the success of the program, the authorities will take all the steps necessary to meet the quantitative targets and structural benchmarks on which understandings were reached with IMF staff.

Table I.1. Burundi: Performance Criteria and Indicative Targets, 2012–14
(BIF billion, unless otherwise indicated)

	2012							2013								2014	
	Sep.			Dec.[1]				Mar.				Jun.[1]		Sep.	Dec.[1]	Mar.	Jun.[1]
	Rev. Prog.	Prel.	Status	Rev. Prog.	Prog., with adj.	Prel.	Status	Rev. Prog.	Rev. Prog., with adj.	Prel.	Status	Rev. Prog.	Proj.	Proj.	Proj.	Proj.	Proj.
Performance criteria																	
Net foreign assets of the BRB (floor; US$ million) [2]	11.1	19.1	Met	10.1	-14.9	9.1	Met	23.1	24.3	30.2	Met	30.6	40.6	31.9	17.0	25.4	33.4
Net domestic assets of the BRB (ceiling) [2]	235.0	191.6	Met	231.7		231.3	Met	248.4		236.9	Met	261.5	230.0	264.8	225.2	232.3	245.4
Net domestic financing of the government (ceiling) [2]	49.0	-61.0	Met	34.6	72.2	66.3	Met	21.4	23.2	9.3	Met	46.8	21.6	42.0	33.3	11.6	26.3
External payments arrears of the government (ceiling; US$ million) [3]	0.0	0.0	Met	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
Short-term external debt of the government (ceiling; US$ million) [3, 4]	0.0	0.0	Met	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; US$ million, cumulative from beginning of the program) [3, 4, 5]	0.0	0.0	Met	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	28.0	28.0	28.0	28.0
Indicative targets																	
Gross fiscal revenue (excluding grants, floor, cumulative from beginning of calendar year)	…	…		…		…		…		…		…	…	380.2	536.4	148.2	261.2
Accumulation of domestic arrears (ceiling; cumulative from beginning of calendar year)	0.0	0.0	Met	0.0		1.6	Not Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
Reserve money (ceiling)	250.7	219.8	Met	249.0		245.3	Met	284.7		248.2	Met	309.6	291.8	313.7	252.0	274.4	300.1
Pro-poor spending (floor; cumulative from beginning of calendar year)	288.3	276.0	Not met	398.0		353.7	Not met	100.7		68.0	Not met	201.4	128.0	190.0	270.0	57.5	148.3

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

[1] Indicative targets.
[2] The ceiling or the floor will be adjusted as indicated in the TMU.
[3] Continuous performance criterion.
[4] See definitions in TMU.
[5] The $28 million ceiling starting in September 2013 is to finance a road infrastructure project.

Table I.2. Burundi: Structural Benchmarks for 2013-14

Proposed measures	Dates	Status	Objective
Public financial management			
Adopt a decree on the appointment and legal status of the Commissioner of the Burundian Revenue Office.	March 30, 2013	Met with delay.	Clarify the division of responsibilities between the commissioner of the OBR and the senior government accountant (pursuant to the Organic Budget Law and Article 6 governing the OBR).
Prepare an audit of arrears on extra-budgetary expenditure (not committed and without payment order) in prior years (to be performed by an independent auditor, for example the Audit Office or IGE [State Inspectorate General]); and adopt a payment plan.	June 30, 2013 New date proposed for end-March 2014	Not met.	Identify and verify the amounts actually due and disputed invoices. Seventeen magistrates from the Court of Auditors have been nominated and six staff from the Ministry of finance assigned to facilitate the audit.
Implement a monthly cash flow plan in line with commitment plans.	March 30, 2013	Met.	Improve budget execution management and avoid end-period arrears.
Put in place a rationalized spending chain with pilots in the Ministries of agriculture education and health, and nominate 10 expenditure controllers in ten ministries.	June 30, 2014	New measure.	To ensure timely and accurate reconciliation between government accounts and the accuracy of revenues collected.
Implement a program to unify the current data base of civil servants with that form the 2008 census.	September 30, 2014	New measure.	Reinforce the Ministry of Finance's management of salaries.
Put in place an interface between the revenue authority (OBR) and the Ministry of Finance.	December 31, 2014	New measure.	Improve budge execution.

Tax policy			
Submit a law on the VAT to parliament).	June 30, 2013	Met with delay. Law approved on July 24.	Establish legal framework governing the collection of VAT.
Debt management			
Prepare a quarterly report on domestic debt forecasting with a view to improving budget and cash management.	March 30, 2013	Met.	Make debt management a key element of the government's budgetary process and of cash requirements planning in line with World Bank recommendations.
Submit a new law on debt management to parliament.	December 31, 2013. New date March 31, 2014	Technical assistance now planned for November 2013.	Establish a legal framework governing public debt.
Central bank and Treasury safeguard measures			
Each quarter, submit a report on reserve operations to the General Council of the BRB.	March 30, 2013	Met.	Improve BRB Board of Directors supervision of reserves management.
Put in place a monitoring framework and calendar of regular meetings of the coordination committee of the Ministry of Finance and the central bank regarding the implementation of monetary and fiscal policy and the recommendations concerning public financial management, including from the special audit of large disbursements on behalf of the government processed by the BRB during June 30, 2011-March 31, 2012.	September 30, 2013	New measure.	Implement a monitoring framework to ensure that the safeguard recommendations are met.

ATTACHMENT II. AMENDMENTS TO THE TECHNICAL MEMORANDUM OF UNDERSTANDING

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

A. QUANTITATIVE PROGRAM TARGETS

Quantitative performance criteria and indicative targets

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

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

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

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

Definitions and measurement

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

any SDR allocation). The gross official reserves of the BRB are defined as those foreign assets that are liquid and freely available to the BRB.

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

6. The government's gross fiscal revenue is defined as the revenue appearing in the TOFE and includes all tax and non-tax revenue in the national budget, before deduction of tax refunds generated during the year, particularly accumulated VAT credits.

Adjustor for changes in the compulsory reserves coefficients

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

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

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

Definition of debt

10. The program includes a ceiling on new nonconcessional external debt contracted or guaranteed by the government or the BRB. For the purpose of this program, external debt is defined as all debt contracted in a currency other than the Burundian Franc. This performance criterion applies to the contracting or guaranteeing by the government, local governments, the BRB and REGIDESO of new nonconcessional external debt (as specified below) with an original maturity of one year or more, including commitments contracted or guaranteed for which value has not been received (including leases). The coverage of government is defined as central

government and any other special funds or operations that are part of the budgetary process or have a direct impact on the government's financial position. Debt contracted by state-owned enterprises is included in the overall ceiling, if guaranteed by the government.

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

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

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

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

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

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

15. The grant element of debt is the difference between the present value (PV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The PV of debt at the time of contracting is calculated by discounting the future stream of payments of debt service due on this debt. The calculation of concessionality will take into account all aspects of the loan agreement, including maturity, grace period, payment schedule, upfront commissions,

and management fees. For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates (CIRRs) published by the OECD should be used as the discount rate for assessing the level of concessionality, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and the 6-month average CIRRs, the following margins should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–29 years; and 1.25 percent for 30 years or more. The performance criterion is defined to exclude rescheduling arrangements, borrowings from the IMF and any Burundi franc-denominated treasury securities held by nonresidents.

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

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

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

External financial assistance adjustor

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

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

21. The floor on the stock of net foreign assets of the BRB will be adjusted downward, and the ceilings on the net domestic assets of the BRB and on net domestic financing to the

government will be adjusted upward to accommodate a financing shortfall up to a maximum of US$40 million. External financial assistance will be converted to Burundi francs using the program-specified BIF/US$ exchange rate. The program exchange rate for end-September 2013 is 1534.5 and at end-December 2013 is 1577.2.

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

B. Provision of Information to IMF Staff

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

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

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

- a monitoring table (*tableau de bord*) containing the most recent weekly and monthly data on the main financial indicators (REFES);
- a table on foreign exchange cash flow (BRB Foreign Banking Operations Department);
- the monetary survey, including the breakdown of the BRB and of commercial banks (BRB Research Department);
- monthly exchange-rate data (official and parallel markets, end-of-month and monthly average) (BRB Research Department);
- a detailed breakdown of government revenue (Ministry of Finance);
- a detailed breakdown of government expenditure on a commitment basis, including pro-poor spending (Ministry of Finance);
- a detailed breakdown of the servicing of domestic and external public debt, including amounts due and paid, on interest and principal, as well as the breakdown by creditor and any accumulation of arrears on domestic or external debt (Ministry of Finance);

- a detailed breakdown of the stock of domestic payment arrears for the current fiscal year (Ministry of Finance);
- the amount of new debts contracted or guaranteed by the government, including detailed information on the terms (such as currency denomination, interest rate, grace period, maturity) (Ministry of Finance);
- actual disbursements of nonproject financial assistance, including new loans and debt relief granted by Burundi's external creditors (Ministry of Finance); and
- an update on the implementation of structural measures planned under the program (REFES).

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

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

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

INTERNATIONAL MONETARY FUND

BURUNDI

August 22, 2013

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA — INFORMATIONAL ANNEX

Prepared By The African Department

CONTENTS

RELATIONS WITH THE FUND

(As of July 31, 2013)

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

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

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	73.85	100.00
Holdings	80.47	108.96

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	89.38	116.08

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Jan 27, 2012	Jan 26, 2015	30.00	10.00
ECF [1/]	Jul 07, 2008	Jan 23, 2012	51.20	51.20
ECF [1/]	Jan 23, 2004	Jan 22, 2008	69.30	69.30

[1/] Formerly PRGF.

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

	Forthcoming				
	2013	2014	2015	2016	2017
Principal	3.16	10.56	12.49	12.98	11.99
Charges/Interest	0.00	0.00	0.17	0.14	0.11
Total	3.16	10.56	12.65	13.12	12.09

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

Implementation of HIPC Initiative:

	Enhanced Framework
Commitment of HIPC assistance	
Decision point date	Aug 2005

Assistance committed	
by all creditors (US$ Million) [1/]	832.60
Of which: IMF assistance (US$ million)	27.87
(SDR equivalent in millions)	19.28
Completion point date	Jan 2009
Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	19.28
Interim assistance	0.26
Completion point balance	19.02
Additional disbursement of interest income [2/]	3.07
Total disbursements	22.35

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

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

Implementation of Multilateral Debt Relief Initiative (MDRI):

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

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

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

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

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

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

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

Safeguards Assessments

While initial action has been taken to improve the financial autonomy of the central bank, the update safeguards assessment of the Banque de la République du Burundi (BRB), completed in July 2012 in the context of the current ECF arrangement, identified some vulnerabilities and concluded that governance arrangements require significant strengthening namely Board and Audit Committee oversights of foreign exchange reserves and audit mechanisms respectively, and that control weaknesses in the fiscal accounts relating to government payments remain to be addressed. Against these findings, the assessment recommended (i) continuing the special audits of government transactions, and (ii) enhancing oversight and accountability measures. The (BRB) has started to address those vulnerabilities. An international audit firm was recruited to (i) conduct a special audit of large disbursements on behalf of the government processed by the BRB during June 30, 2011–March 31, 2012, (ii) evaluate the implementation of the new decree on public expenditures management, and (iii) ascertain the status of implementation of earlier special audit recommendations. The audit findings indicated ongoing control weaknesses that need to be addressed, including the lack of supporting documents of certain transactions and the partial implementation of the decree establishing the General Regulation on Government Budget Management. The audit report saw the need to integrate into existing procedures, a requirement to analyze risks in terms of the parties involved in the execution of payments, both at the level of the Ministry of Finance and the central bank, to ensure that only transactions with supporting documentation are executed. It also emphasized the importance of: (i) improving information on the nature of transactions and on the beneficiary of transfer orders to facilitate an initial risk analysis; (iii) requiring formal and written procedures in dealings with the Ministry of Finance to ensure that all accounts go through the normal public spending liquidation channels; (iv) requesting all institutions receiving periodical transfers to their accounts to justify how the previous transfer was used and to provide a utilization program for the transfer requested; and (v) improving the filing system at the Ministry of Finance to ensure that all transactions can be checked against the documentary justification supporting them. The submission of a report on reserves operation to the Board of the BRB was agreed as an additional program measure for 2013.

Article IV Consultation

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

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

Technical Assistance

August 2013	FAD mission for programmed budgeting
June 2013	FAD mission training mission to strengthen PFM capacity
May 2013	FAD mission to launch PFM strategy
May 2013	FAD revenue administration mission
May 2013	AFRITAC mission on national accounts statistics
March 2013	MCM mission on harmonization of monetary and
March 2013	Foreign exchange operations in EAC
March 2013	MCM mission on risk based bank supervision
February 2013	MCM mission on EAC financial stability framework
February 2013	AFRITAC mission on bank supervision (database)

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

January 2012	MCM mission on liquidity management and forex operations
January 2012	MCM mission on bank supervision
December 2011 November 2011	AFRITAC mission on PFM reform MCM mission of foreign exchange operations
October 2011	AFRITAC mission on PFM reform
July 2011	STA mission on Balance of Payments statistics
March 2011 January 2011	FAD mission on implementing the organic budget law MCM mission on Foreign exchange operations
September 2010	FAD mission on implementing the organic budget law
November 2010	MCM mission on monetary operations
June 2009	MCM multitopic mission
April 2009	FAD mission on implementing the organic budget law
March 2009	MCM mission on monetary operations
March 2009	MCM mission on foreign exchange
March 2009	MCM mission on internal audit
March 2009	MCM mission on reserve management
February 2009	AFRITAC mission on banking regulation and supervision
February 2009	FAD PSIA mission on fuel pricing policy and social protection
January 2009	MCM FSAP mission
December 2008	AFRITAC mission on fiscal administration
December 2008	MCM multitopic mission

December 2008	MCM mission on internal audit
August 2008	MCM mission on organizational, human resources, and communication reforms
July 2008	MCM mission on foreign exchange
June 2008	AFRITAC mission on banking regulation and supervision
Oct 2008	FAD mission for installation of a PFM resident advisor

Resident Representative:

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

JOINT WORLD BANK–IMF WORK PROGRAM, 2013–14

Title	Products	Provisional Timing of Mission	Expected Delivery Date
	A. Mutual Information on Relevant Work Programs		
Bank work program	1. Burundi Poverty Assessment	September 2013 (Identification) March 2014 (Decision meeting)	April 2014 May 2012
	2. Burundi Economic Update	(Main mission) September 2013 (Identification)	December 2014
	3. ERSG-VII (Budget support)	June 2013 (Identification) September 2013 (pre-appraisal) October 2013 (appraisal)	November 2013 (Board)
	4. ERSG-VIII (Budget support)	June 2014 (Identification) August 2014 (pre-appraisal) September 2014 (appraisal)	October 2013 (Board)
IMF work program	3rd Review of ECF 4th Review of ECF 5th review mission and Art IV. Mission	July 2013 December 2013 June 2014	September 2013 February 2014 July 2014

B. Requests for Work Program Inputs			
Fund request to Bank	Progress report on reform implementation in REGIDESO and in the coffee sector and implementation of PFM and public service reforms		
C. Agreement on Joint Products and Missions			
	Debt Sustainability Analysis		February 2014
	Annual progress report on implementation of PRSP-II		Fall 2013

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

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

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

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

The Bank ongoing portfolio comprises eight (8) national operations for a total UA 112.46 million. The road sector accounts for 58.1% of the portfolio, followed by multi-sector (Economic Reform Support and Institutional Capacity Building) (16%). There are six (7) active multinational operations for UA 128 million, mostly in the road sector (60%).The first disbursement (7 million UA) of the fifth phase of Burundi's "Programme d'Appui aux Réformes Economiques" (PARE V, total amount is UA 12 million UA) has been disbursed in 2012. The second disbursement is planned in fourth quarter of

2013 if a waiver is obtained from the Board of Directors. The Bank also approved in December 2012 several institutional capacity building projects for a total amount of UA 5,8 million in the area of Public Financial Management, Private Sector Development, Capacity Building, Statistics and Human Development and in April 2013 the second phase of Watershed management and support climate resilience Project for a total amount of UA 6.23 million. The Bank is also undertaking several analytical studies including microfinance and poverty reduction in Burundi and relationship between growth and employment.

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

Sector	**Project Name**	**Amount (*million UA*)**
Water and Sanitation	Water Infrastructure Rehabilitation/ Expansion	12.00
Social Sector	Employment Creation Project	10.00
	Aide d'Urgence pour atténuer l'effet de l'incendie du marché de Bujumbura	0.33
Transport	Gitega-Nyangungu-Ngozi phase 1 Project	24.1
	Gitega-Nyangungu-Ngozi phase 2 Project	42.00
Multi Sector	Economic Reform Support Programme V	12.00
	Institutional Capacity Building Project: (i) Data collection on labor and social protection, (ii) Promotion of employment and youth entrepreneurship, (iii) Public Financial Management (iv) Monitoring and evaluation of poverty (v) Private Sector Development	5.8
Rural development	Project for Watershed management and support climate resilience	6.23
Multinational	Lake Tanganyika Integrated Management Project	4.96
	Lake Victoria and Sanitation Programme	14.1
	Mugina-Mabanda-Nyanza Lac and Rubavu-Gisiza road project	27.5
	Isaka-Kiga/Keza-Musongati Railway project	1.70
	Bugesera Multinational Project	15.02
	Nyamitanga-Ntendezi-Mwityazo Road	49.38
	NELSAP Interconnection Project	15.15
Total (National Public Sector only)		**112.46**
Total (National and Multinational)		**240.00**

STATISTICAL ISSUES

Burundi—STATISTICAL ISSUES APPENDIX As of August 13, 2013
I. Assessment of Data Adequacy for Surveillance
General: Data provision has serious shortcomings that significantly hamper surveillance. The most serious shortcomings affect national accounts and balance of payments statistics. Insufficient funding, staffing shortages and lack of equipment, along with coordination difficulties among responsible institutions, impede the timely production and dissemination of macroeconomic statistics.
National Accounts: The national statistical office (ISTEEBU) has implemented a new series of annual national accounts (ANA) in November 2011, with the support of the Observatoire économique et statistique d'Afrique Subsaharienne (Afristat) and the African Development Bank (AfDB). The revisions included improved data sources, a change in the base year from 1996 to 2005, and updated compilation methodologies (based on the *1993 System of National Accounts*). Under the new data, nominal national incomes have been revised up by an average of 36 percent during 2005–08, while the average real growth rate for these years is about 1.5 percentage point higher than earlier estimated. ANA are available for the period 2005-2009. ANA for 2010 are finalized but not yet released, and work on year 2011 is on-going. However, data on agriculture, the most important economic activity, remains weak and leads to a significant degree of uncertainty regarding estimates of the level and the growth rate of GDP. The ISTEEBU is about to implement a system of provisional ANA with the support of AFRITAC Central.
Price Statistics: The ISTEEBU produces and disseminates a monthly consumer price index (CPI) for the capital city, Bujumbura. The reference period for prices and weights is 1991. The basket selected for the calculation of the CPI contains 163 products, broken down into eight consumer functions. The ISTEEBU is planning to develop a new CPI based on the methodology recommended by the Common Market for Eastern and Southern Africa (COMESA). A survey on household consumption will begin in September 2013.
Government finance statistics:: Burundi has benefitted from technical assistance provided by the World Bank and Fiscal Affairs Department in the areas of public financial management information systems and public expenditure management, as well as Statistics Department (STA) training in the compilation of government finance statistics. Nevertheless, government finance statistics (GFS) continue to suffer from weaknesses in coverage, accuracy, consistency, and timeliness. Burundi has accepted to participate in the GFS module under the Enhanced Data Dissemination Initiative (EDDI) project for Africa funded by the United Kingdom Department for International Development (DFID). The GFS module has as its main objective to improve the quality and dissemination of fiscal statistics using the guidelines of the *Government Finance Statistics Manual 2001* (*GFSM 2001*). The support under the module consists mostly of a series of technical assistance missions that started in 2011and will continue until 2015.

External sector statistics: Annual balance of payments and international investment position statistics are compiled by the Banque de la République du Burundi (BRB) according to the fifth edition of the *Balance of Payments Manual* (*BPM5*). However, severe coverage and measurement difficulties impart a high degree of uncertainty to external sector statistics and surveillance. For example, there are significant divergences with other sources on imports and exports. Also, donor inflows are not appropriately recorded. A balance of payments reconciliation committee does not exist to cross check data from various sources (central bank, customs, national institute of statistics). Measurement of capital and financial account transactions relies on Burundi's International Transaction Reporting System, which is known to have incomplete coverage. Further actions are required to improve the accuracy and reliability of external sector data.	
II. Data Standards and Quality	
Participant in the General Data Dissemination System (GDDS) since August 2011.	No data ROSC is available.
III. Reporting to STA	
Summary government finance transactions data are reported for publication in International Finance Statistics (IFS). 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 OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE (As of August 13 2013)

	Date of latest observation	Date received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	Current	Current	D	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Oct. 2012	Dec. 2012	M	M	M
Reserve/Base Money	April 2013	July 2013	M	M	M
Broad Money	April 2013	July 2013	M	M	M
Central Bank Balance Sheet	April 2013	July 2013	M	M	M
Consolidated Balance Sheet of the Banking System	April 2013	July 2013	M	M	M

Interest Rates[2]	Oct. 2012	Dec. 2012	M	M	M
Consumer Price Index	April 2013	July 2013	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	February 2013	June 2013	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	December 31, 2013	June 30, 2013	A	A	A
External Current Account Balance	2011	Dec. 2012	A	A	A
Exports and Imports of Goods and Services	April 2013	July 2013	M	M	M
GDP/GNP	2012	July 2013	A	A	A
Gross External Debt	2011	Dec. 2012	M	M	A
International Investment Position[6]	2011	Dec. 2012	A	A	A

[1] 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.

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

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

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

[5] Including currency and maturity composition.

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

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

Press Release No. 13/328
FOR IMMEDIATE RELEASE
September 6, 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF's Executive Board Completes the Third Review Under the ECF Arrangement for Burundi and Approves US$7.5 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the third review of Burundi's performance under the program supported by the Extended Credit Facility (ECF) arrangement. Completion of the review will allow for the disbursement of an amount equivalent to SDR 5 million (about US$7.5 million), bringing disbursements under the arrangement to an amount equivalent to SDR 15 million (about US$22.6 million). In completing the review, the Board also approved a request for a modification of performance criteria for end-September and end-December 2013, and the continuous performance criterion on nonconcessional external debt contracted or guaranteed by the government or the Bank of the Republic of Burundi.

Burundi's three-year ECF arrangement was approved on January 27, 2012 (See Press Release No.12/35) with total access equivalent to SDR 30 million (about US$45.3 million).

At the conclusion of the Executive Board's discussions, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair, made the following statement:

"Burundi has made progress under the ECF-supported program amidst challenging socio-political and economic circumstances. Economic growth is expected to pick up, while inflation has been declining aided by moderating international food and fuel prices and tight monetary policy. The medium-term economic outlook remains difficult, with downside risks arising from uncertainties in the external environment, and the influx of refugees stemming from the conflict in Eastern Congo. Strong commitment to program policies and structural reforms remains critical going forward.

"Revenue slippages that emerged were addressed through corrective measures which formed the basis for a revised budget that was adopted by parliament. A recommitment to revenue mobilization notably by further strengthening tax administration and containing exemptions is critical to the success of the program. Efforts are also needed to enhance public financial management reforms.

"Debt sustainability remains the anchor for medium-term fiscal policy. Burundi continues to be at high risk of debt distress, and it will be important that any future borrowing relies mainly on grants and highly concessional loans. The ongoing finalization of a debt law governing the contraction of debt constitutes an important step towards strengthening the public debt management framework.

"Monetary policy should continue to focus on stabilizing inflation expectations. While underlying inflation has declined significantly in recent months, a potential fiscal deterioration financed by recourse to central bank financing could reignite inflation and reverse recent gains. Maintaining exchange rate flexibility will allow the economy to adjust to external shocks," Ms. Shinohara stated.

Statement by Mr. Saho, Executive Director for Burundi

September 6, 2013

Introduction

The Burundian authorities value the IMF's continuous engagement and support under the Extended Credit Facility (ECF) arrangement. They are appreciative of the candid exchange of views with staff during discussions for the third review under the ECF arrangement. While some progress has been achieved in transitioning from post-conflict reconstruction to the path of sustained economic growth that is anchored on a strong medium-term fiscal framework and prudent macroeconomic policies, program implementation continues to be challenged by the relatively low level of budget support, limited fiscal space for development financing, and challenges posed by the socio – political milieu in which macroeconomic and structural reforms are implemented.
Against this background, my authorities' medium-term strategy, which's clearly articulated in the PRSP II, aims to create the enabling environment for private sector-led growth through increased investment in infrastructure, while preserving macroeconomic stability. It is in view of the huge development needs and external financing gap that my authorities request the completion of the third review under the ECF arrangement. They also seek Board approval for the setting of revised performance criteria and indicative targets for September-December 2013, new targets for March and June 2014 and structural benchmarks for 2014. Furthermore, the government of Burundi asks for approval for the modification of the external non-concessional debt limit to accommodate a vital road project.

Program performance

My Burundian authorities have continued to show strong commitment in implementing the polices outlined in the ECF supported program, in spite of the challenging policy environment posed by the successive global crises, dwindling donor support and capacity constraints. Performance through March 2013 was satisfactory. All performance criteria and indicative targets were achieved, with the exception of the indicative target on pro-poor spending due to revenue shortfalls. On the structural front, my authorities have been persistent in pursuing reforms to complement the sound macroeconomic framework and policies. They have undertaken measures to enhance domestic revenue mobilization strengthen expenditure controls and mitigate financial sector vulnerabilities.

Recent economic developments

Economic performance was undermined by the decline in investment spending, adverse terms of trade shock and monetary policy tightening. This led to a slight decline in growth from 4.2 percent in 2011 to 4.0 percent in 2012. Consumer price inflation decelerated to 11.8

percent at end-2012 from14.9 percent during the corresponding period of the preceding year. The budget deficit (cash basis, including grants) at 3.7 percent was slightly above the 2012 target of 2.7 percent. While the external current account deficit widened to about 19 percent of GDP in 2012, gross international reserves increased to the equivalent of 3.9 months of import cover from 3.3 months in 2011.

Outlook and policies for 2013 and beyond

Over the past years, the Burundian authorities have made commendable progress in macroeconomic policy implementation and structural reforms to support the country's post conflict reconstruction and re-start growth momentum. In order to consolidate these gains, my Burundian authorities are determined to redouble their efforts to implement a comprehensive growth strategy in order to sustain higher inclusive growth. Accordingly my authorities are committed to implementing policies aimed at strengthening macroeconomic stability, attracting private investment, improving infrastructure and enhancing governance and security. To this end, real GDP is expected to rise to 4.5 percent in 2013 and 5.0 percent in the medium term. The medium-term outlook envisages a single digit inflation, declining from11.8 percent in 2012 to 5.3 percent in 2016. With the pressure on the exchange rate subsiding, the country is expected to maintain gross international reserves position of 4.0 months of import coverage in 2013 and over the medium term.

Fiscal policy

Following the revenue slippage in early 2013 caused by the unintended negative consequences of implementing the new income tax law enacted with the Technical Assistance from the Fund, and the granting of tax exemptions, my authorities would like to reaffirm their commitment to prudent public financial management that enhances revenue mobilization while improving the composition and quality of spending. In this regard, the revised 2013 budget approved by Parliament is anchored on the achievement of a large and unprecedented fiscal adjustment of 1.1 percent of GDP in less than six months.
To address the root causes of revenue slippages as well as support investment in infrastructure and social projects, my authorities have reintroduced VAT on food items and petroleum products; and removed exemptions under all procurement contracts. Additionally, the authorities have launched new tax measures premised on the need to generate extra resources not only to finance priority expenditures but also to reduce dependence on borrowing in the medium and long terms. Accordingly, taxes on imported vehicles, petroleum products, tobacco, telecoms and driving licenses have been hiked. My authorities also remain committed to strengthening tax administration and to streamline the system of tax exemptions.

On expenditures, my authorities will reduce domestic funding of capital spending and nonstatutory recurrent outlays. Other expenditure measures include the scaling down of the public sector wage bill in the medium and long terms, and strengthening expenditure controls to avoid extra budgetary spending. While my authorities are determined to work towards creating the necessary fiscal space going forward, they solicit the continued support of development partners to sustain poverty reduction and growth enhancing spending, in particular, spending on health, education, agriculture and infrastructure development.

Debt management policy

The authorities are concerned that the recent update of debt sustainability analysis indicates that Burundi remains at a high risk of debt distress. In order to mitigate this risk, they are preparing a legal framework governing debt management which will be submitted to Parliament by the end of the year. Going forward, my authorities will seek only highly concessional loans and create the enabling environment to attract non-debt creating financial inflows. In addition, they will endeavor to strengthen institutional and debt management capacity; and prepare quarterly reports on debt forecasting. They are committed to fully implement their debt management strategy.

Monetary and exchange rate policies

Monetary policy will continue to focus on achieving price stability while ensuring that the private sector continues to have access to bank credit. The growth in monetary aggregates will be contained at low levels to help anchor inflation expectations. The monetary authority will continue to strengthen the monetary policy framework by deepening monetary operations and providing policy direction to the market through its benchmark policy rate. The current flexible exchange rate regime which has proved effective in facilitating the smooth adjustment of the economy to external shocks in recent times will be maintained. Interventions in the foreign exchange market will be limited to smoothening short-term supply/demand volatility. The central bank will continue its efforts to promote inter-bank foreign market transactions.

Financial sector policy

The authorities' strategy aims to develop significantly financial sector, which is deeper, more stable and a vanguard for supporting private sector investment, inclusive growth, and development. Accordingly, the emphasis of the financial system reform agenda will focus on improving financial intermediation. Furthermore, the central bank will strengthen the supervision of banks and non-bank financial institutions. In this regard, the banking supervision department was restructured to include the financial stability assessment function. Moreover, the central bank in collaboration with home-country supervisors has broadened the surveillance of foreign banks through joint inspections.

Conclusion

The Burundian authorities remain mindful of the challenges ahead, and are committed to their medium-term fiscal framework and reform agenda to increase and sustain broad - based growth and intensify efforts to reduce poverty. Given the large external financing gap and the need for implementing sound macroeconomic policies, my authorities consider the IMF's and other development partners' assistance critical to achieving their development goals.