

Burundi: Request for Disbursement Under the Rapid Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Burundi



BURUNDI

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

November 2021

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

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

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

FOR IMMEDIATE RELEASE

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

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

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

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

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

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

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

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

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

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

More information

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

[Burundi and the IMF](#)



BURUNDI

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

EXECUTIVE SUMMARY

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

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

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

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

Approved By

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

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

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