

Burundi: Request for a 38-Month Arrangement under the Extended Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Burundi



BURUNDI

July 2023

REQUEST FOR A 38-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BURUNDI

In the context of the 38-Month Arrangement under the Extended Credit Facility with Burundi, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 17, 2023 consideration of the staff report that concluded the 38-Month Arrangement under the Extended Credit Facility with Burundi.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 17, 2023, following discussions that took place during February 2–12, 2023 with follow-up discussions virtually during February 22–April 6, 2023 and on June 1, 2023 with the Burundi authorities. Based on information available at the time of these discussions, the staff report was completed on June 30, 2023.
- A **Staff Supplement** updating information on July 14, 2023.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for Burundi.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: <http://www.imf.org>
Price: \$18.00 per printed copy

International Monetary Fund
Washington, D.C.



IMF Executive Board Approves a US\$271 million 38-month Arrangement Under the Extended Credit Facility for Burundi

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF) approved a 38-month arrangement under the Extended Credit Facility (ECF) for Burundi. The arrangement will provide financing of SDR200.2 million (about US\$271 million), with an immediate disbursement of SDR46.2 million (about US\$62.6 million).
- Burundi faces protracted balance of payments needs with a widening current account deficit and low foreign reserves coverage, large development needs, and macroeconomic challenges triggered by spillovers from the war in Ukraine and domestic climate shocks and livestock sanitary crisis.
- The 38-month arrangement under the ECF will help cushion Burundi's adjustment and support the authorities' reform agenda aimed at reducing debt vulnerabilities, recalibrating exchange rate and monetary policies to restore external sustainability, and strengthening inclusive economic growth and governance.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) approved a 38-month arrangement under the [Extended Credit Facility \(ECF\)](#) for Burundi with access of 130 percent of quota, equivalent to SDR 200.2 million (about US\$271 million).¹ The decision allows an immediate disbursement of SDR 46.2 million (about US\$ 62.6 million).

The arrangement will help Burundi address its protracted balance of payments needs, reduce debt vulnerabilities, and cope with the effects of recent domestic and external shocks. Burundi's post-COVID-19 economic recovery has slowed down, although still healthy. Spillovers of the war in Ukraine have triggered sharp increases in commodity prices and domestic inflationary pressures. Domestic shocks, including delayed rainfall, limited availability of fertilizer, and outbreaks of livestock fevers have impacted Burundi's primary sector. External imbalances have heightened, with a widening current account deficit, low foreign exchange reserves, and a still large parallel foreign exchange (FX) market premium. Higher spending needs, including on fertilizers, social programs, and vaccines have deteriorated the fiscal path and raised fiscal financing needs.

The ECF arrangement will cushion Burundi's policy recalibration and economic adjustment, while supporting the authorities' policy agenda. Key commitments include (i) a better-quality fiscal consolidation path achieved through higher revenue, scaled-up investment, and prudent borrowing while protecting priority social spending; (ii) unification of the official and parallel exchange rate markets and foreign exchange market liberalization to restore external sustainability; (iii) tightened monetary policy in support of the ongoing unification and to rein in inflation, while modernizing the monetary policy framework and fostering financial sector

¹ SDR figures for the program are converted at the market [rate of U.S. dollar per SDR](#) on the day of program approval.

stability; and (iv) undertaking further governance and structural reforms to ensure an environment conducive to inclusive growth and job creation.

At the conclusion of the Executive Board's discussion, Mr. Okamura, Deputy Managing Director, and Acting Chair, issued the following statement:

"Burundi has recently been hit by several shocks. Spillovers from Russia's war in Ukraine have triggered commodity price increases, which led to heightened domestic inflation pressures and slowed the post COVID-19 growth recovery. Domestic shocks, including unfavorable weather conditions and an animal sanitary crisis, have hampered primary sector prospects and living conditions. The country faces important macroeconomic challenges, including persistently high inflation, external imbalances with a widening current account deficit and inadequate foreign exchange reserve coverage, and large fiscal needs and public debt.

"To address these challenges, the Burundian authorities have requested a 38-month arrangement under the Extended Credit Facility (ECF). The arrangement would help address the country's protracted balance of payments needs, rebuild external buffers, reduce public debt vulnerabilities, and support the implementation of the authorities' reform agenda. This is Burundi's first Upper Credit Tranche-quality arrangement with the IMF since 2016.

"Under the ECF arrangement, the authorities aim to recalibrate Burundi's macroeconomic policy mix. They plan to restore external sustainability with the unification of the official and parallel exchange rate markets and foreign exchange market liberalization, while being attuned to financial sector vulnerabilities. They will strengthen debt sustainability and achieve a better-quality fiscal consolidation path through higher domestic revenue mobilization, scaled-up investment and better targeted spending, and prudent borrowing. Monetary policy tightening, while modernizing the monetary policy framework and exiting monetary financing, will support the ongoing exchange rate unification and contain inflation. Governance and growth-enhancing reforms, as well as timely capacity development will support the program objectives.

"The arrangement is expected to catalyze donor funding, which is essential to cater to Burundi's large financing needs and support its exit from fragility."

Burundi: Selected Economic Indicators, 2020–2028

	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Est.			Proj.			
(Annual percentage change, unless otherwise indicated)									
Output, prices, and exchange rate									
Real GDP 1/	0.3	3.1	1.8	3.3	6.0	5.9	5.7	5.9	5.5
GDP deflator	9.2	9.4	17.7	20.0	17.0	10.9	11.0	10.7	10.9
CPI (period average)	7.3	8.3	18.9	20.1	16.1	10.1	10.2	10.0	10.2
CPI (end of period)	7.5	10.1	26.6	12.3	22.4	13.9	12.2	7.4	8.1
Terms of trade (- =deterioration)	-12.3	1.6	-18.7	4.5	1.5	1.4	0.2	0.2	0.1
Money and credit									
Broad Money (M2)	25.4	22.4	34.7	25.9	21.9	15.6	15.4	21.7	22.3
[Reserve money] (optional)									
Credit to non-government sector 2/	21.5	67.9	42.8	28.1	23.9	25.5	22.3	20.2	16.9
M2/GDP (percent)	42.7	46.7	52.2	51.3	50.5	49.7	48.9	50.7	53.1
(Percent of GDP, unless otherwise indicated)									
Central government budget 3/									
Revenue and grants	22.2	24.9	26.0	26.2	31.1	31.1	28.9	27.3	25.3
<i>of which: grants 4/</i>	4.3	6.3	7.2	9.3	15.2	14.8	12.1	10.2	8.0
<i>of which: revenue</i>	17.9	18.5	18.8	16.8	15.9	16.3	16.8	17.1	17.3
Expenditure	28.2	32.5	33.0	35.0	35.6	34.4	31.9	29.8	27.7
Expense	20.3	24.0	21.6	20.7	15.9	15.6	14.9	14.2	14.1
Net acquisition of non-financial assets	7.9	8.5	11.3	14.4	19.7	18.8	17.1	15.6	13.6
Primary balance	-3.1	-4.7	-4.2	-6.4	-1.8	-0.7	-0.6	-0.3	-0.3
Overall balance	-6.0	-7.6	-7.0	-8.9	-4.5	-3.3	-3.0	-2.5	-2.4
Excluding grants	-10.3	-13.9	-14.2	-18.2	-19.7	-18.1	-15.2	-12.7	-10.4

Net acquisition of financial assets	1.4	3.4	3.8	-2.7	1.2	-0.7	-0.8	0.0	0.1
Net domestic borrowing	5.3	9.0	4.6	5.5	3.2	2.3	2.1	2.2	1.7
Net foreign borrowing	0.6	0.4	3.4	-0.2	-0.1	-0.5	-0.5	0.2	0.8
Accounts payable	1.5	1.6	2.8	0.8	0.0	0.0	0.0	0.0	0.0
Public debt									
Public gross nominal debt	66.0	66.6	68.4	72.7	65.8	61.3	56.6	52.2	48.0
<i>of which:</i> external public debt	17.7	20.2	19.9	34.4	32.5	30.5	28.2	25.4	23.4
domestic public debt	48.2	46.3	48.4	38.3	33.3	30.8	28.4	26.8	24.7
Investment and savings									
Investment	19.8	19.8	22.1	25.6	26.5	25.1	24.1	23.1	21.5
Public	4.5	5.3	9.1	12.5	13.3	11.9	10.9	9.9	8.3
Private	15.3	14.5	13.0	13.1	13.2	13.2	13.2	13.2	13.2
Savings	9.5	7.3	6.5	7.9	7.9	6.8	7.8	9.5	10.4
Public	-1.8	0.0	-2.9	7.5	10.6	8.1	8.5	7.3	6.0
Private	11.3	7.3	9.5	0.4	-2.7	-1.2	-0.8	2.1	4.4
External sector									
Exports (goods and services)	8.8	8.1	7.1	9.8	12.4	13.2	14.2	16.2	16.6
Imports (goods and services)	33.1	35.1	35.0	44.6	49.8	47.7	45.9	44.2	41.1
Trade Balance (goods and services)	-24.3	-27.0	-27.8	-34.8	-37.4	-34.5	-31.7	-28.0	-24.5
Current account balance (incl. budget support)	-10.3	-12.4	-15.6	-17.6	-18.6	-18.3	-16.3	-13.7	-11.1
Current account balance (excl. budget support)	-10.3	-12.4	-15.6	-19.7	-21.1	-18.8	-16.8	-14.2	-11.6
Gross international reserves (incl. ECF)									
In millions of US\$	94.3	281.0	159.0	239.7	337.9	385.1	467.1	545.6	664.4
In months of next year imports	1.0	2.5	1.3	1.9	2.5	2.7	3.0	3.4	3.5
Memorandum items:									

Official current transfers	0.0	0.0	0.0	2.0	2.5	0.5	0.5	0.5	0.5
Official capital transfers 4/	4.4	4.0	4.3	13.0	14.6	12.7	11.0	8.9	6.5
GDP at current market prices									
In billions of Burundi Francs	5,911	6,613	7,970	10,213	12,656	14,869	17,437	20,442	23,905
In billions of US\$	3.1	3.4	3.9	3.2	3.1	3.4	3.8	4.2	4.7
GDP per capita (Nominal US\$)	259.9	274.0	311.0	245.8	228.8	248.1	267.1	288.0	309
Export volume growth (goods, in percent)	-21.6	-12.4	20.0	10.3	27.8	19.4	19.4	15.3	6.6
Import volume growth (goods, in percent)	-16.1	13.6	-3.8	7.8	4.6	6.8	3.3	2.0	-2.9
Population (million)	11.9	12.2	12.6	13.0	13.4	13.8	14.2	14.6	15.0
Health and social spending 3/									
Health	1.9	3.6	3.1	...	...	...	...	...	...
Social	3.0	3.2	3.0	...	...	...	...	...	...

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

1/ The jump in 2023 is due to the resuming activity in the mining sector, the implementation of the capital project including the EAC tile projects, and a more dynamic tertiary sector driven by the ongoing exchange rate reform.

2/ A statistical adjustment of 15 percent (the gap between credit to private sector and the updated data that include the new bank) was applied to 2021 credit growth data to account for the reclassification of a bank—the Urban Housing Promotion Fund became the Burundi Housing Bank in 2021 and is now covered in the monetary survey.

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

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



BURUNDI

REQUEST FOR A 38-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

June 30, 2023

EXECUTIVE SUMMARY

Context. Burundi is a fragile state with a history of political tensions and weak institutions. The country fell into a political and security crisis following late President Nkurunziza's decision to run for a third term in 2015. The economic recovery that was underway in 2019 was slowed by the COVID-19 pandemic. More recently, the country's economy has been weakened by spillovers of the war in Ukraine, with a double-digit inflation, and domestic shocks, including delayed rainfall and outbreaks of livestock fevers. Burundi has benefited from debt relief under the Catastrophe Containment and Relief Trust (SDR 17.96 million), a disbursement under the Rapid Credit Facility (SDR 53.9 million, 35 percent of quota), and the 2021 SDR allocation (SDR 147.6 million). The 2022 Article IV Consultation was completed in July 2022, the first Article IV since 2014.

Program modalities. The authorities have requested a 38-month arrangement under the Extended Credit Facility (ECF) to support their policy agenda and help address the country's protracted balance of payments (BOP) needs, rebuild external buffers, reduce public debt vulnerabilities, and catalyze donor funding. The authorities have built policy track record, including through the implementation of key Article IV consultation policy recommendations and commitments made in the context of the CCRT request and the RCF disbursement. Staff proposes access of 130 percent of quota (SDR 200.2 million). Financing under the arrangement will help address Burundi's large fiscal and BOP needs. Raising FX reserves to 3.5 months of imports would require raising FX reserves to US\$ 444.5 million in 2023, while the fiscal financing gap is estimated at SDR 60.1 million in FY23/24 (July–June). Burundi's CtR is assessed as adequate, although subject to elevated risks. Successful implementation of reforms would help catalyze donor financing and further improve burden sharing. The program assumes that Fund disbursements would be equally used for budget financing and building FX reserves. The program's design is tailored to capacity constraints.

Program policies. The 38-month arrangement aims to address Burundi's protracted external imbalances and strengthen inclusive economic growth and resilience, while being attuned to reducing fragility and tackling poverty and inequality. Its main objectives include: (i) reducing debt vulnerabilities while containing contingent liabilities with domestic arrears clearance and improved management of state-owned enterprises, as well as creating fiscal space for priority social and growth-enhancing spending; (ii) FX market and exchange rate

(ER) policy reform to restore external sustainability; (iii) improving the monetary policy framework and fostering financial sector stability; and (iv) implementing governance, anti-corruption, and growth-enhancing reforms, consistent with Burundi's 2018–27 national development plan, (PND). A recalibration of the macroeconomic policy mix will support program objectives: (i) a better-quality fiscal consolidation path achieved through higher revenue, scaled-up investment, and prudent borrowing; (ii) unification of the official and parallel ER markets and FX market liberalization, (iii) tightening monetary policy in support of the ongoing unification and to rein in inflation, while modernizing the MPF; and (iv) undertaking tailored structural reforms, while being attuned to financial sector vulnerabilities. Intensified capacity development will support program implementation.

Staff supports the authorities' request for the ECF arrangement.

Approved By
**Costas Christou
and Boileau
Loko**

The staff team comprised Mame Astou Diouf (mission chief), Jacques Bouhga-Hagbe, Mouhamadou Moustapha Ly, Jocelyn Sotima Koussere (all AFR), Belyse Kwizera, Sydney Munezero, Eliane Nkengurutse, and Dieudonne Nyunguka (all Resident Representative office). Sandrine Ourigou and David Ruhe Zeledon Farrand assisted in the preparation of this report. Discussions took place in Bujumbura during February 2–12, 2023 with follow-up discussions virtually during February 22–April 6, 2023 and on June 1, 2023 with H.E. Audace Niyonzima, Minister of Finance, Budget and Economic Planning (MFBPE), Mr. Dieudonné Murengerantwari, Governor of the Bank of the Republic of Burundi (BRB), Mr. Désiré Musharitse, First Vice-Governor of the BRB, Ms. Francine Inarukundo, Permanent Secretary of the MFBPE, and other senior officials.

CONTENTS

CONTEXT	5
RECENT DEVELOPMENTS	5
OUTLOOK AND RISKS	7
PROGRAM OBJECTIVES	10
A. A Multi-Pronged Policy Recalibration	10
B. Reducing Public Debt Vulnerabilities and Creating Fiscal Space	10
C. Exchange Rate Unification	16
D. Monetary Policy Recalibration and Framework Modernization	20
E. Fostering Financial Sector Stability	21
F. Governance and Growth-Enhancing Reforms	22
PROGRAM MODALITIES	23
STAFF APPRAISAL	26
FIGURES	
1. Recent Developments, 2019–23	28
2. Monetary Developments, 2019–23	29
3. Fiscal Developments, 2019–23	30

TABLES

1. Selected Economic and Financial Indicators, 2020–28	31
2a. Central Government Operations, 2020–28 (BIF Billion)	32
2b. Central Government Operations, 2020–28 (Percent of GDP)	33
3. Monetary Survey, 2020–28	34
4. Central Bank Accounts, 2020–28	35
5a. Balance of Payments, 2020–28 (US\$ Million)	36
5b. Balance of Payments, 2020–28 (Percent of GDP)	37
6. Banking Systems Soundness Indicators	38
7. Tentative Schedule of ECF Disbursements and Reviews	39
8. Indicators of Capacity to Repay the Fund, 2020–36	40
9. Proposed Prior Actions and Structural Benchmarks, 2023–24	41
10. External Financing by Main Donors	42

ANNEXES

I. Risk Assessment Matrix	43
II. Write-up for the Enhanced Safeguards	46
III. External Sector Assessment	49
IV. What Drives Inflation	51
V. Overview of the Agricultural Sector	54
VI. Recent Developments in Monetary and Financial Sectors	57
VII. Channels of Transmission of Exchange Rate Unification	60
VIII. Key Revenue Measures in Recent Budgets	63
IX. Key Areas of Reform in Revenue Administration and Tax Policy	66
X. Spending Rationalization Measures	68
XI. Possible Public Financial Management Measures	70

APPENDIX

I. Letter of Intent	71
Attachment I. Memorandum of Economic and Financial Policies	75
Attachment II. Technical Memorandum of Understanding	93

CONTEXT

1. Burundi's fragile economy has been hit by several shocks, exacerbating the country's fragility. Burundi faces multidimensional fragility, including regarding social inclusion and equity, partly driven by its unstable political history. Beyond the COVID-19 pandemic, spillovers from Russia's war in Ukraine have triggered sharp increases in commodity and domestic prices. Moreover, outbreaks of Rift-Valley fever and porcine fever that started in 2022:H2 threaten Burundi's livestock and could be transmitted to people, potentially triggering a health crisis. Finally, delays in the 2022:Q4 rainfall have impacted two cycles of the agricultural process. Consequently, Burundi's outlook has deteriorated.

2. However, the economy remains resilient (Figures 1–4), notwithstanding heightened macroeconomic imbalances and financing needs. Economic growth has slowed down, although still healthy. Inflation is high and accelerating. External imbalances have heightened, with a widening current account (CA) deficit putting pressure on FX reserves and large external financing needs. The parallel FX market premium has been increasing. Higher spending needs, including on fertilizer, social programs, and vaccines have deteriorated the fiscal path and raised fiscal financing needs.

3. The authorities have requested a 38-month arrangement under the Extended Credit Facility (ECF), with access of 130 percent of quota (SDR 200.2 million), to cope with the macroeconomic imbalances and support their policy agenda. The arrangement would help Burundi address its protracted balance of payments (BOP) needs, rebuild external buffers, reduce public debt vulnerabilities, support implementation of the authorities' reform agenda for sustainable inclusive growth (2018–27 national development plan, PND), and catalyse donor funding. This will also help address the country's sources of fragility (2022 Article IV Consultation).

RECENT DEVELOPMENTS

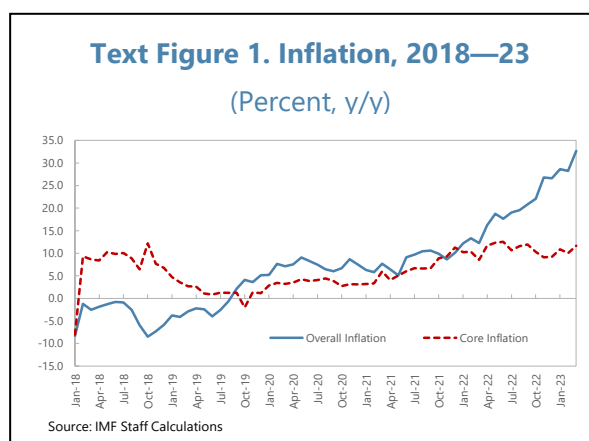
4. Economic growth decelerated to 1.8 percent in 2022 (3.1 percent in 2021), reflecting the unforeseen intensification of spillovers from external shocks and domestic shocks in the last quarter (MEFP 15–14). Beyond spillovers from the COVID-19 pandemic and the war in Ukraine (external shocks) and delayed rainfall and livestock fevers (domestic shocks), other domestic factors affected growth, including:

- *Insufficient supply of fertilizers, which affected agricultural production (Annexes, II).* Higher global prices, against the backdrop of limited FX availability for imports, and global supply chain disruptions impaired fertilizer imports. While the local fertilizer company (FOMI) typically covers 90 percent of domestic demand from local small farmers, it was not able to expand production to cover the unforeseen import shortfall. It resulted severe fertilizer shortages that constrained the agricultural campaigns. The government's emergency imports to bridge the gap and distribution of improved quality seeds through the agronomic research institute (ISABU) partly cushioned the impact of the shocks.

- *Underperforming secondary sector.* Major mining companies ceased production since 2021 pending contract renegotiations and the mining code revision (finalized in 2023:Q1).
- *Recovering tertiary sector.* While the sector has increasingly recovered from the pandemic, commerce has been impeded by spillovers from the Ukraine–Russia war. Sporadic shortages of domestic fuel supply have also constrained growth, as soaring commodity prices increased Burundi’s imports bill, compounding the effects of limited FX availability for imports.

5. Inflation has continued trending upward, mostly driven by food prices (Annexes, IV).

Inflation was 18.9 percent on average in 2022, driven by food price increases (24.5 percent) and adjustments in 2022:Q1 of domestic pump prices (20 percent) and transportation fees (30 percent). It continued accelerating in 2023, reaching 32.6 percent (y/y) in April, driven mostly by higher food inflation (48.2 percent y/y). The deflator has risen sharply, concomitantly to inflation, driving up nominal GDP and, thus, lowering macroeconomic ratios.



6. External imbalances are large. The CA deficit widened to 15.6 percent of GDP in 2022 (12.4 percent of GDP in 2021), reflecting import price hikes and a weakened services balance, despite higher exports prices (10.4 percent for tea and 48 percent for coffee). Remittances dropped slightly, partly due to weaker growth in advanced economies, while exports increased, under the impulse of coffee and gold sales, somewhat cushioning the CA widening. The capital account balance improved, thanks to higher project grants, while the financial account was almost halved owing to lower project loan disbursements. Official reserves declined to US\$ 160.27 million or 1.3 months of imports at end-March 2023. The SDR allocation has been used at 92.5 percent (SDR 150 million in 2022 and SDR 55 million in 2023 out of SDR 221.45 million, as of May 31, 2023). The parallel FX market premium surged in 2023 (102 percent at mid-April vs. 71 percent at end-January) amid unintended effects of temporary measures taken by the central bank (BRB) to limit cash circulation (Annexes, VI), which weakened confidence in the domestic currency triggering a run towards hard currency.

7. During 2022:H2, the BRB started exiting its expansionary monetary stance to contain inflation and the parallel ER premium. First, it halted the 7-day refinancing window in end-June 2022, which boosted the interbank market buoyancy. Second, it suspended refinancing on the subsidized long-term window for priority sectors (except for agricultural projects) in early December 2022. Private sector credit growth remained strong in 2022, as the impact of the measures will mostly materialize in 2023.

8. The BRB has initiated FX market liberalization since 2022:Q4. It allowed withdrawal of remittances in foreign currency (effective October 7, 2022) and transferred FX accounts of

international organizations and embassies to commercial banks (end-March 2023). The BRB also announced transfer of NGO's accounts starting in July 2023. Furthermore, it stopped allocating FX at the official rate except for fuel. It also authorized FX bureaus to apply for license and reopen from end-October 2022¹ and allowed them to trade at freely determined rates from January 13, 2023—subsequently revoked (para. 29). To end, the BRB operationalized the FX interbank market on May 4, 2023 and announced several measures initiating the ER unification (para. 25–26).

9. Budget execution in the first half of FY2022/23 (July–December) was characterized by revenue collection shortfall and spending overruns (Text Table 1). The fiscal deficit for FY2022/23:H1 is estimated at 5.6 percent of GDP (0.8 percent of GDP in FY2021/22:H1). Revenue collection underperformed, at 8.4 percent of GDP at end-December 2022 (9 percent of GDP at end-December 2021), despite strong nontax revenue collection, owing to delays in implementing the planned electronic billing for VAT collection (Annexes, VIII). Tax breaks on petroleum products introduced since October 2021 to contain inflation continue to weigh on collection. Spending overruns included a fertilizer subsidy of 3.3 percent of GDP (para. 4, 11 and 21), representing the lump-sum prepayment of subsidy covering 2022–24 to curb the adverse effects of fertilizer shortages on agricultural production and growth. Other outlay overruns included wages, interest payments, and purchases of goods and services.

10. The fiscal deficit has been financed mainly with central bank borrowing. Central bank net lending amounted to 3.8 percent of GDP during FY2022/23: H1, comprising of financing of the fertilizer subsidy, other *ad-hoc* lending agreements for private sector financing (5.7 percent of GDP), and the on-lending of the IMF SDR allocation (1 percent of GDP). Treasury statutory advances decreased by 3 percent of GDP. Public debt is estimated at 68.4 percent of GDP at end-2022, with an increase in domestic debt partly offset by a decline in external debt.

OUTLOOK AND RISKS

11. The outlook (Text Table 1) is projected to improve in the medium term (MEFP ¶16–19). Growth is expected to rebound to 3.3 percent in 2023, supported by mitigating agricultural measures. FOMI's ongoing investments to triple domestic fertilizer production, financed by the subsidy prepayment received in 2022, (para. 9) will curb domestic supply shortages, while helping meet anticipated higher future demand and tap into significant demand from neighboring countries, in particular Tanzania (Annexes, II). From 2024, the full effects of the ongoing ER reform, including phasing out of import restrictions as well as other early reforms will be reaped, leading to buoyant service activities. While the new mining code will kick off sectoral activity, ongoing public and donor investment projects² and the public investment plan (PIP) execution, partly financed by

¹ As of April 4, 2023, twenty-two (22) licensed private FX bureaus were operational.

² A dam project (capacity of 15 MW) was completed in September 2022, financed by China. Several other hydroelectric dams are in train, financed with European, IDP funds, and a World Bank solar project began in 2021 (combined cost of US\$600 million). Three of these projects should start production soon and three others by 2025. Power line and road projects are funded by the AfDB (\$100 million). A new financing agreement was signed with the U.S. (US\$ 400 million over five years), following the lifted U.S. sanctions.

the SDR allocation, will provide additional impulse. Deeper financial inclusion and programmed policy, governance, and structural reforms will further unlock growth, mitigating the effects of the projected fiscal consolidation. External imbalances are expected to ease with stimulated exports and remittance inflows as well as external capital inflows from donors and private investors. The cumulative effects of the reforms and donor support would strengthen official reserves buildup to 3 months of imports by the end of the program. Inflation is projected to remain high in the near term, at 20.1 percent on average in 2023 with some persistence in food prices despite the new harvest, and gradually recede in the medium term (MT). The potential inflationary impact of the ER reform will partly be compensated by the authorities' efforts to tighten MP and improve domestic food supply. Private sector credit growth will slow down.

Text Table 1. Burundi: Macroeconomic Outlook, 2021–28

	2021	2022	2023	2024	2025	2026	2027	2028
	Est.		Proj.					
Output								
Real GDP growth (percent)	3.1	1.8	3.3	6.0	5.9	5.7	5.9	5.5
Prices								
CPI inflation (period average)	8.3	18.9	20.1	16.1	10.1	10.2	10.0	10.2
CPI (end of period)	10.1	26.6	12.3	22.4	13.9	12.2	7.4	8.1
Fiscal								
Revenue and grants (percent of GDP) 1/	24.9	26.0	26.2	31.1	31.1	28.9	27.3	25.3
Of which: Grants	6.3	7.2	9.3	15.2	14.8	12.1	10.2	8.0
Expenditure (percent of GDP) 1/	32.5	33.0	35.0	35.6	34.4	31.9	29.8	27.7
Fiscal balance (percent of GDP) 1/	-7.6	-7.0	-8.9	-4.5	-3.3	-3.0	-2.5	-2.4
Public Sector debt (percent of GDP)	66.6	68.4	72.7	65.8	61.3	56.6	52.2	48.0
Money and Credit								
Broad money M2 (percent change)	22.4	34.7	25.9	21.9	15.6	15.4	21.7	22.3
Credit to private sector (percent change)	67.9	42.8	28.1	23.9	25.5	22.3	20.2	16.9
Balance of payments								
Current account (percent of GDP)	-12.4	-15.6	-17.6	-18.6	-18.3	-16.3	-13.7	-11.1
Reserves (months of imports)	2.5	1.3	1.9	2.5	2.7	3.0	3.4	3.5
External debt (percent of GDP)	20.2	19.9	34.4	32.5	30.5	28.2	25.4	23.4

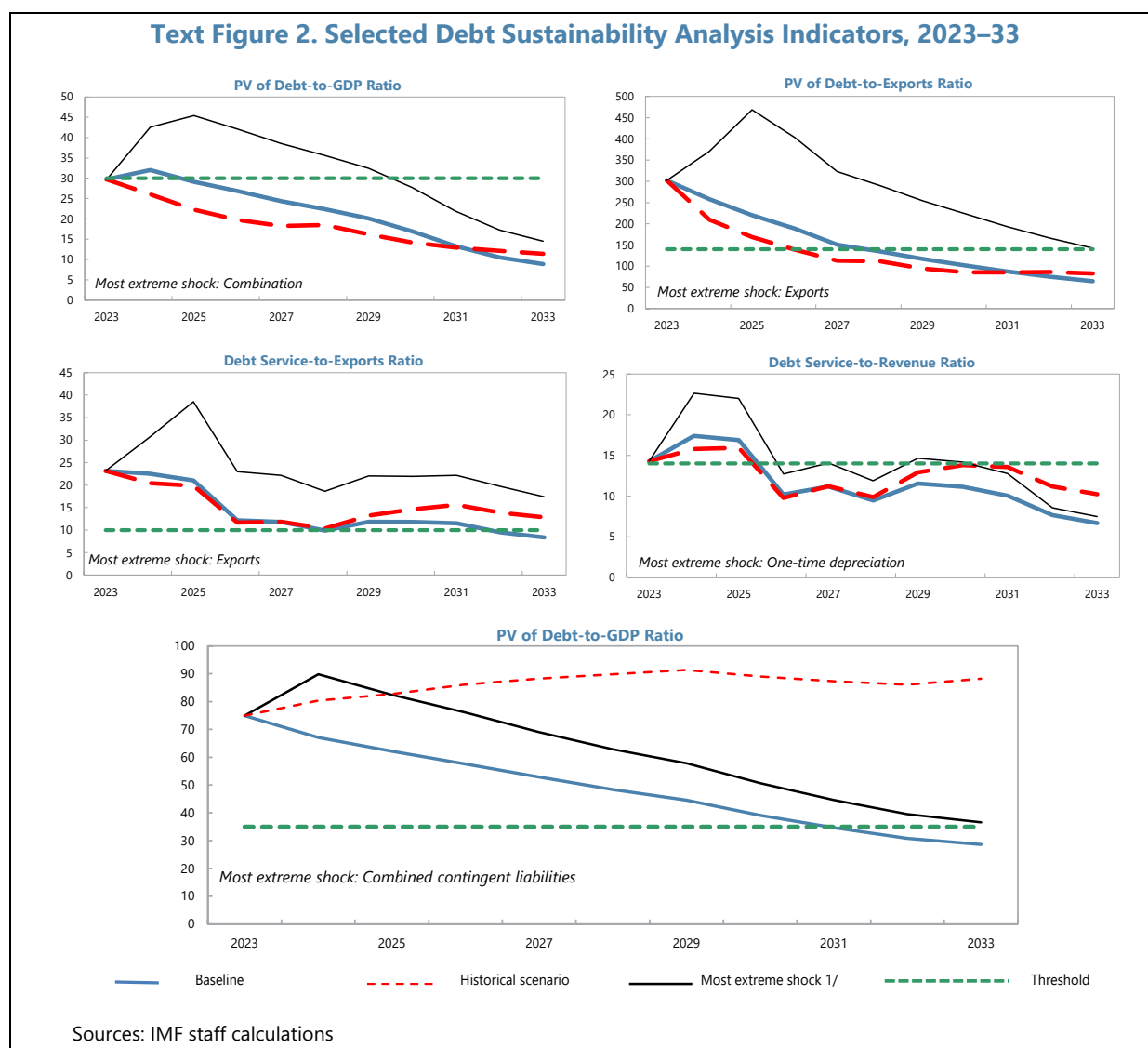
Sources: Authorities; and staff projections.

1/ Fiscal year (i.e. July-June, 2023 means FY 2022/23)

12. Burundi remains at high risk of external and overall debt distress; and debt is assessed as sustainable (Debt Sustainability Analysis, Text Figure 2).³ Key risks stem from the large stock of domestic debt and liquidity constraints to service external liabilities, with all four debt burden indicators breaching their respective thresholds under the baseline. However, external liquidity constraints, including risks to external debt service are mitigated by strong and resilient remittances, prospects of higher grants and concessional loans, and other domestic factors (para. 13). Debt

³ Outstanding arrears to Libya are under negotiation and continue to be deemed away under the policy on arrears to official bilateral creditors.

sustainability is subject to risks related to delays in policy and structural reform implementation and uncertainty around contingent liabilities.



13. Risks to the outlook are tilted to the upside, although significant downside risks exist (Risk Assessment Matrix, Annexes, I).

- Upside risks.** A stronger or faster resumption of mining exports would significantly strengthen the BOP, boosting growth, revenue collection, and FX inflows. Higher yield of programmed revenue measures would increase fiscal space for investment and improve debt dynamics. Upside risks also includes potentially larger-than-projected external financing in response to the lifted U.S. and E.U. sanctions and the program’s catalytic effects—grants averaged 17.7 percent of GDP per year during 2010–14 (compared to 11.6 percent of GDP projected per year during 2023–28).

- **Downside risks.** Beyond DSA-related risks, they pertain to (i) domestic risks: delays in implementing reforms, climate shocks potentially leading to higher food inflation and food insecurity, a deterioration of the security situation, and larger effects of castle diseases or their further spread and (ii) external uncertainties linked to the duration and impact of external shocks, rising global energy and food prices, weak global demand, and regional security issues.

PROGRAM OBJECTIVES

14. The arrangement aims to address Burundi’s protracted external imbalances and strengthen inclusive economic growth and resilience, while being attuned to reducing fragility and tackling poverty and inequality. Its main objectives include: (i) reducing debt vulnerabilities while creating fiscal space for priority social and growth-enhancing spending; (ii) restoring external sustainability; (iii) improving the monetary policy framework (MPF) and fostering financial sector stability; and (iv) implementing governance, anti-corruption, and growth-enhancing reforms.

A. A Multi-Pronged Policy Recalibration

15. A recalibration of the policy mix is required to address Burundi’s multi-dimensional challenges. On the one hand, spending pressures are high owing to the shocks and large social development needs to spur sustainable growth and reduce poverty. On the other hand, a multi-pronged policy rebalancing is essential. The policy mix should encompass (i) a better-quality fiscal consolidation path achieved through higher revenue, scaled-up investment, and prudent borrowing; (ii) unification of the official and parallel ER markets and FX market liberalization, (iii) tightening monetary policy (MP) in support of the ongoing unification and to rein in inflation, while modernizing the MPF; and (iv) undertaking growth- and governance-enhancing reforms, while being attuned to financial sector vulnerabilities.

B. Reducing Public Debt Vulnerabilities and Creating Fiscal Space

Fiscal Consolidation

16. Fiscal consolidation under the program aims to put the PV of debt to GDP on a downward path in the long term (Text Figure 2, MEFP ¶120–24). While the ongoing terms of trade (TOT) shock and ECF-supported program disbursements will worsen external debt dynamics in the MT, the program reforms are expected to improve long term (LT) dynamics. Moreover, important mitigating factors would support the program’s fiscal consolidation objectives, including the planned increased flexibility in exchange rate (ER) management and fiscal institutional improvements.

17. Considering the growth slowdown and risks of increased fragility, the fiscal deficit is projected to expand in 2022/23 (Text Table 1). The 2022/23 overall fiscal deficit is projected to widen to 8.9 percent of GDP from 7 percent of GDP in 2021/22, reflecting slippages in the first half of FY2022/23 and delayed revenue collection (para. 9). Revenue would decrease to 16.8 percent of

GDP, despite ramped up collection efforts to dampen the revenue shortfall experienced in the first half of FY2022/23, thus falling short of the overly ambitious FY22/23 budget target of 19.6 percent of GDP. Spending will expand to 35 percent of GDP, due to overruns in the first half of FY2022/23. Notably, the large fertilizer subsidy prepayment, although disruptive, is expected to support growth moving forward (para. 11). The authorities committed to contain spending in the second half of the year, including delaying new investment projects planned under the budget, to partly compensate for the large fuel subsidy prepayment.

18. The program plans a revenue-based fiscal consolidation for 2023/24, with the deficit projected to contract substantially, while protecting priority development and social spending (Text Tables 2 and 3).

- Revenue collection (indicative target, IT) is projected to reach 15.9 percent of GDP (a 19 percent nominal increase compared to 2022/23 targets, although the deflator-driven higher nominal GDP implies a drop of 0.9 percent of GDP), supported by measures planned under the budget (Annexes, VIII and IX). Less import compression, partly thanks to higher FX availability following the ER unification, would support international tax collection.

Text Table 2. Burundi: 2023/24 Budget and Fiscal Program Targets
(Percent of GDP)

	Budget	Prog.
Revenue and grants	25.3	31.1
Revenue	17.1	15.9
Grants	8.2	15.2
Program grants	2.4	1.8
Project grants	5.7	13.3
Total expenditure	33.4	35.6
Expense	16.6	15.9
Net acquisition of nonfinancial assets	16.8	19.7
Of which: Domestically financed	9.3	5.8
Net lending (+) / borrowing (-)	-8.1	-4.5

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

- Spending will increase slightly at 35.6 percent of GDP. Lower subsidies (owing to the 2022/23 fertilizer subsidy prepayment) and other current spending will compensate for the budgetary impact of the civil service reform (para. 21) and police and military salary increases. Investment will be scaled up, although gradually to support the consolidation and account for absorption capacity. This includes the regional railway project budgeted for 2.3 percent of GDP, partly financed with the SDR allocation.
- The deficit will narrow by almost half, from 8.9 to 4.5 percent of GDP—quantitative performance criterion (QPC) on primary fiscal deficit. It will be financed mainly domestically through Treasury deposits from the RCF disbursement, the use of SDR allocation, and government security issuances. The consolidation will be facilitated by stronger budget support grants (1.8 percent of GDP), catalyzed by the ECF-supported program. Domestic arrears repayment is planned for 1.5 percent of GDP, financed by Treasury deposits (RCF disbursement).
- The draft 2023/24 budget submitted to Parliament will require investment scaling back in case of revenue collection shortfall compared to ambitious budget targets—the uptick from new revenue measures is not yet quantified.

19. Fiscal consolidation will continue over the MT, with the deficit narrowing to 2.5 percent of GDP by 2026/27 (Text Table 3). After the front-loaded consolidation of 2023/24, the deficit would shrink annually by about 1¼ pp of GDP, reflecting accelerated DRM, notably VAT;

sustained budget support grants; contained current spending (wages, goods and services, and subsidies); prudent investment phasing in the context of stronger public investment management (PIM); and lower interest payments resulting from the consolidation efforts.

20. Strong domestic revenue mobilization (DRM), building on both tax and nontax measures and revenue administration improvements, will support the program's objectives.

- The implementation of the 2022/23 and planned 2023/24 budget revenue measures (Text Table 4), including VAT, mining, and informal sector taxation, would continue to provide an impulse.

- Revenue administration measures, building on TA recommendations⁴ will widen the tax base. Further digitalization of the tax collection system, one of the authorities' DRM priorities will strengthen compliance. Buying and deploying three thousand (3000) electronic cash registers that will be linked to the

Office Burundais des Recettes (OBR) and automatically report transactions will streamline and improve VAT administration. A new IT system that allows electronic filing and payment of all taxes will also improve revenue administration and collection—expected in July 2023.

- Phasing out current tax breaks and refraining from granting new ones is critical (para. 9 and 21). A CD-supported tax policy review would support preparation of a MT revenue strategy.⁵

Text Table 3. Burundi: Fiscal Policy, 2021–28¹
(Percent of GDP unless otherwise indicated)

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Total revenue and grants	24.9	26.0	26.2	31.1	31.1	28.9	27.3	25.3
<i>Of which:</i> Revenue	18.5	18.8	16.8	15.9	16.3	16.8	17.1	17.3
Grant	6.3	7.2	9.3	15.2	14.8	12.1	10.2	8.0
Total spending	32.5	33.0	35.0	35.6	34.4	31.9	29.8	27.7
<i>Of which:</i> Current	24.0	21.6	20.7	15.9	15.6	14.9	14.2	14.1
<i>Of which:</i> interest	2.8	2.8	2.4	2.7	2.7	2.4	2.2	2.1
<i>Of which:</i> Covid spending 2/	2.0	1.3	0.1	0.6	0.3	0.0	0.0	0.0
Investment	8.5	11.3	14.4	19.7	18.8	17.1	15.6	13.6
Overall deficit, incl. Grants	-7.6	-7.0	-8.9	-4.5	-3.3	-3.0	-2.5	-2.4
Total financing	7.6	7.0	8.9	1.8	2.5	2.5	2.5	2.4
<i>Of which:</i> Domestic (net borrowing)	9.0	4.6	5.5	3.2	2.3	2.1	2.2	1.7
<i>Of which:</i> Central Bank (net) 3/	3.5	5.9	3.8	3.9	1.3	-0.2	-0.2	-0.1
<i>Of which:</i> Domestic arrears	0.0	0.0	-1.0	-1.5	-1.2	-0.4	0.0	0.0
Foreign	0.4	3.4	-0.2	-0.1	-0.5	-0.5	0.2	0.8
Accounts payable (-=repayment)	1.6	2.8	0.8	0.0	0.0	0.0	0.0	0.0
Unidentified financing (gap)	0.0	0.0	0.0	2.7	0.9	0.5	0.0	0.0
<i>Of which:</i> IMF disbursement (1/2 of ECF)	0.0	0.0	0.0	2.7	0.9	0.5	0.0	0.0
Memorandum items								
GDP at current market prices (BIF billion, fiscal year)	6261.7	7291.3	9091.1	11434.2	13762.2	16153.0	18939.8	22173.5

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

1/ Fiscal data is in fiscal years (July-June). Overperformance of revenue in FY2021/22 reflects new revenue measures and strong VAT and non-tax revenue collection. Additional spending outlays in FY2021/22 compared to the budget include vaccines and associated costs (1.4 percent of GDP) and other spending (6.3 percent of GDP), mainly reflecting underbudgeted interest payments and incurred outlays in 2021H2. The higher fiscal deficit was financed with higher government securities issuances, central bank lending to the government, and external financing, including the from the IMF RCF. During FY2022/23-FY2025/26, staff assumes that one half of IMF disbursements under the ECF will contribute to financing the fiscal deficit and the remainder will be allocated to reserve build up.

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

3/ Staff projects that the central bank will on-lend in local currency to the government the equivalent of one quarter of the SDR allocation in FY2022/23 (1.4 percent of GDP), half in FY2023/24 (3.7 percent of GDP) and the remainder in FY2024/25.

⁴ July 2022 diagnosis mission.

⁵ The latest tax policy CD mission is dated 2014.

- The Government's efforts towards tax expenditure rationalization, including closer monitoring and more detailed reporting in budget laws, would help reap additional revenue (Text Table 5). A tax system review could help close loopholes.

Text Table 5. Burundi: Composition of Tax Expenditures
(Percent of GDP)

	FY2020/21	FY2021/22	Jul 2022 - Mar 2023	FY2023/24 Budget
Government and its entities	1.2	0.8	0.8	0.5
Foreign-financed projects	1.0	0.8	0.8	0.5
Investors	0.8	0.7	0.6	0.0
Medicines and Pharmaceuticals	0.3	0.1	0.1	0.0
Non-profit and private organizations	0.2	0.1	0.1	0.0
Non-Governmental Organizations	0.1	0.1	0.1	0.0
Personal items	0.01	0.01	0.002	0.001
Senior civil servants	n.a.	n.a.	0.003	n.a.
Other exemptions 1/	0.01	0.01	0.03	0.01
Total	3.6	2.6	2.5	1.2

Sources: Burundi authorities

1/ Including agricultural inputs and veterinary products. The authorities committed to strengthening control of exemptions in FY2023/24, including by tightening procedures for granting incentives and strengthening control of the use of incentives by beneficiaries.

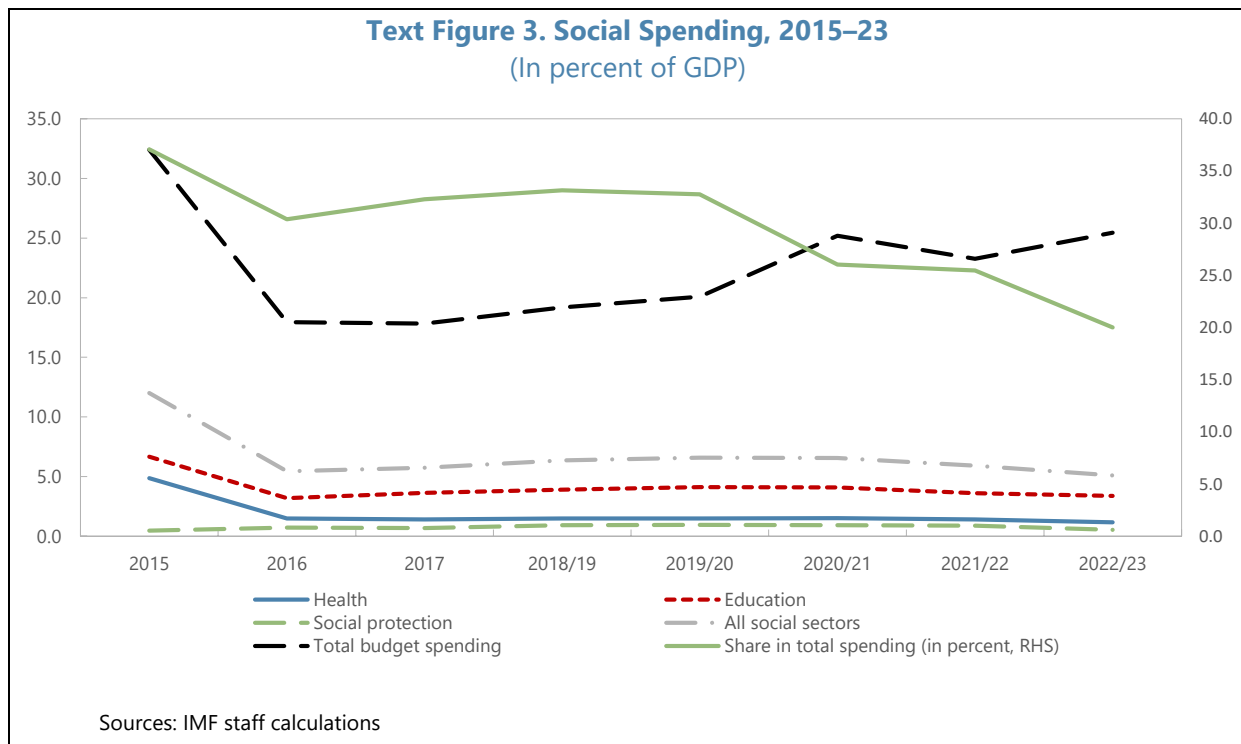
21. Spending will be attuned to several important considerations (MEFP ¶25—29; Annexes, X).

- *Subsidies.* With the still high fuel and fertilizer import prices and the initiated ER unification, containing subsidies and related contingent liabilities is critical, as is improving targeting. Implicit subsidies from tax holidays on fuel products are significant (cumulative cost of about 0.7 percent of GDP, para. 9). Considering the unification-related ER depreciation and consequent currency mismatches and contingent liability risks, the authorities are revising the domestic fuel price structure to reflect cost-recovery prices.⁶ If unavoidable, they will limit subsidies to gasoil (mainly used for public transportation and merchandise freight) to temporarily protect the vulnerable. Fertilizer subsidies operated in 2022/23 are expected to cover the cost for 2022–24. The authorities committed to limit additional fertilizer subsidy during the period and discontinue the approach of prepaying subsidies.
- *Civil service reform.* The program sufficiently provisions for the sizeable budgetary impact of the ongoing civil service reform, projected at 4.6 percent of GDP, to be spread over 10 years (2023–33). The reform aims to correct unexplained wage disparities in the public sector (fair wage policy) and support a more efficient civil servant management and remuneration system.⁷ It also provisions for the gradual repayment of arrears due to uncompensated promotions. The 2022/23 budget includes an allocation for this reform equivalent to 0.4 percent of GDP while the draft 2023/24 budget plans an allocation of 0.6 percent of GDP.
- *Public investment management (PIM).* Shifting spending towards greater investment, while reinforcing PIM, is essential. DRM and a decline in current spending will create fiscal space for the authorities' public investment program (PIP). A PIM assessment (PIMA) would improve project prioritization, planning, and execution, including on a multi-year basis.
- *Social spending.* The program will monitor the execution of social spending (IT) and encourage return to pre-crisis levels (Text Figure 3). The authorities should use the freed fiscal space to

⁶ The trade credit corresponding to the latest fuel imports was contracted at the official ER and is due in August 2023. While the official rate has depreciated, regulated sale prices are indexed on a pre-unification ER, resulting in currency mismatches between the private company's liabilities (in US dollars) and the domestic value of imported fuel and potential losses.

⁷ The new salary structure would include a component based on the job qualifications and a performance-based component.

finance well-targeted social safety nets (SSN) that will mitigate the adverse impact of revenue measures and recent shocks. UN agencies' plan to build a registry of vulnerable households will help with SSN broadening and targeting.



22. The deficit financing will gradually switch from monetary financing towards security issuance (except for on-lending of the SDR allocation). This will support the ER unification and help curb inflation. The authorities also agreed to no longer use central bank borrowing schemes to finance the deficit (QPC).

Text Table 4. Burundi: Budgetary Impact of Key 2023/24 Tax Policy Measures

Measure	Authorities' estimation of impact in FY2023/24	
	BIF billion	Percent of GDP
Introduction of a specific mobile messaging tax	30.0	0.26
Introduction of the OTT "Over The Top" tax and IP "Internet Protocol" communication tax	22.0	0.19
Introduction of a specific tax on the cost of air tickets	15.3	0.13
Introduction of a specific levy on the costs of mobile financial services	15.0	0.13
Application of the 18 percent tax on mobile telephone units to the costs of mobile data services	12.0	0.10
Increase in anti-pollution penalties on polluting vehicles	10.4	0.09
Introduction of a specific annual tax on IMEI "International Mobile Equipment Identity" on mobile terminals	6.0	0.05
Increase in fees for car registration cards and plates	5.3	0.05
Increase in the specific tax on cigarettes	5.2	0.05
Introduction of wealth tax from the acquisition of the third bu	2.8	0.02
Introduction of a specific tax on the costs of value-added services in the electronic communications sector	2.4	0.02
Application of the tax on incoming international messages	2.0	0.02
Total	128.4	1.1

Source. Authorities' estimates

Fiscal Framework and Transparency

23. The program will support stronger budget planning and improvement in transparency (MEFP ¶131–36; Annexes, XI).

- The authorities have taken steps to limit extrabudgetary spending stemming from multi-year contracts granted by priority ministries, which have not been well captured in budget allocations. To remediate future occurrences, the 2022/2023 budget Law stipulates that all public procurement related to current expenditure contracts should only be valid for one year, consistent with the PFM Law. They committed to preparing a report on the annual budgetary impact of multi-year contracts granted by priority ministries (social protection, defense, health, and education) for service and good delivery over several years—structural benchmark (SB) by end-June 2023—which will help sufficiently plan for their execution.
- The authorities also plan to submit to Parliament by end-December 2023 a law expanding the mandate of the Court of Auditors (*Cour des Comptes*) to sanction mismanagement, including the commitment of extra-budgetary expenditure without prior legal authorization.
- The FY2023/24 budget enhances the transparency and coverage of budget documents, including through new annexes on tax expenditures, non-central government entities of the General government, and state-owned enterprises (SOEs).

24. The program incorporates space for domestic arrears clearance, which will support private sector activity. A gradual repayment covering a total of BIF 485.7 billion (5.3 percent of GDP) is programmed for 2023–26. The ongoing audit of arrears and other measures conducive to better budget planning (para. 23) will support arrears discontinuation.

C. Exchange Rate Unification

25. With the heightened external imbalances, the program envisages a unification of the official and parallel ER markets in 2023, a critical step towards policy rebalancing. While the 2022 external sector assessment point to large external imbalances (Annexes, III), the parallel FX market premium has accelerated in 2023:Q1 (para. 6) and FX reserves are largely below adequacy (para. 6) hence a pressing need for ER unification. The unification entails:

- *A quantitative realignment of the official ER* to reflect the market-determined rate, which will eliminate the parallel ER premium.
- *Adopting as ER formula* a weighted average of the ER on the previous day's FX transactions, covering transactions between banks and between financial intermediaries (both banks and exchange bureaus) and their clients. Such coverage will contain the post-unification parallel ER premium. The ER formula should be described in a legal text (e.g., regulation and circular).
- *FX market liberalization*, concomitantly with the ER realignment, including (i) further facilitating the opening of FX bureaus; (ii) further removing trade administrative constraints to eliminate FX market segmentation, while being attuned to potential adverse effects during the transition period;⁸ (iii) see through the decision to lift domiciliation requirements at the BRB for the remaining FX accounts and, (iv) setting up FX auctions with an electronic platform fostering efficient and transparent communication to the market.
- *Rebuilding FX buffers* and limiting intervention to ensure that ER management remains flexible. Intervention should be geared towards preventing excessive ER volatility and market dysfunction and avoid targeting specific ER levels.

26. Reflecting its commitment to the unification, the BRB took several measures setting the stage for ER unification (MEFP ¶151-55). Starting 2022:Q3, it tightened monetary policy, implemented FX market liberalization measures, and mostly stopped FX interventions (para. 7 and 8). It has taken further steps since May 2023 (Annexes, VI, Text Figure 4):

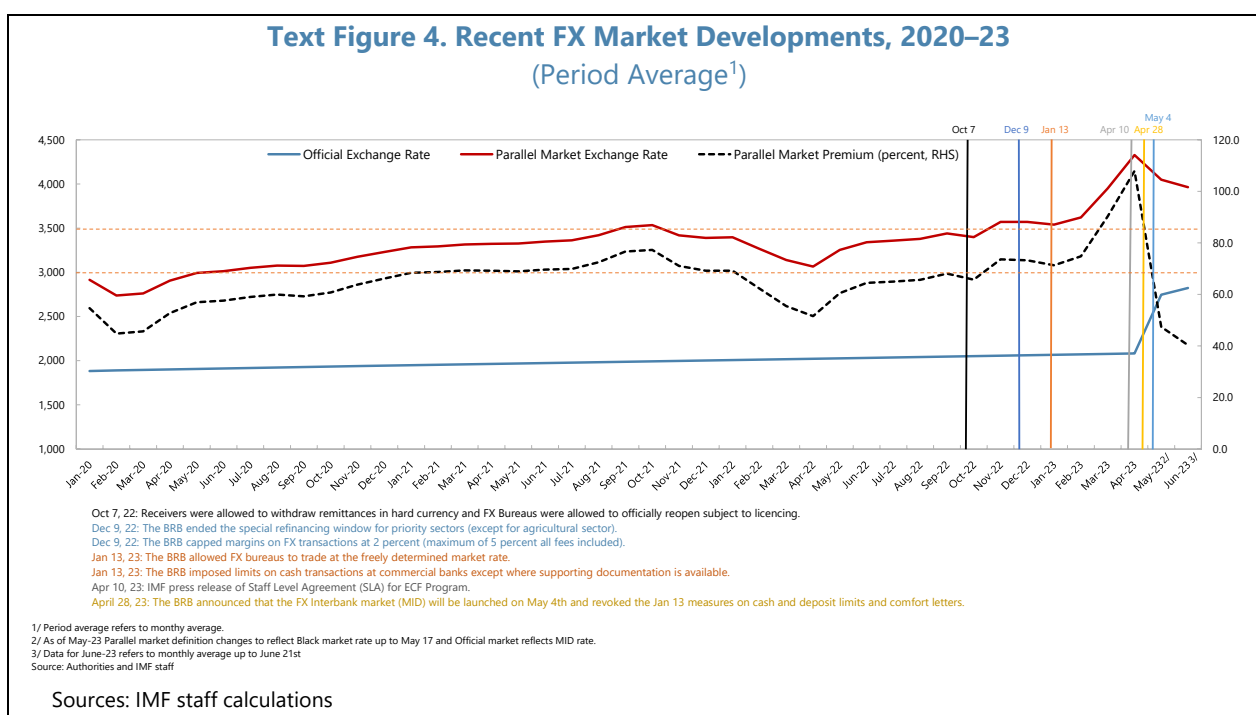
- a. *FX market measures.* On April 28, 2023, the BRB announced the interbank FX market (*Marché Interbancaire de Devises* or *MID*) launch, effective May 4, 2023, with daily FX transactions between commercial banks at freely negotiated rates and auction-based BRB's intervention. It also allowed banks to collect and hold repatriated export-proceeds, except for gold, coffee, and tea. Meanwhile the BRB's launch of an FX trading platform, which will automatize transactions, MID transactions are operated by email.
- b. *ER formula.* On May 4, 2023, the BRB announced that the official ER will be calculated as the weighted average of the previous day's transactions on the MID⁹ and imposed a margin of +/- 2

⁸ For example, sudden lifting the import priority list would trigger shortage of certain goods and fully transferring export surrendering requirement to commercial banks could further narrow the BRB's reserve coverage.

⁹ The May 4 communique states that the official ER will be computed as the weighted average of transactions in the MID between commercial banks and their clients and published daily. In practice, the ER is computed as weighted average of MID transactions (bank-to-bank).

percent around the MID rate for FX bureau and bank transactions with their clients, thus revoking the provision set on January 13, 2023 for FX bureaus (para. 8). The measure implied an automatic official ER depreciation of about 38 percent from BIF 2081 per US\$ to BIF 2875.16 per US\$, which substantially reduced the ER premium—estimated at around 42 percent.

27. However, the measures have generated adverse effects on the FX market. Since its operationalization, the MID depth has been shallow with transaction volume ranging from US\$ 7.5–18 million per day and dominated by the BRB’s FX interventions.¹⁰ Moreover, the implied initial official ER depreciation was significantly lower than the parallel ER premium prior to the January 13, 2023 cash restriction announcement.¹¹ To end, the BRB’s computed official ER has remained mostly stable since the MID was launched. Consequently, FX bureaus’ advertised rates are lower than the ER freely quoted before the May 4, 2023 reform, owing to the band around the MID rate, with commensurate downsized FX supply to their clients. A black market has anecdotally surfaced.¹²



28. Market developments indicate that the unification is not complete. The official ER is not reflective of the market-determined rate yet, reflecting the fact that the ER formula is too narrowly-

¹⁰ On May 4, 2023, the BRB sold US\$ 17 million and commercial banks US\$ 1 million. On May 5, the BRB sold US\$ 3 million and banks US\$ 4.5 million. In comparison, in 2021, the BRB’s intervention amounted to US\$ 20–60 million per month before being reduced starting 2022:Q3.

¹¹ The parallel market ER stood at BIF 3700 per US\$ prior to the adoption of January 13, 2023 measures. While it was much higher on April 27, 2023, prior to MID reopening announcement (BIF 4600 per US\$), this was partly driven by the January 13, 2023 regulatory measures on cash transactions.

¹² Anecdotal evidence suggests that the black-market mid-ER is BIF 3650 per US\$ (as of May 9, 2023) while MID’s (official) rate was at 2818.2 BIF per US\$.

centered on the MID (banks' transactions) and the restrictions on FX bureau rates. The uncertainty about the ER path has brought the FX market to a standstill. With the new lower rate, FX bureaus are reluctant to sell the FX previously acquired at higher rate. While unlikely, a progressive ER adjustment toward the free market rate under the current setting is also subject to high risks of policy reversal (Annexes, VII).

29. The authorities are determined to take additional measures to improve market functioning (Text Table 6 and Table 9). They plan to finalize the unification (SB by end-November 2023, as designed in para. 25) and are committed to FX market liberalization and avoiding the common pitfalls of a gradual unification approach, including moral suasion (Annexes, VII). The authorities have implemented a combination of corrective monetary, fiscal, and FX market liberalization measures to contain the ER premium and improve the MID's buoyancy, FX market functioning, and FX management. They envisage further FX market liberalization measures in the near term, including possibly setting a maximum buy-sell spread for FX bureaus, which will substantially reduce FX transaction costs and formalize the parallel market. They also plan giving the central bank full authority to implement FX-related reforms (PA) and further monetary tightening (para. 34).

Text Table 6. Burundi: Corrective Measures in Support of Exchange Rate Unification, May–June 2023

Measures	Expected impact	Implementation date
<i>Implemented corrective measures</i>		
Stopped FX intervention on the MID	Improved market-driven forces on the MID	May 15, 2023
Raising coefficient of required reserves from 3 percent to 5 percent	Monetary tightening to contain the ER premium and inflation	Effective May 15, 2023
Launch of a new digital platform (ASYCUDA module) to improve and automate trade-related FX flow management ¹	Improved domestic FX availability for trade, MID buoyancy, and customs revenue collection	June 2, 2023
<i>Additional planned corrective measures</i>		
Promulgation, as part of the 2023/24 budget law, of an article that gives the central bank (BRB) full authority to adopt FX management-related regulations.	Facilitate future FX-related reforms	June 30, 2023

Text Table 6. Burundi: Corrective Measures in Support of Exchange Rate Unification, May–June 2023 (Concluded)

Removal of the FX bureau exchange rate band around the official rate and setting of a maximum buy-sell spread for FX bureaus transactions ²	Increased exchange rate flexibility	June 30, 2023
Raising the 7-day refinancing rate to 10 percent, grandfathering preexisting contracts.	Further monetary tightening to contain the ER premium and inflation	June 30, 2023

¹The ASYCUDA platform will digitalize trade procedures (imports and exports license requests), financial flows (imports and exports-related foreign payments), and customs clearance. A unique transaction number per transaction will allow information cross-checking, increase in trade and financial flow management efficiency, verification of consistency between goods flows and FX payments, and enforcement of the surrender requirement, which will improve domestic FX availability for trade and ultimately, the MID buoyancy.

² FX bureaus will be authorized to purchase foreign currency at freely negotiated exchange rates while their sale rates must remain within a maximum margin of purchase rates enforceable daily on average sales. The considered maximum margin is at least 2 percent.

Sources: Burundian authorities.

30. Adopting an FX intervention rule that supports rebuilding FX buffers will be warranted post-unification. The BRB's post-unification intervention should focus on containing excessive volatility and rebuilding buffers. Once the market restrictions are lifted, commercial banks and FX bureaus should seek to attract the export proceeds with a fair freely-quoted rate, conducive to MID buoyancy. Contingent on adequate reserves coverage, setting up a limited budget for post-unification FX intervention would ensure that ER management remains flexible. In the future, the BRB should refrain from committing official reserves, including through comfort letters to the private sector.¹³ This will support the MID buoyancy and protect the BRB's net international reserves (NIR)—QPC.

31. Strengthened enforcement of capital flow measures (CFM) or targeted restrictions on capital transactions could help mitigate the unintended effects of the ER unification. Burundi's capital account is relatively open, which might be premature in the context of the unification and possible capital outflows post-reform. A rush to repatriate overdue dividends could weigh on FX availability in the MID. Residents and non-residents' ability to open FX accounts and freely make transfers abroad from these accounts might also amplify challenges.¹⁴ Tighter and well-calibrated restrictions on certain transactions and improved enforcement would support a sustainable and credible FX policy.

¹³ On May 4, 2023, the BRB has cancelled commitments to provide FX for FX loan repayments—a total due of US\$ 76.5 million in 2023. About US\$ 60 million is due at end-August 2023 for the repayment of fuel imports.

¹⁴ Individuals are free to deposit and withdraw any amount from their FX accounts, while moral entities must justify withdrawals with supportive documents (estimated cost for travel, mission, medical bills, education, and salaries).

D. Monetary Policy Recalibration and Framework Modernization

32. BRB's MPF main objective is to ensure price stability (MEFP 142-50). The BRB uses monetary aggregates targeting as an intermediate objective, along with other policy instruments on which the BRB takes discretionary decisions. In practice, decisions build on the Monetary Policy Committee (MPC)'s recommendations to reduce or expand the monetary base to reach a targeted refinancing rate.¹⁵ The Eastern African Community (EAC) inflation target is 8 percent.

33. The authorities plan to move towards an inflation targeting (IT) regime and fully floating ER regime under the EAC Monetary Union (EAMU) scheduled to be setup by 2031. Under the IT-MPF, short-term interest rates will be the operational target and inflation forecasts the intermediate target. The transition has started as M2 is currently defined as an indicative intermediate target that aims to manage an interest rate target (para. 35). The authorities' plans to move to a managed floating ER regime post-unification and the newly-opened interbank FX market, will also help clarify the MPF. Under this setting, ER management would no longer serve to stabilize inflation (hidden subsidy), and the MPF would shift from quantitative targeting (M2) to a Taylor rule with a forecasting model and a policy rate as key instrument to target inflation.

34. The BRB has substantially tightened MP to contain inflation and support of the ER unification and is committed to further tightening. It exited the COVID-19 era accommodative stance (para. 7) with sizable tightening—financing granted in 2022 under the now shut-down subsidized window was large (BIF 610,134 billion at end-October). Given the still accelerating inflationary pressures and unfinalized unification, the BRB is committed to additional tightening (Text Table 6). It has increased the reserve requirement rate from 3 to 5 percent and plans to increase the 7-day refinancing rate to 10 percent, grandfathering preexisting contracts (PA) with forward guidance of further interest rate increases, as needed. The BRB also plans to mop up liquidity, which will help rein in inflation and support MP transmission during the unification process.

35. The central bank will contain monetary financing moving forward and strengthen the MP framework. Direct and indirect monetary financing supported domestic demand and created ample liquidity, which spiraled the parallel ER market premium and fueled imported inflation. Discontinued in 2017, Treasury advances started during the pandemic and were legally reinstated by the Treasury's June 2022 Organic Law. The authorities committed to capping Treasury advances to 10 percent of the total revenue of the previous fiscal year (SB)¹⁶ and discontinue publicly-guaranteed lending schemes to the private sector financed by the BRB while gradually retiring existing guarantees. Moving forward, the standard 7-day refinancing rate (window for liquidity management) would become the operational target and a policy rate will be introduced to complement the MPF.

¹⁵ The BRB's Executive Committee (Governor, two Vice-Governors, and selected external members) makes decisions by consensus, based on recommendations from a technical committee (director level) and the MPC (Governor and two Vice-Governors).

¹⁶ Other EAC countries have similar provisions with Treasury advance ceilings ranging from with 5 percent (Kenya) to 18 percent (Uganda) of total current revenue—Tanzania (12.5 percent) and Rwanda (11 percent).

Ultimately, under an IT regime, inflation forecasts would serve as an intermediate objective guiding policy decision.

36. A clear communication strategy would support MP transmission. The communication policy should explain past performance and deviations from the target, as well as the actions needed to align expected inflation with the target. Key indicators should be clearly communicated to the private sector and other relevant stakeholders.

E. Fostering Financial Sector Stability

37. Burundi's banking sector remains healthy despite a slight decline in capital ratios (MEFP ¶48-50). At end-December 2022, the capital ratio (over weighted assets) declined at around 19 percent (27.1 percent at end-March 2022) but remained largely above the Basel-III norm. The relatively lower liquid-assets to-total short term commitments ratio at end-December 2022 (16.9 percent) is the result of the liquidity mopping by the BRB in the wake of upcoming reforms. While credit to the private sector stood at around 28 percent of GDP, NPLs remain contained (2.8 percent of gross loans at end-December 2022 and concentrated in certain sectors namely trade, real estate, and transportation) and liquid assets represented 21.3 percent of loans at end-December 2022. However, increasing large exposures (accounting now for more than 100 percent of capital) and net open FX positions (-6.5 percent at end-December 2022) raise some risks.

38. However, the ER realignment might uncover vulnerabilities. Preliminary assessment points to limited direct banks' FX exposure. However, banks are exposed to indirect exposure to FX risk, including through clients that derive their income from foreign sources or foreign-currency priced sales. Furthermore, foreign currency accounts held by banks pose a risk as clients are allowed to make withdrawals in local currency and banks must honor the more-depreciated post-unification official rate. In addition, foreign banks have sizeable overdue dividend repayments awaiting FX availability for repatriation. This liability may balloon with ER realignment, reducing banks' profitability. To end, foreign corporates face similar issues of overdue dividend repatriation, which might spill over to banks' asset quality. The extent of related risks is unclear owing to the lack of detailed data, recent financial stability assessment, and aggregate and individual stress tests. While banks have started adjusting to cope with currency risks (e.g., recapitalization, increased administrative fees).

39. The BRB is committed to fostering financial sector stability, including by strengthening supervision, with CD support. It will continue close supervision and stands ready to swiftly provide necessary support to the financial sector if risks become more significant during the ER unification. A forward-looking supervisory framework will help detect emerging tensions, with well-calibrated stress testing and frequent on-site visits, and assess FX-related vulnerabilities. Collection of detailed data on bank FX exposures and a financial sector assessment will be critical, as well as ensuring adequate staffing. The authorities' recent request for an FSSR will support CD.

F. Governance and Growth-Enhancing Reforms

Fiscal Structural Reforms (MEFP ¶62-63)

40. Fiscal structural reforms will support the program objectives, including:

- *Continue the transition to program budgeting.* The authorities initiated the transition in 2022/23 to further enhance public spending efficiency. They should proceed to developing an architecture of budget programs consistent with the budgetary nomenclature and compliant with the chart of accounts.
- *Fast tracking digitalization.* Computerizing the public financial management (PFM) framework will further strengthen budget execution reporting and controls. It will also allow data sharing between institutions and reduce the fragmentation of the current PFM system.
- *Transforming the PIP into a budget programming tool.* This will strengthen project monitoring and evaluation.
- *Strengthening planning with multi-year macroeconomic and budgetary forecast.*

Debt Management (MEFP ¶37-41)

41. Recent progress on the reporting and coverage of public debt are commendable, though further efforts are needed. These include improved public sector coverage in the draft 2023/24 budget and broadening of the 2020 and 2021 debt management reports (beyond central government debt) to include SOE debt and recognized domestic government arrears.¹⁷ Further improving debt management will be essential, building on CD. The authorities plan to improve data collection on the stock and age of pending bills and timely recording of eventual domestic arrears. They have improved SOE management and monitoring with mandatory annual financial and debt reporting to contain contingent liabilities.

Growth and Fragility-Reducing Reforms (MEFP ¶56-58)

42. Burundi's fragility is multidimensional and high, with an average CPIA score of 2.9 in 2019 (below the 3.2 threshold for fragility) and a poverty rate at 85 percent in 2020. The country is coping with the aftershock of a history of political instability and civil unrest, low-capacity institutions and governance, and high exposure to climate shocks and dependence to rain-fed agriculture. Furthermore, the COVID-19 pandemic has worsened social outcomes, including poverty, inequality, employment, and gender challenges.

¹⁷ The 2020 public debt management report covered seven SOEs out of 25 and 62 Autonomous Government Agencies (total debt of 3.3 percent of GDP at end-2020). The 2023 debt report covered 24 SOEs (total debt of 16.2 percent of GDP at end-2022) and estimated government arrears at 1.3 percent of GDP at end-2022.

43. Alleviating economic risks is a priority. Burundi ranked 135 out of 164 economies based on the 2020 economic risk rating by Oxford Economics, higher than the Sub-Saharan Africa average, reflecting the structurally large CA deficit and elevated public debt. The country ranked low on competitiveness indicators, notably utility infrastructure (access to electricity and safe drinking water). Other constrained areas include digitalization and productivity, competition, availability of collateral and credit bureaus, and skill mismatches. Diversification is also a challenge with Burundi's small industrial sector consisting mainly of construction, agricultural processing, brewing, and energy firms. The program accounts for these vulnerabilities and their impact on macroeconomic outcomes and volatility. Mitigation measures should include water resource management and more climate-resistant crops. Reforms to enhance human capital, health conditions, physical capital accumulation, and productivity would help support the private sector. The program will account for these constraints (para. 46).

Governance Reforms (MEFP 159-61)

44. Ambitious governance, anti-corruption, and AML/CFT reforms will support growth. In line with priorities under the NDP to strengthen governance, the authorities will prepare a governance diagnostic report, building on Fund support, and an action plan to implement its recommendations, which will be published (SB by end-2024). They will also continue publishing bi-annual COVID spending reports audited by the Court of Auditors (RCF commitment)—the report covering spending at end-December 2022 was published in June 2023. They also plan to modify public bidding documents to collect information on ultimate beneficial owners of entities bidding for public contracts, which may require the introduction of a definition of a beneficial owner within Burundi's legal framework.¹⁸ The authorities fast-tracked the audit of 2016–21 budget execution reports covering 2016–21 and are committed to timely preparing and auditing future reports (CCRT commitment).

PROGRAM MODALITIES

45. Policies. Burundi is facing protracted BOP challenges, with an urgent need to restore external sustainability. Budgetary financing needs are also large, with significant priority spending needs including to bridge the infrastructure gap and support the country's predominantly vulnerable population. BOP and fiscal financing needs have been exacerbated by the ongoing shocks. Raising FX reserves to 3.5 months of imports in 2023 would require US\$ 444.5 million and higher fiscal financing needs to cope with the shocks generated a financing gap of BIF 306 billion (SDR 60.1 million) in FY23/24. The program aims to reduce entrenched macroeconomic imbalances, while supporting exit from fragility, through an ambitious macroeconomic and structural reform agenda. Key objectives include (i) FX market and ER policy reform to restore external sustainability and alleviate growth bottlenecks and (ii) reducing debt vulnerabilities with fiscal consolidation driven by DRM and quality spending, while containing contingent liabilities with arrear repayment, and institutional improvement, and strengthened SOE management. The program would also support the authorities' reform agenda to boost competitiveness and inclusive growth through structural

¹⁸ The first audited report covering spending until August 12, 2021 was published in January 2023.

reforms, improved governance, and high execution of budgeted social spending. The authorities have built policy track record through the implementation of key Article IV consultation policy recommendations and commitments made in the context of the CCRT and RCF disbursement requests.

46. Access and duration. Staff proposes a 38-month arrangement with access of 130 percent of quota (SDR 200.2 million or US\$ 266.9 million), representing about 20.4 percent of total external loans and grants in 2023, and decreasing to about 5 percent by 2026. The program is fully financed with firm commitments for the first 12 months and good prospects for the remainder (Text Table 7 and Table 10). Access is somewhat front loaded with 30 percent of quota disbursement at the time of the ECF approval (Table 7), consistent with front-loaded policy commitments and to help building up FX buffers and boost investor confidence. Successful implementation of reforms would help catalyze donor financing and further improve burden sharing. Half of the disbursed amounts will be transferred to the Treasury for budget financing and half will remain at the BRB to support FX reserves buildup.

47. Program Monitoring. Program performance will be monitored through semi-annual reviews with proposed quantitative performance criteria (QPCs), indicative targets (IT), and SBs (MEFP Tables 1 and 2, Appendix II). An asymmetric adjuster on deficit targets will allow to spend windfall resources towards priority spending. An NIR floor will allow a progressive buildup of external buffers. The program would incorporate flexibility to account for heightened uncertainty and investment needs: (i) higher-than-budgeted revenue and disbursed grants may be spent and (ii) NIR targets in 2023 may be adjusted downward for higher shock-related domestically-financed imports (up to a ceiling) and for a shortfall in external inflows. SBs are streamlined to avoid straining constrained capacity.

Text Table 7. Burundi: Gross Financing Needs, 2023–28

(Percent of GDP)

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Gross financing needs	14.6	13.0	10.7	10.3	10.2	10.3
Fiscal deficit	8.9	4.5	3.3	3.0	2.5	2.4
Primary deficit	6.4	1.8	0.7	0.6	0.3	0.3
Interest on debt	2.4	2.7	2.7	2.4	2.2	2.1
Net acquisition of financial assets	-2.7	1.2	-0.7	-0.8	0.0	0.1
Amortization of debt	8.5	7.3	8.0	8.1	7.7	7.8
Gross financing	14.6	10.3	9.8	9.8	10.2	10.3
Gross domestic borrowing	12.9	8.8	8.5	8.8	8.8	8.3
<i>of which: Central Bank</i>	3.8	3.9	1.3	-0.2	-0.2	-0.1
Gross external borrowing	0.9	1.5	1.4	1.0	1.4	1.9
Accounts Payable	0.8	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	2.7	0.9	0.5	0.0	0.0
<i>of which: IMF</i>	0.0	2.7	0.9	0.5	0.0	0.0
GDP at current market prices (BIF billion)	9091.1	11434.2	13762.2	16153.0	18939.8	22173.5

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

48. CD. The arrangement will be informed by recommendations of recent CD missions and priorities identified in Burundi's CD Strategy (2022 AIV SR). Key priorities include strengthening the ER policy and MP frameworks, fostering financial sector stability, and further improving DRM, PFM, debt management, governance, and statistics—the National Summary Data Page was launched in April 2023.

49. Capacity to Repay the Fund (CtR). Burundi's CtR the Fund is adequate under the baseline scenario, but subject to significant risks (Annexes, II). Under the baseline, the stock of debt to the Fund as a share of GDP, exports or gross international reserves remains at elevated levels based on existing and prospective drawings, peaking in T+2 respectively at 9.2 percent of GDP, 69.7 percent of exports and 81.7 percent of gross international reserves. This is well above the 75th percentile of past PRGT arrangements and among the PRGT's top exposures in the last decade. Debt service as a share of revenues, gross international reserves or exports is not elevated until T+5, but will sharply increase after, peaking respectively at 6.2 percent of revenue and 33.6 percent of gross reserves in T+7, and 6.7 percent of exports in T+8, with indicators of debt service to the Fund well above the 75th percentile of past PRGT arrangements. Burundi's CtR the Fund is subject to downside risks including from natural disasters, deterioration in the security situation, and materialization of fiscal risks that could reduce the government's debt servicing capacity. Risks are mitigated by the authorities' strong track record of servicing their debt obligations to the Fund, the expected

steadfast implementation of the authorities' reform agenda, and prospects of higher donor support catalyzed by the Fund arrangement.

50. Risks to the Program. Downside implementation risks include severe shocks and/or of longer duration and delays in reform implementation. However, the authorities have taken several measures to contain these risks, including significant reduction of monetary financing, gradual FX market liberalization starting September 2022, operationalization of the MID and initial steps to ER unification, and preparation of a digital FX trading platform.

51. Safeguards. The 2022 safeguards assessment found weaknesses in the BRB's governance arrangements and the control framework. Long delays in finalizing the financial statements and qualified audit opinions hamper transparency. Moreover, key vulnerabilities persist in the internal audit capacity and governance frameworks for FX management and domestic gold operations. The authorities are committed to advancing implementation of safeguards recommendations, although progress has been slow. Results from the external audit of the stock of NIR at end-December 2022 (PA) point to weaknesses in accounting controls, including commitment recording. Against that backdrop, an audit of the stock NIR at end-July 2023 (SB) will be conducted to support accuracy of data reporting.

52. Article VIII. Staff recently conducted a jurisdictional review of Burundi's exchange system with regard to its compliance with members' obligations under Article VIII, Sections 2(a), 3, and 4 of the IMF's Articles of Agreement. The assessment took stock of important changes to the exchange system since the last assessment (2015). However, the recent significant reforms of the exchange system that took place after the staff's preliminary assessment would require further analysis and will be communicated to the Executive Board once finalized.

STAFF APPRAISAL

53. Burundi faces multidimensional fragility, including regarding social inclusion and equity, which was driven by its unstable political history and has recently been exacerbated by several shocks. The COVID-19 pandemic and spillovers from the war in Ukraine have slowed growth and triggered sharp increases in commodity and domestic prices. Unfavorable weather and the animal sanitary crisis of 2022 dampened prospects in the primary sector, thus adding to price pressures and affecting the wellbeing of the most vulnerable segment of the population.

54. Burundi's recent macroeconomic performance has been weak, with sizable domestic and external imbalances. Growth disappointed in 2022 and inflation remains very high. The large current account deficit further widened, and FX reserves remain at precarious levels. Fiscal slippages and slow revenue collection from new measures are putting pressure on the deficit for FY2022/23. Public debt is high and rising.

55. The authorities have taken several measures to address current macroeconomic challenges. They have made state lands available to farmers, facilitated the expansion of domestic production of fertilizers, and authorized two additional companies to import fertilizer, which would support agricultural production. They have taken initial steps toward ER unification and FX market

liberalization and have committed to further measures, which would help reduce external imbalances. The authorities have also tightened monetary policy to help contain inflation and support ER unification. They have taken corrective measures to contain the fiscal deficit in FY2022/23 and continue to take measures to strengthen DRM and contain the fiscal deficit and public debt going forward.

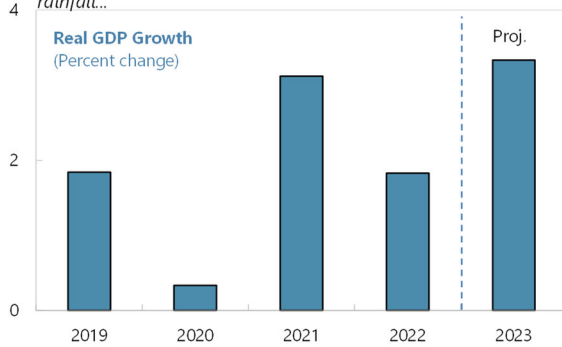
56. The authorities' program aims at rebalancing the macroeconomic policy mix and advancing structural reforms, building on capacity development and also addressing the sources of fragility. Its key pillars include: (i) front-loading fiscal consolidation to reduce debt vulnerabilities and bring the external and public risks of debt distress to moderate over the medium term; (ii) implementing ER unification and FX market liberalization which will help restore external sustainability; (iii) tightening monetary policy, including limiting monetary financing, to contain ongoing inflationary pressures and support ER unification; and (iv) implementing anti-corruption, governance and structural reforms, including stronger PFM, tighter SOE management, and other fiscal structural reforms, to unlock growth bottlenecks and reduce fragility.

57. Burundi's macroeconomic outlook would noticeably improve with successful implementation of the envisaged reforms. Growth is expected to rebound in 2023 and in the medium term thanks to the receding effects of recent shocks and the expected effects of the program reform agenda. Inflation is projected to gradually recede with monetary tightening. The ER reform and resulting reduced external imbalances are expected to stimulate exports and remittance inflows. The cumulative effects of the reforms and higher external support will help official reserves buildup. Donor support, catalyzed by the ECF-supported program, would be critical in that regard. Fiscal consolidation would put public debt on a downward trend and significantly reduce debt sustainability risks.

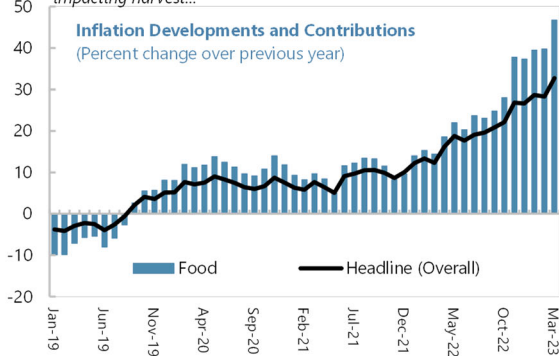
58. Staff supports the authorities' request for a 38-month ECF arrangement with access of 130 percent of quota (SDR 200.2 million). The Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives. While implementation risks are significant, they are mitigated by the authorities' commitment to the program.

Figure 1. Recent Developments, 2019–23

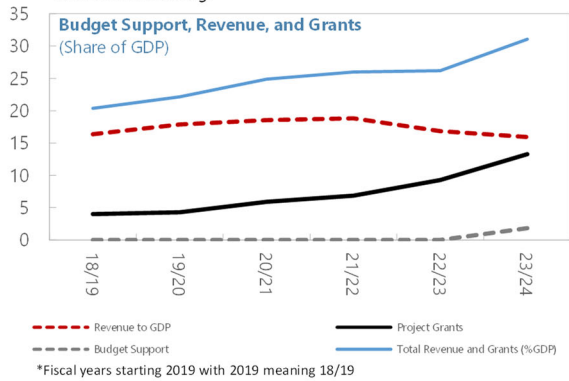
The growth momentum was disrupted in 2020 by the pandemic and in 2022 by the spillovers of the war in Ukraine and delayed rainfall...



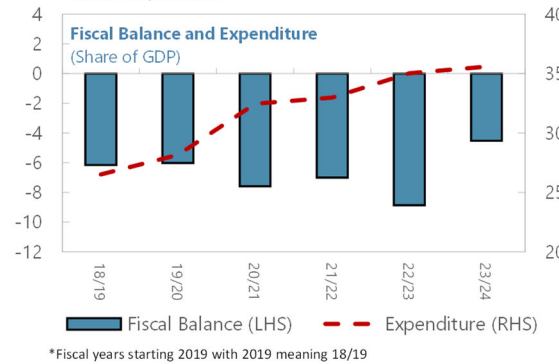
Inflation spiked in 2019–2023 mainly driven by food prices due to poor weather conditions and insufficient supply of fertilizers impacting harvest...



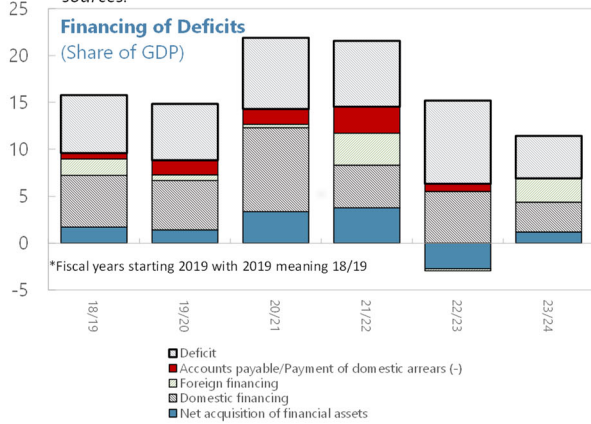
Budget support has been nul in recent years, though project grants have been increasing.



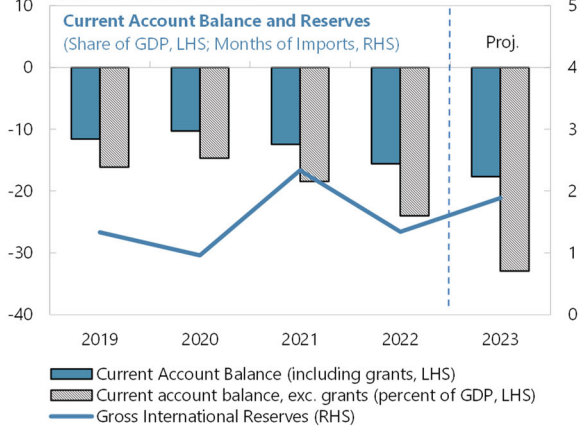
The fiscal deficit has remained sizeable and widened during the COVID pandemic.



Fiscal deficits have mainly been financed by domestic sources.

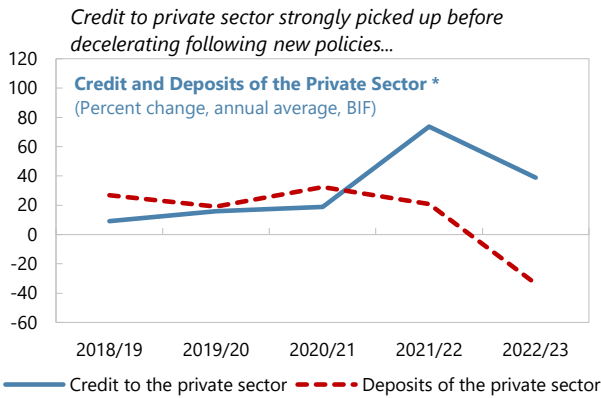


Reserves have been anemic although the supported by the 2021 SDR allocation.

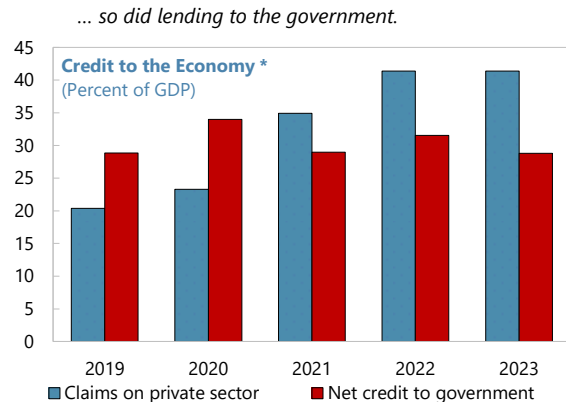


Sources: Burundi authorities and IMF staff estimates and projections.

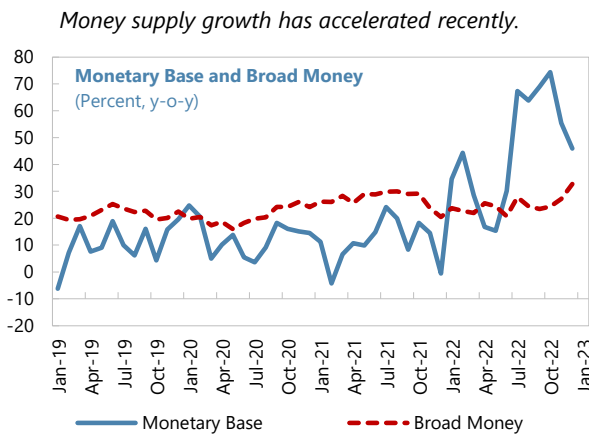
Figure 2. Monetary Developments, 2019–23



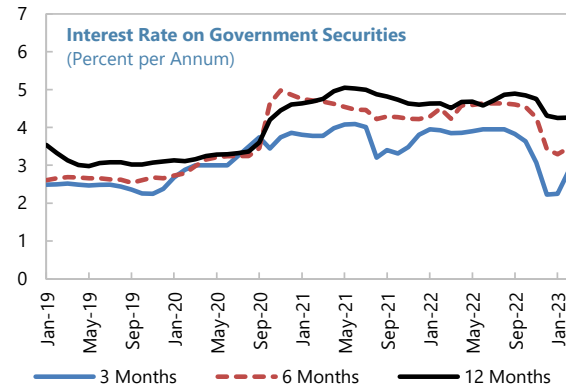
* Credits and deposits, to and from commercial banks.



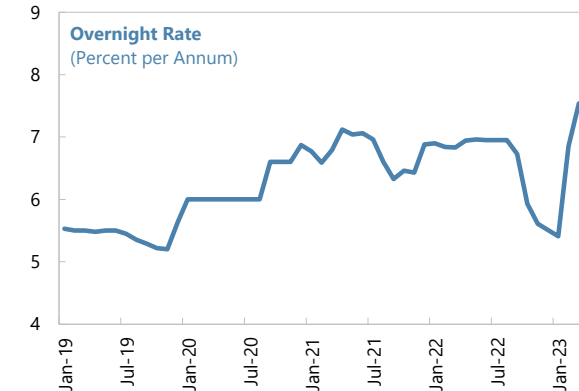
* Total credit extended by BRB and commercial banks



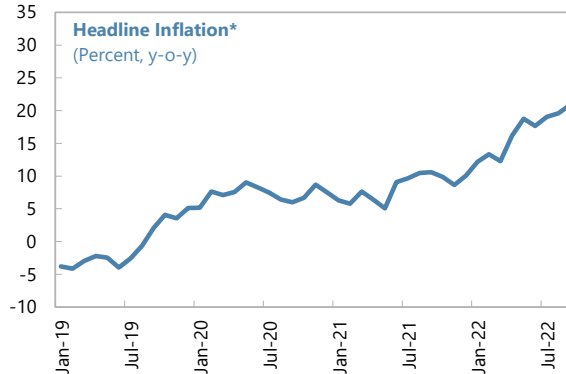
After an increase in 2021 and erratic evolution, interest rates on government debt recently initiated a decline



Attractive for banks since 2019, the overnight rate has risen up reflecting the exit from accommodative monetary policy.



Overall inflation has been on an accelerating trend since July 2021.

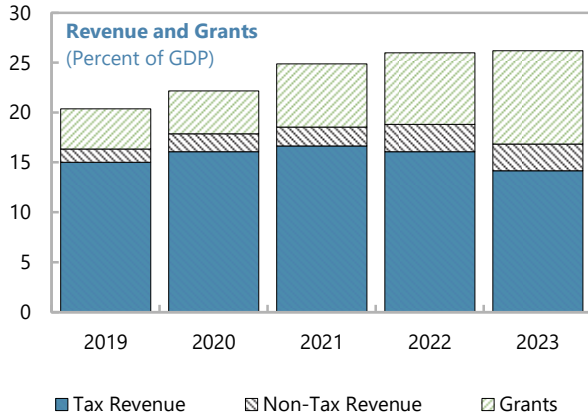


*Headline inflation includes all components of the CPI basket.

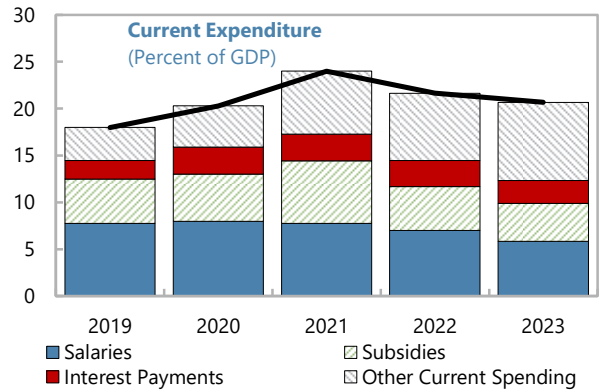
Sources: Burundi authorities and IMF staff estimates and projections.

Figure 3. Fiscal Developments, 2019–23^{1/}

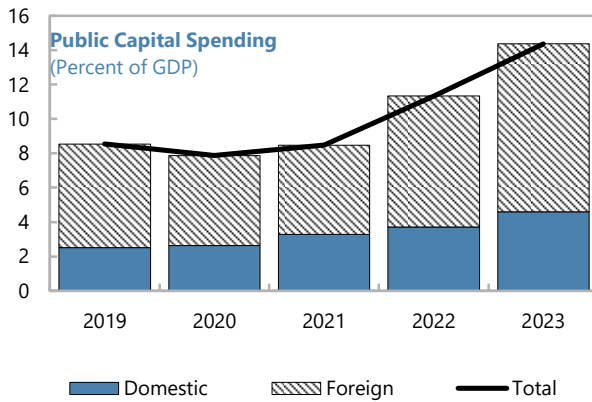
Revenue continues to rise, along with grants, though expected to drop as a share of GDP in 2023.



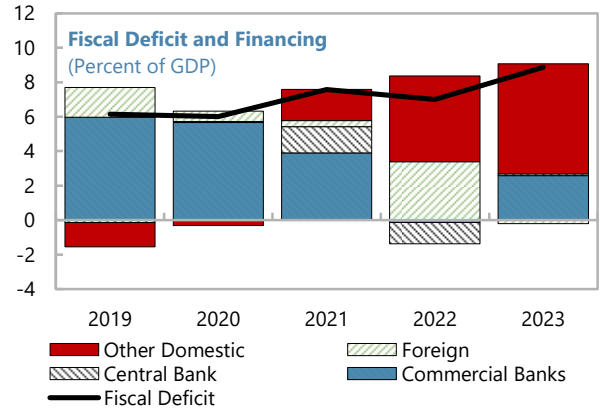
Current spending has been trending down, driven by wages, transfers, subsidies, and interest payments.



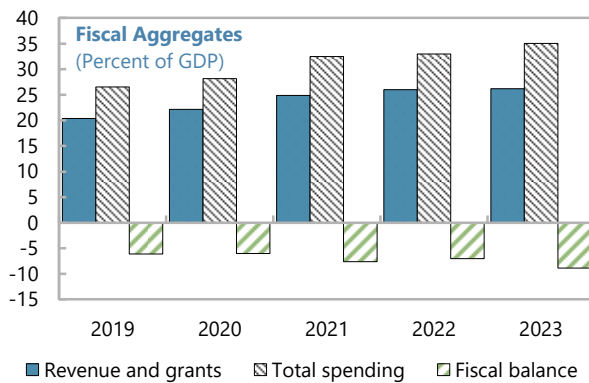
Public capital spending has been driven by external financing, though domestically-financed public investment has been increasing.



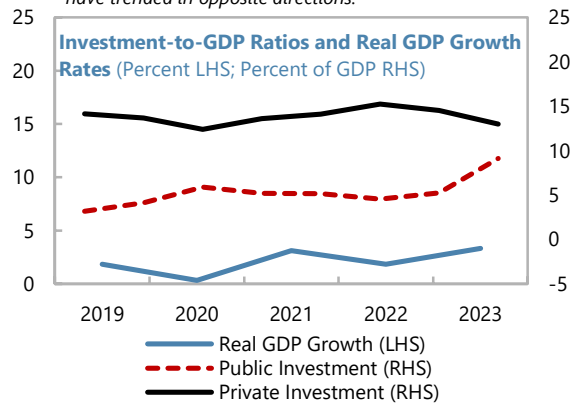
The fiscal deficit is on the rise, mainly financed with domestic resources including on-lending of the 2021 SDR allocation.



Spending pressures have consistently exceeded available resources, keeping fiscal deficits non-negligible.



Real GDP growth rates have mirrored the public investment impulse, while public and private investment have trended in opposite directions.



Sources: Burundi authorities and IMF staff estimates and calculations.

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

Table 1. Burundi: Selected Economic and Financial Indicators, 2020–28
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Est.				Proj.		
(Annual percentage change, unless otherwise indicated)									
Output, prices, and exchange rate									
Real GDP 1/	0.3	3.1	1.8	3.3	6.0	5.9	5.7	5.9	5.5
GDP deflator	9.2	9.4	17.7	20.0	17.0	10.9	11.0	10.7	10.9
CPI (period average)	7.3	8.3	18.9	20.1	16.1	10.1	10.2	10.0	10.2
CPI (end of period)	7.5	10.1	26.6	12.3	22.4	13.9	12.2	7.4	8.1
Terms of trade (- = deterioration)	-12.3	1.6	-18.7	4.5	1.5	1.4	0.2	0.2	0.1
Money and credit									
Broad Money (M2)	25.4	22.4	34.7	25.9	21.9	15.6	15.4	21.7	22.3
Credit to non-government sector 2/	21.5	67.9	42.8	28.1	23.9	25.5	22.3	20.2	16.9
M2/GDP (percent)	42.7	46.7	52.2	51.3	50.5	49.7	48.9	50.7	53.1
(Percent of GDP, unless otherwise indicated)									
Central government budget 3/									
Revenue and grants	22.2	24.9	26.0	26.2	31.1	31.1	28.9	27.3	25.3
of which : grants 4/	4.3	6.3	7.2	9.3	15.2	14.8	12.1	10.2	8.0
of which : revenue	17.9	18.5	18.8	16.8	15.9	16.3	16.8	17.1	17.3
Expenditure	28.2	32.5	33.0	35.0	35.6	34.4	31.9	29.8	27.7
Expense	20.3	24.0	21.6	20.7	15.9	15.6	14.9	14.2	14.1
Net acquisition of non-financial assets	7.9	8.5	11.3	14.4	19.7	18.8	17.1	15.6	13.6
Primary balance	-3.1	-4.7	-4.2	-6.4	-1.8	-0.7	-0.6	-0.3	-0.3
Overall balance	-6.0	-7.6	-7.0	-8.9	-4.5	-3.3	-3.0	-2.5	-2.4
Excluding grants	-10.3	-13.9	-14.2	-18.2	-19.7	-18.1	-15.2	-12.7	-10.4
Net acquisition of financial assets	1.4	3.4	3.8	-2.7	1.2	-0.7	-0.8	0.0	0.1
Net domestic borrowing	5.3	9.0	4.6	5.5	3.2	2.3	2.1	2.2	1.7
Net foreign borrowing	0.6	0.4	3.4	-0.2	-0.1	-0.5	-0.5	0.2	0.8
Accounts payable	1.5	1.6	2.8	0.8	0.0	0.0	0.0	0.0	0.0
Public debt									
Public gross nominal debt	66.0	66.6	68.4	72.7	65.8	61.3	56.6	52.2	48.0
of which : external public debt	17.7	20.2	19.9	34.4	32.5	30.5	28.2	25.4	23.4
domestic public debt	48.2	46.3	48.4	38.3	33.3	30.8	28.4	26.8	24.7
Investment and savings									
Investment	19.8	19.8	22.1	25.6	26.5	25.1	24.1	23.1	21.5
Public	4.5	5.3	9.1	12.5	13.3	11.9	10.9	9.9	8.3
Private	15.3	14.5	13.0	13.1	13.2	13.2	13.2	13.2	13.2
Savings	9.5	7.3	6.5	7.9	7.9	6.8	7.8	9.5	10.4
Public	-1.8	0.0	-2.9	7.5	10.6	8.1	8.5	7.3	6.0
Private	11.3	7.3	9.5	0.4	-2.7	-1.2	-0.8	2.1	4.4
External sector									
Exports (goods and services)	8.8	8.1	7.1	9.8	12.4	13.2	14.2	16.2	16.6
Imports (goods and services)	33.1	35.1	35.0	44.6	49.8	47.7	45.9	44.2	41.1
Trade Balance (goods and services)	-24.3	-27.0	-27.8	-34.8	-37.4	-34.5	-31.7	-28.0	-24.5
Current account balance (incl. budget support)	-10.3	-12.4	-15.6	-17.6	-18.6	-18.3	-16.3	-13.7	-11.1
Current account balance (excl. budget support)	-10.3	-12.4	-15.6	-19.7	-21.1	-18.8	-16.8	-14.2	-11.6
Gross international reserves (incl. ECF)									
In millions of US\$	94.3	281.0	159.0	239.7	337.9	385.1	467.1	545.6	664.4
In months of next year imports	1.0	2.5	1.3	1.9	2.5	2.7	3.0	3.4	3.5
Memorandum items:									
Official current transfers	0.0	0.0	0.0	2.0	2.5	0.5	0.5	0.5	0.5
Official capital transfers 4/	4.4	4.0	4.3	13.0	14.6	12.7	11.0	8.9	6.5
GDP at current market prices									
In billions of Burundi Francs	5,911	6,613	7,970	10,213	12,656	14,869	17,437	20,442	23,905
In billions of US\$	3.1	3.4	3.9	3.2	3.1	3.4	3.8	4.2	4.7
GDP per capita (Nominal US\$)	259.9	274.0	311.0	245.8	228.8	248.1	267.1	288.0	309
Export volume growth (goods, in percent)	-21.6	-12.4	20.0	10.3	27.8	19.4	19.4	15.3	6.6
Import volume growth (goods, in percent)	-16.1	13.6	-3.8	7.8	4.6	6.8	3.3	2.0	-2.9
Population (million)	11.9	12.2	12.6	13.0	13.4	13.8	14.2	14.6	15.0
Health and social spending 3/									
Health	1.9	3.6	3.1	...	...	...	...	...	...
Social	3.0	3.2	3.0	...	...	...	...	...	...

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

1/ The jump in 2023 is due to the resuming activity in the mining sector, the implementation of the capital project including the EAC tile projects, and a more dynamic tertiary sector driven by the ongoing exchange rate reform.

2/ A statistical adjustment of 15 percent (the gap between credit to private sector and the updated data that include the new bank) was applied to 2021 credit growth data to account for the reclassification of a bank—the Urban Housing Promotion Fund became the Burundi Housing Bank in 2021 and is now covered in the monetary survey.

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

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

Table 2a. Burundi: Central Government Operations, 2020–28^{1/}
(BIF Billion)

	2020/21	2021/22	2022/23	2023/24		2024/25	2025/26	2026/27	2027/28
	Est.	Est.	Proj.	Budget	Prog/Proj (Staff)	Proj.	Proj.	Proj.	Proj.
	(BIF Billion)								
Revenue and grants	1,558.1	1,894.3	2,379.3	2,893.1	3,553.6	4,281.4	4,667.5	5,171.2	5,599.7
Revenue	1,161.1	1,372.7	1,530.3	1,960.4	1,820.8	2,241.0	2,707.3	3,233.0	3,826.6
Tax revenue	1,042.1	1,172.1	1,286.7	1,584.0	1,511.6	1,875.3	2,278.0	2,729.7	3,237.3
Taxes on income, profits, and capital gains	244.7	304.0	349.0	386.4	384.0	535.9	644.1	770.1	901.6
Taxes on goods & services	656.0	749.0	825.7	1,038.1	991.6	1,119.5	1,373.4	1,648.5	1,973.5
Taxes on international trade & transactions	141.4	119.1	112.0	159.5	136.0	219.9	260.6	311.1	362.3
Other revenue 2/	119.0	200.5	243.6	376.4	309.1	365.7	429.2	503.3	589.2
Grants 3/	397.0	521.6	849.0	932.7	1,732.9	2,040.4	1,960.2	1,938.2	1,773.1
Program grants	0.0	0.0	0.0	276.3	208.1	192.4	80.8	94.7	110.9
Project grants 3/	368.8	500.3	843.9	653.4	1,519.5	1,841.9	1,873.1	1,836.9	1,655.5
Other grants and transfers 4/	28.2	21.3	5.1	3.0	5.3	6.1	6.3	6.6	6.8
Total expenditure	2,033.2	2,404.5	3,185.3	3,818.0	4,069.8	4,738.7	5,158.5	5,644.9	6,141.8
Expense	1,502.6	1,578.3	1,878.4	1,892.8	1,817.0	2,148.7	2,404.2	2,693.3	3,119.2
Compensation of employees	485.1	512.4	530.4	868.3	766.3	864.4	936.4	1,017.4	1,186.0
Purchases/use of goods & services	179.2	175.3	151.8	328.4	272.3	335.7	392.4	460.1	538.8
Subsidies and Social benefits	419.3	339.1	369.2	340.6	364.6	440.4	516.9	606.1	709.6
Interest	178.1	203.9	220.6	242.2	311.0	364.9	391.6	423.1	475.2
Of which: Domestic	170.3	193.0	198.9	210.4	245.5	279.6	314.1	350.4	396.5
Other expense 5/	241.0	347.7	606.5	113.3	102.8	143.3	166.9	186.7	209.6
Of which: Covid spending 5/	122.2	97.9	11.8		69.8	34.8	0.0	0.0	0.0
Of which: Advances for fertilizers	...	...	300.0		0.0	25.0	50.0	50.0	50.0
Net acquisition of nonfinancial assets 6/	530.5	826.2	1,306.9	1,925.2	2,252.8	2,590.0	2,754.3	2,951.6	3,022.6
Of which: Domestically financed	205.6	270.4	418.2	1,059.0	666.2	593.4	724.9	883.0	1,009.8
Net lending (+) / borrowing (-)	-475.0	-510.2	-806.0	-924.9	-516.1	-457.2	-491.0	-473.7	-542.1
Net acquisition of financial assets 7/	209.8	275.3	-248.8	0.0	137.0	-89.5	-130.9	-6.0	16.0
Deposits	181.4	331.0	-199.3	0.0	137.0	-89.5	-130.9	-6.0	16.0
Net lending	28.5	-55.7	-10.6	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net incurrence of liabilities	684.9	785.5	557.2	580.8	347.1	249.1	273.5	467.7	558.0
Net incurrence of liabilities (excl accounts payable)	583.2	579.2	480.5	580.8	347.1	249.1	273.5	467.7	558.0
Domestic	560.9	332.1	499.8	580.8	362.0	313.1	346.6	422.6	387.2
Commercial banks	244.0	-10.2	234.4	189.0	126.2	332.5	463.9	474.9	439.5
Non-banks	95.5	-89.3	10.0	157.4	-39.0	-29.3	-19.5	-19.5	-19.5
Central Bank (net) 8/	221.4	431.5	342.1	234.4	444.8	173.9	-32.8	-32.8	-32.8
Domestic Arrears 9/	0.0	0.0	-86.7	0.0	-170.0	-164.0	-65.0	0.0	0.0
Unidentified financing	0.0	0.0	0.0	196.0	0.0	0.0	0.0	0.0	0.0
Foreign	22.3	247.1	-19.3	148.1	-14.8	-64.0	-73.1	45.1	170.8
Accounts Payable	101.7	206.3	76.7	0.0	0.0	0.0	0.0	0.0	0.0
Unidentified financing/Financing gap	0.0	0.0	0.0	0.0	306.0	118.7	86.5	0.0	0.0
of which: IMF disbursement (1/2 of ECF)	0.0	0.0	0.0	0.0	306.0	118.7	86.5	0.0	0.0
Memorandum items:									
Fiscal primary balance	-296.9	-306.4	-585.4	-682.7	-205.1	-92.4	-99.3	-50.6	-66.8
GDP at current market prices (BIF billion)	6,262	7,291	9,091	11,434	11,434	13,762	16,153	18,940	22,174

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

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

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

3/ Starting with FY2022/23, grants includes project grants from the US and the EU. Grants averaged 17.7 percent of GDP per year during 2010–14, before the 2015 political crisis. Projected World Bank grants account for almost half of project grants during 2022–26 before gradually declining to less than 10 percent in 2033. No World Bank grant is assumed after 2033.

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

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

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

7/ A negative sign denotes a reduction of financial assets. Deposit accumulation in FY2021/22 was mainly due to the disbursement of the RCF. Projected deposit accumulation is mainly due to the projected use by the government of part of the BIF equivalent of the 2021 SDR allocation (SDR 147.6 million). Staff assumes that the equivalent of the SDR allocation will be deposited by the central bank in government accounts in equal installments in 2023Q2, 2023Q4, 2024Q2 and 2024Q4 and will be used gradually to help finance public investment over time.

8/ Staff projects that the central bank will on-lend in local currency to the government the equivalent of half of the SDR allocation in FY2022/23 (2.8 percent of GDP) and the remainder in FY2023/24 and FY2024/25.

9/ Budgetary and extrabudgetary arrears accumulated since 2018 have not yet been identified. Staff assumes that they could reach 6.5 percent of GDP.

Table 2b. Burundi: Central Government Operations, 2020–28^{1/}
(Percent of GDP)

	2020/21		2021/22		2022/23		2023/24		2024/25	2025/26	2026/27	2027/28
	Est.	Est.	Budget	Proj.	Budget	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	
Revenue and grants	24.9	26.0	23.3	26.2	25.3	31.1	31.1	28.9	27.3	25.3		
Revenue	18.5	18.8	19.6	16.8	17.1	15.9	16.3	16.8	17.1	17.3		
Tax revenue	16.6	16.1	17.2	14.2	13.9	13.2	13.6	14.1	14.4	14.6		
Taxes on income, profits, and capital gains	3.9	4.2	4.0	3.8	3.4	3.4	3.9	4.0	4.1	4.1		
Taxes on goods & services	10.5	10.3	11.4	9.1	9.1	8.7	8.1	8.5	8.7	8.9		
Taxes on international trade & transactions	2.3	1.6	1.8	1.2	1.4	1.2	1.6	1.6	1.6	1.6		
Other revenue 2/	1.9	2.8	2.4	2.7	3.3	2.7	2.7	2.7	2.7	2.7		
Grants 3/	6.3	7.2	3.7	9.3	8.2	15.2	14.8	12.1	10.2	8.0		
Program grants	0.0	0.0	0.0	0.0	2.4	1.8	1.4	0.5	0.5	0.5		
Project grants 3/	5.9	6.9	3.7	9.3	5.7	13.3	13.4	11.6	9.7	7.5		
Other grants and transfers 4/	0.5	0.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Total expenditure	32.5	33.0	25.4	35.0	33.4	35.6	34.4	31.9	29.8	27.7		
Expense	24.0	21.6	12.4	20.7	16.6	15.9	15.6	14.9	14.2	14.1		
Compensation of employees	7.7	7.0	5.6	5.8	7.6	6.7	6.3	5.8	5.4	5.3		
Purchases/use of goods & services	2.9	2.4	1.7	1.7	2.9	2.4	2.4	2.4	2.4	2.4		
Subsidies and Social benefits	6.7	4.7	4.0	4.1	3.0	3.2	3.2	3.2	3.2	3.2		
Interest	2.8	2.8	0.7	2.4	2.1	2.7	2.7	2.4	2.2	2.1		
Of which: Domestic	2.7	2.6	0.5	2.2	1.8	2.1	2.0	1.9	1.9	1.8		
Other expense 5/	3.8	4.8	0.4	6.7	1.0	0.9	1.0	1.0	1.0	0.9		
Of which: Covid spending 5/	2.0	1.3	...	0.1	0.0	0.6	0.3	0.0	0.0	0.0		
Of which: Advances for fertilizers	...	...	...	3.3	0.0	0.0	0.2	0.3	0.3	0.2		
Net acquisition of nonfinancial assets 6/	8.5	11.3	13.1	14.4	16.8	19.7	18.8	17.1	15.6	13.6		
Of which: Domestically financed	3.3	3.7	8.7	4.6	9.3	5.8	4.3	4.5	4.7	4.6		
Net lending (+) / borrowing (-)	-7.6	-7.0	-2.2	-8.9	-8.1	-4.5	-3.3	-3.0	-2.5	-2.4		
Net acquisition of financial assets 7/	3.4	3.8	0.0	-2.7	0.0	1.2	-0.7	-0.8	0.0	0.1		
Deposits	2.9	4.5	0.0	-2.2	0.0	1.2	-0.7	-0.8	0.0	0.1		
Net lending	0.5	-0.8	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0		
Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Net incurrence of liabilities	10.9	10.8	2.2	6.1	5.1	3.0	1.8	1.7	2.5	2.5		
Domestic	9.0	4.6	2.1	5.5	5.1	3.2	2.3	2.1	2.2	1.7		
Commercial banks	3.9	-0.1	1.6	2.6	1.7	1.1	2.4	2.9	2.5	2.0		
Non-banks	1.5	-1.2	0.6	0.1	1.4	-0.3	-0.2	-0.1	-0.1	-0.1		
Central Bank (net) 8/	3.5	5.9	0.0	3.8	2.1	3.9	1.3	-0.2	-0.2	-0.1		
Domestic Arrears	0.0	0.0	0.0	-1.0	0.0	-1.5	-1.2	-0.4	0.0	0.0		
Foreign	0.4	3.4	0.0	-0.2	1.3	-0.1	-0.5	-0.5	0.2	0.8		
Accounts payable	1.6	2.8	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0		
Unidentified financing/Financing gap	0.0	0.0	0.0	0.0	0.0	2.7	0.9	0.5	0.0	0.0		
of which: IMF disbursement (1/2 of ECF)	0.0	0.0	0.0	0.0	0.0	2.7	0.9	0.5	0.0	0.0		
Memorandum items:												
Fiscal primary balance	-4.7	-4.2	-1.5	-6.4	-6.0	-1.8	-0.7	-0.6	-0.3	-0.3		
GDP at current market prices (BIF billion)	6262	7291	9091	9091	11434	11434	13762	16153	18940	22174		
Fiscal balance excl. grants	-13.9	-14.2	-5.9	-18.2	-16.2	-19.7	-18.1	-15.2	-12.7	-10.4		
One-off (Covid and SDR) spending	2.0	1.3	...	1.8	3.7	4.3	2.0	0.0	0.0	0.0		
Fiscal balance excl. one-off spending	-5.6	-5.7	...	-7.1	-4.4	-0.2	-1.3	-3.0	-2.5	-2.4		
Primary balance excl. one-off spending	-2.8	-2.9	...	-4.7	-2.3	2.5	1.4	-0.6	-0.3	-0.3		

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

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

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

3/ Starting with FY2022/23, grants includes project grants from the US and the EU. Grants averaged 17.7 percent of GDP per year during 2010-14, before the 2015 political crisis. Projected World Bank grants account for almost half of project grants during 2022-26 before gradually declining to less than 10 percent in 2033. No World Bank grant is assumed after 2033.

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

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

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

7/ A negative sign denotes a reduction of financial assets. Deposit accumulation in FY2021/22 was mainly due to the disbursement of the RCF. Projected deposit accumulation is mainly due to the projected use by the government of part of the BIF equivalent of the 2021 SDR allocation (SDR 147.6 million). Staff assumes that the equivalent of the SDR allocation will be deposited by the central bank in government accounts in equal installments in 2023Q2, 2023Q4, 2024Q2 and 2024Q4 and will be used gradually to help finance public investment over time.

8/ Staff projects that the central bank will on-lend in local currency to the government the equivalent of half of the SDR allocation in FY2022/23 (2.8 percent of GDP) and the remainder in FY2023/24 and FY2024/25.

Table 3. Burundi: Monetary Survey, 2020–28
(BIF Billion)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Est.			Proj.			
Net foreign assets	-205.0	-322.4	-606.6	-358.5	180.6	404.1	792.4	1,179.1	1,791.6
Central bank	-93.1	-141.3	-297.1	-178.7	216.6	422.1	799.6	1,181.3	1,792.0
Deposit money banks	-111.9	-181.0	-309.5	-179.8	-36.0	-18.0	-7.2	-2.2	-0.4
Net domestic assets	2,938.9	3,668.4	5,070.1	5,946.4	6,606.5	7,431.7	8,235.7	9,751.8	11,506.1
Domestic credit	3,423.4	4,266.6	5,857.6	7,005.5	8,507.9	10,340.1	12,170.4	14,257.2	16,258.2
Net claims on the government	2,025.8	1,932.4	2,535.3	2,750.4	3,247.7	3,742.9	4,109.9	4,570.6	4,923.3
Central bank	410.6	152.2	689.6	932.0	1,312.6	1,279.8	1,247.1	1,214.3	1,181.5
Commercial banks	1,598.6	1,764.6	1,825.5	1,798.2	1,935.1	2,463.1	2,862.8	3,356.4	3,741.8
Credit to the economy	1,397.6	2,334.2	3,322.3	4,255.1	5,260.2	6,597.2	8,060.5	9,686.6	11,334.9
Credit to the private sector 1/	1,375.3	2,309.2	3,297.3	4,225.3	5,236.1	6,570.6	8,034.2	9,659.8	11,295.9
Credit to public enterprises	22.3	25.0	25.0	29.8	24.1	26.6	26.3	26.8	39.0
Other items, net (assets = +) 2/	-484.5	-598.2	-787.5	-1,059.1	-1,901.5	-2,908.4	-3,934.7	-4,505.4	-4,752.1
M3	2,733.8	3,346.0	4,463.5	5,587.8	6,787.1	7,835.8	9,028.0	10,930.9	13,297.7
Foreign currency deposits	207.3	254.7	300.2	345.2	398.0	450.6	505.5	561.8	613.0
M2	2,526.5	3,091.3	4,163.3	5,242.6	6,389.1	7,385.2	8,522.5	10,369.2	12,684.8
Currency in circulation	433.3	478.8	559.3	716.7	888.2	1,043.5	1,223.7	1,434.6	1,677.6
Local currency deposits	2,093.2	2,612.5	3,604.0	4,525.9	5,500.9	6,341.7	7,298.8	8,934.6	11,007.2
Demand deposits	1,369.8	1,625.2	2,411.9	2,878.7	3,487.9	4,092.8	4,794.8	5,615.9	6,561.8
Quasi-money	723.4	987.2	1,192.0	1,647.1	2,013.0	2,248.9	2,504.0	3,318.7	4,445.4
Change as a percentage of beginning period M2									
Net foreign assets									
Central bank	1.4	-1.6	-3.7	10.3	-12.7	11.6	4.7	4.78	4.82
Deposit money banks	-1.7	-2.7	-4.2	3.1	2.7	0.3	0.1	0.1	0.0
Net domestic assets	26.3	28.9	45.3	21.0	12.6	12.9	10.9	17.8	16.9
Domestic credit	44.7	33.4	51.5	27.6	28.7	28.7	24.8	24.5	19.3
Net claims on the government	20.2	-3.7	19.5	5.2	9.5	7.8	5.0	5.4	3.4
Credit to the economy	24.5	37.1	32.0	22.4	19.2	20.9	19.8	19.1	15.9
Other items, net (assets = +)	-18.4	-4.5	-6.1	-6.5	-16.1	-15.8	-13.9	-6.7	-2.4
M3	26.4	24.2	36.1	27.0	22.9	16.4	16.1	22.3	22.8
Foreign currency deposits	1.0	1.9	1.5	1.1	1.0	0.8	0.7	0.7	0.5
M2	25.4	22.4	34.7	25.9	21.9	15.6	15.4	21.7	22.3
Currency in circulation	3.6	1.8	2.6	3.8	3.3	2.4	2.4	2.5	2.3
Local currency deposits	21.8	20.6	32.1	22.1	18.6	13.2	13.0	19.2	20.0
Demand deposits	14.9	10.1	25.4	11.2	11.6	9.5	9.5	9.6	9.1
Quasi-money	6.9	10.4	6.6	10.9	7.0	3.7	3.5	9.6	10.9
Memorandum items:									
Credit to the private sector (percent GDP)	23.3	34.9	41.4	41.4	41.4	44.2	46.1	47.3	47.3
Official exchange rate (BF/\$)	1,946	2,006	...	...	...	...	...	...	...

Sources: Burundi authorities; IMF staff estimates and projections.

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

2/ The observed trend in OIN reflects the monetary policy tightening in the short term.

Table 4. Burundi: Central Bank Accounts, 2020–28
(BIF Billion)

	2020	2021	2022	2023	2024	2025	2026	2027	2028
	Est.			Proj.					
Net foreign assets	-93.1	-141.3	-297.1	-178.7	216.6	422.1	799.6	1181.3	1792.0
Assets	250.9	593.2	427.9	1136.6	1686.7	2030.8	2575.3	3097.3	3883.7
Liabilities	344.0	734.6	725.0	1315.3	1470.1	1608.7	1775.8	1916.1	2091.7
Net domestic assets	807.6	852.0	1334.3	1349.1	1225.9	1266.9	1175.5	1128.5	903.3
Domestic credit	439.2	182.2	719.5	962.0	1342.5	1309.8	1277.0	1244.2	1211.4
Net claims on the government	410.6	152.2	689.6	932.0	1312.6	1279.8	1247.1	1214.3	1181.5
Other credit to the economy	28.6	29.9	29.9	29.9	29.9	29.9	29.9	29.9	29.9
Other items, net (assets = +)	368.4	669.9	614.8	387.2	-116.6	-42.9	-101.5	-115.8	-308.2
Reserve money	714.5	710.7	1037.2	1170.4	1442.5	1689.0	1975.1	2309.7	2695.3
Currency in circulation	433.3	478.8	559.3	716.7	888.2	1043.5	1223.7	1434.6	1677.6
Bank reserves	216.2	156.8	371.8	377.9	468.3	550.1	645.2	756.4	884.5
Cash in vault	69.0	86.0	117.1	146.1	176.9	203.7	233.9	284.6	348.3
Other nonbank deposits	14.1	18.0	33.1	33.1	33.1	33.1	33.1	33.1	33.1
Memorandum items:									
Net foreign assets of BRB (US\$ million)									
Assets 1/	131.0	300.6	210.4	486.4	218.1	435.9	534.6	637.3	755.6
Liabilities	176.7	366.2	351.4	333.4	336.6	343.4	355.4	367.4	383.9

Sources: Burundi authorities; IMF staff estimates and projections.

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

Table 5a. Burundi: Balance of Payments, 2020–28
(US\$ Million)

	2020		2021		2022	2023	2024	2025	2026	2027	2028
	Pre-Covid	Est.	Pre-Covid	Est.	Est.						
Current account	-546.8	-317.3	-554.7	-417.0	-610.5	-563.0	-569.3	-623.6	-618.3	-575.5	-516.3
(excluding official transfers)	-546.8	-317.3	-554.7	-417.0	-610.5	-628.0	-644.3	-640.7	-637.3	-596.5	-539.5
Trade balance	-680.4	-594.8	-699.9	-723.2	-843.1	-851.2	-839.2	-865.2	-848.3	-819.6	-759.9
Exports, f.o.b.	189.6	185.3	201.7	165.3	196.2	215.2	280.1	342.4	415.2	486.0	525.9
Of which: coffee	38.5	30.7	42.6	27.6	52.3	52.8	68.9	92.2	104.3	114.2	119.4
gold	73.2	46.0	74.5	40.6	51.9	62.3	95.1	123.0	173.9	226.7	252.5
Imports, f.o.b.	-870.0	-780.1	-901.6	-888.5	-1039.3	-1066.4	-1119.3	-1207.6	-1263.5	-1305.7	-1285.9
Of which: petroleum products	-153.9	-137.4	-150.0	-167.0	-280.8	-245.1	-245.9	-259.8	-261.3	-258.4	-283.7
Of which: Covid related imports	...	-2.3	...	-8.1	-16.5	-0.9	...	...	...	...	...
Of which: Capital imports	...	-190.5	...	-196.3	-195.9	-208.7	-218.5	-228.2	-240.7	-252.6	-287.2
Of which: import content of project loans/grants	...	...	...	...	...	44.6	92.6	161.4	196.1	210.2	52.4
Services (net)	-154.1	-154.9	-152.9	-181.8	-247.8	-259.5	-305.0	-312.3	-352.5	-359.7	-377.9
Income (net)	7.5	16.9	6.9	9.8	16.4	-7.4	-16.1	-16.3	-13.5	-15.6	-18.3
Of which: interest on public debt	-5.4	-5.4	-6.3	-5.3	-8.3	-24.3	-31.6	-30.5	-26.2	-26.4	-27.0
Current transfers (net)	280.2	415.4	291.3	478.3	464.0	555.1	591.0	570.2	595.9	619.5	639.8
Of which: Workers remittances ¹	42.2	98.7	43.9	121.3	114.3	138.5	150.6	162.8	169.4	191.9	205.7
Capital account ²	144.9	135.3	151.3	134.4	167.7	414.5	447.0	435.1	415.9	375.5	302.6
Financial account ³	401.9	192.9	403.3	453.8	293.6	97.9	163.0	182.3	259.7	278.5	332.5
Direct investment	0.3	7.6	0.3	8.8	7.8	15.9	32.6	34.2	37.9	42.1	46.5
Other investment ⁴	401.6	185.3	403.0	445.0	285.8	81.9	130.4	148.2	221.9	236.4	286.0
Assets	-80.5	-92.7	-81.7	-45.7	-52.7	-95.3	-56.5	-61.0	-66.5	-79.1	-90.1
Liabilities	482.1	278.0	484.7	490.8	338.5	177.2	186.9	209.2	288.3	315.5	376.1
Errors and omissions	0.0	-31.3	0.0	-4.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.0	-20.4	0.0	166.4	-149.2	-50.6	40.7	-6.2	57.3	78.5	118.8
Financing (increase in assets = -)	0.0	20.4	0.0	-166.4	149.2	50.6	-40.7	6.2	-57.3	-78.5	-118.8
Of which: change in official reserves	0.0	19.1	0.0	-186.7	122.0	-80.7	-98.2	-47.2	-82.0	-78.5	-118.8
Exceptional financing	0.0	0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling of debt service (DSSI)	0.0	0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Current account	-16.9	-10.3	-16.4	-12.4	-15.6	-17.6	-18.6	-18.3	-16.3	-13.7	-11.1
Of which: official transfers and capital account (net)	4.5	4.4	4.5	4.0	4.3	15.0	17.1	13.2	11.5	9.4	7.0
Gross official reserves (incl. financing needs)											
US\$ million	113.4	94.3	113.4	281.0	159.0	239.7	337.9	385.1	467.1	545.6	664.4
Months of imports	1.1	1.0	1.1	2.5	1.3	1.9	2.5	2.7	3.0	3.4	3.5
PV of external debt (percent of exports of GS)	103.6	103.6	97.5	97.5	92.3	87.8	84.3	80.9	78.3	76	74
Government external debt (percent of GDP)	17.5	17.7	16.9	20.2	19.9	34.4	32.5	30.5	28.2	25.4	23.4
Imports of petroleum products (tons)	...	238,848	...	247,847	260,394	299,453	318,918	346,664	357,063	360,634	403,910
Oil (US\$/barrel)	57.9	41.8	55.3	69.2	96.4	73.1	68.9	67.0	65.4	64	63
Nominal GDP (US\$ billion)	3.2	3.1	3.4	3.4	3.9	3.2	3.1	3.4	3.8	4.2	4.7

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

¹ A statistical adjustment, following CD, also led to downward data revision.

² Includes recent SDR allocation as advised in BPM6 manual.

³ Based on preliminary information provided by donors.

⁴ Includes prospective IMF disbursements and CCRT grants.

Table 5b. Burundi: Balance of Payments, 2020–28
(Percent of GDP)

	2020		2021		2022	2023	2024	2025	2026	2027	2028
	Pre-Covid	Est.	Pre-Covid	Proj.	Proj.				Proj.		
Current account	-16.9	-10.3	-16.4	-12.4	-15.6	-17.6	-18.6	-18.3	-16.3	-13.7	-11.1
(excluding official transfers)	-16.9	-10.3	-16.4	-12.4	-15.6	-19.7	-21.1	-18.8	-16.8	-14.2	-11.6
Trade balance	-21.0	-19.3	-20.7	-21.6	-21.5	-26.7	-27.4	-25.3	-22.4	-19.5	-16.3
Exports, f.o.b.	5.8	6.0	6.0	4.9	5.0	6.7	9.2	10.0	11.0	11.6	11.3
Of which: coffee	1.2	0.8	1.3	1.1	1.2	1.2	1.2	1.2	1.1	1.1	1.1
gold	2.3	1.5	2.2	1.2	1.3	2.0	3.1	3.6	4.6	5.4	5.4
Imports, f.o.b.	-26.8	-25.3	-26.7	-26.5	-26.5	-33.4	-36.6	-35.4	-33.4	-31.0	-27.6
Of which: petroleum products	-4.7	-4.5	-4.4	-5.0	-7.2	-7.7	-8.0	-7.6	-6.9	-6.1	-6.1
Of which: Covid related imports	...	-0.07	...	-0.2	-0.4	0.0	...	...	...	...	...
Of which: Capital imports	...	-6.2	...	-5.9	-5.0	-6.5	-7.1	-6.7	-6.4	-6.0	-6.2
Of which: import content project loans/grants						-1.4	-3.0	-4.7	-5.2	-5.0	-1.1
Of which: import content ECF						0.0	0.0	0.0	0.0		
Services (net)	-4.8	-5.0	-4.5	-5.4	-6.3	-8.1	-10.0	-9.1	-9.3	-8.6	-8.1
Credits	0.0	2.8	0.0	3.2	2.1	3.1	3.3	3.2	3.2	4.6	5.3
Debits	0.0	-7.8	0.0	-8.6	-8.4	-11.2	-13.2	-12.3	-12.6	-13.2	-13.4
Income (net)	0.2	0.5	0.2	0.3	0.4	-0.2	-0.5	-0.5	-0.4	-0.4	-0.4
Of which: interest on public debt	-0.2	-0.2	-0.2	-0.2	-0.2	-0.8	-1.0	-0.9	-0.7	-0.6	-0.6
Current transfers (net)	8.6	13.5	8.6	14.3	11.8	17.4	19.3	16.7	15.7	14.7	13.8
Of which: Workers' remittances ¹	1.3	3.2	1.3	3.6	2.9	4.3	4.9	4.8	4.5	4.6	4.4
Capital account ²	4.5	4.4	4.5	4.0	4.3	13.0	14.6	12.7	11.0	8.9	6.5
Financial account ³	12.4	6.2	12.0	13.5	7.5	3.1	5.3	5.3	6.9	6.6	7.1
Direct investment	0.0	0.2	0.0	0.3	0.2	0.5	1.1	1.0	1.0	1.0	1.0
Other investment ⁴	12.4	6.0	11.9	13.3	7.3	2.6	4.3	4.3	5.9	5.6	6.1
Assets	-2.5	-3.0	-2.4	-1.4	-1.3	-3.0	-1.8	-1.8	-1.8	-1.9	-1.9
Liabilities	14.9	9.0	14.4	14.6	8.6	5.6	6.1	6.1	7.6	7.5	8.1
Errors and omissions	0.0	-1.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.0	-0.7	0.0	5.0	-3.8	-1.6	1.3	-0.2	1.5	1.9	2.6
Financing (increase in assets = -)	0.0	0.7	0.0	-5.0	3.8	1.6	-1.3	0.2	-1.5	-1.9	-2.6
Of which: change in official reserves	0.0	0.6	0.0	-5.6	3.1	-2.5	-3.2	-1.4	-2.2	-1.9	-2.6
Exceptional financing	0.0	0.004	0.0	0.01	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rescheduling of debt service (DSSI)	0.0	0.004	0.0	0.01	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

¹ A statistical adjustment, following CD, also led to downward data revision.

² Based on preliminary information provided by donors.

³ Includes prospective IMF disbursements and CCRT grants.

⁴ Including trade credits and grants. BPM6 manual defines other investment as a residual category that includes all other changes in assets and liabilities of public and private sectors including trade credits and grants.

Table 6. Burundi: Banking Systems Soundness Indicators
(Percent, unless otherwise indicated)

	2019	2020				2021				2022			
	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec
Capital Requirement													
Capital requirement over weighted assets (solvency ratio)	21.6	27.5	26.2	23.2	23.8	26.2	24.7	23.7	23.0	27.1	23.7	21.2	19.0
Core capital (Tier 1 capital) over weighted assets	20.2	25.9	24.6	21.9	22.4	24.7	23.4	22.4	21.6	25.5	22.4	19.9	17.5
Quality of assets													
Nonperforming loans (percent of total gross loans granted)	5.6	6.6	6.2	6.8	5.4	4.8	4.2	4.1	3.5	3.0	2.6	2.6	2.8
Provisions (percent of nonperforming loans)	86.9	71.0	72.0	68.6	69.2	67.7	65.1	53.1	54.3	49.8	51.4	47.5	46.1
Nonperforming loans net of provisions (percent of capital)	2.1	5.3	4.9	6.1	4.4	4.1	4.2	6.2	5.4	4.9	4.5	5.1	5.6
Large exposures (percent of capital)	78.6	74.8	62.1	59.9	51.1	59.0	79.5	60.5	66.7	82.3	101.8	114.4	127.7
Profitability rates													
Return on assets	4.1	1.1	2.1	3.4	3.9	1.0	1.9	2.8	3.6	0.9	1.6	2.3	3.0
Return on equity capital	36.5	9.3	17.7	29.4	32.3	7.5	15.7	23.6	29.1	6.1	13.3	19.6	25.4
Net interest (percent of gross results)	64.1	70.4	72.0	70.7	70.7	71.9	70.8	68.0	67.8	71.0	71.6	71.2	70.5
Costs excluding interest (percent of gross outturn)	43.6	44.6	44.6	43.2	47.9	48.3	47.4	46.7	48.5	45.8	46.5	47.8	48.9
Liquidity													
Liquid assets (percent of all loans granted)	31.8	28.5	27.8	24.7	28.8	21.2	25.2	21.7	14.3	19.5	21.5	26.7	21.4
Liquid assets (percent of total risk weighted assets)	19.7	21.8	20.2	16.3	18.0	14.6	17.7	16.5	11.0	17.1	18.0	21.1	15.3
Liquid assets (percent of short-term commitments)	18.1	17.2	16.8	14.2	15.5	11.6	14.1	14.6	10.8	8.2	15.6	21.2	16.9
Exposure to foreign currency													
Foreign currency loans to total gross loans	7.5	12.7	13.7	16.0	14.9	14.0	14.9	11.0	9.8	10.5	9.6	11.7	11.4
Foreign currency liabilities to total liabilities	8.9	10.4	10.9	12.0	11.5	12.0	11.6	11.2	10.4	9.9	10.2	12.4	10.5
Net open position in foreign exchange to equity	9.3	12.0	8.3	7.0	17.0	11.5	4.5	-0.4	2.8	1.9	-1.0	-8.0	-6.5

Source: Burundi authorities.

Table 7. Burundi: Tentative Schedule of ECF Disbursements and Reviews

Amount (Millions of SDR)	% of Quota	Availability date	Conditions Necessary for Disbursement
46.20	30	July 17, 2023	Executive Board Approval of the three-year ECF arrangement
52.36	34	December 15, 2023	Observance of performance criteria for July 31, 2023 and completion of first review
21.56	14	June 15, 2024	Observance of performance criteria for December 31, 2023 and completion of second review
21.56	14	December 15, 2024	Observance of performance criteria for June 30, 2024 and completion of third review
20.02	13	June 15, 2025	Observance of performance criteria for December 31, 2024 and completion of fourth review
20.02	13	December 15, 2025	Observance of performance criteria for June 30, 2025 and completion of fifth review
18.48	12	June 15, 2026	Observance of performance criteria for December 31, 2025 and completion of sixth review
200.20	130		Total
<i>Memorandum item:</i>			
Burundi's Quota (in millions SDR)	154		

Source. IMF staff estimates and projections

Table 8. Burundi: Indicators of Capacity to Repay the Fund, 2020–36

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
	Est.			Proj.														
Fund obligations based on existing credit																		
(SDR million)																		
Principal (incl. CCRT)	2.2	0.0	2.9	4.5	2.5	0.5	0.0	10.8	10.8	10.8	10.8	10.8	0.0	0.0	0.0	0.0	0.0	
Charges and interest	0.4	0.0	0.7	4.4	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	
Fund obligations based on existing and prospective credit																		
(SDR million)																		
Principal (incl. CCRT)	2.2	0.0	2.9	4.5	2.5	0.5	0.0	10.8	10.8	32.7	41.1	49.0	40.0	40.0	18.2	9.7	3.7	
Charges and interest	0.4	0.0	0.7	4.4	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	
Total obligations based on existing and prospective credit																		
SDR million (incl. CCRT)																		
SDR million (incl. CCRT)	2.5	0.0	3.6	8.9	10.7	8.7	8.2	19.0	19.0	40.9	49.3	57.2	48.3	48.3	26.4	17.9	11.9	
Percent of exports of goods and services	1.3	0.0	1.7	3.8	3.8	2.6	2.0	3.7	3.3	6.2	6.6	6.7	4.9	4.3	2.0	1.2	0.7	
Percent of debt service ¹	15.2	0.1	15.2	16.4	16.7	12.2	16.7	31.5	33.1	52.2	55.8	58.3	52.1	51.3	34.7	27.2	20.0	
Percent of tax revenue	0.6	0.0	0.7	2.3	2.9	2.1	1.7	3.5	3.1	6.0	6.2	5.8	4.0	3.4	1.7	1.0	0.6	
Percent of gross official reserves	3.7	0.0	3.0	5.0	4.2	3.0	2.3	4.6	3.8	17.9	33.6	18.2	13.8	11.3	7.9	3.1	1.4	
Percent of GDP	0.1	0.0	0.1	0.4	0.5	0.3	0.3	0.6	0.5	1.1	1.1	1.0	0.7	0.6	0.3	0.2	0.1	
Percent of quota	1.6	0.0	2.3	5.8	7.0	5.7	5.3	12.3	12.3	26.5	32.0	37.1	31.3	31.3	17.1	11.6	7.7	
Outstanding Fund credit																		
SDR million																		
SDR million	18.1	67.8	61.4	155.5	196.1	235.6	254.1	243.3	232.5	199.9	158.8	109.8	69.8	29.7	11.6	1.9	0.0	
US\$ million	26.0	94.9	81.6	207.2	261.7	314.4	339.1	324.7	310.3	266.8	211.9	146.5	93.1	39.7	15.4	2.5	0.0	
Percent of exports of goods and services	9.6	34.9	29.2	66.1	68.9	69.7	63.0	47.7	40.2	30.2	21.2	12.9	7.2	2.7	0.9	0.1	0.0	
Percent of debt service ¹	112.3	464.0	257.2	285.1	305.9	331.2	517.3	404.3	405.5	255.5	179.7	112.0	75.4	31.6	15.2	2.8	0.0	
Percent of tax revenue	4.6	14.9	11.2	40.7	53.2	55.9	52.6	45.1	38.4	29.5	20.0	11.2	5.8	2.1	0.7	0.1	0.0	
Percent of gross official reserves	27.5	35.6	51.3	86.4	77.4	81.7	72.6	59.5	46.7	87.5	108.1	34.9	19.9	7.0	3.5	0.3	0.0	
Percent of GDP	0.8	2.8	2.1	6.5	8.6	9.2	9.0	7.7	6.7	5.2	3.5	2.0	1.0	0.4	0.1	0.0	0.0	
Percent of quota	11.7	44.0	39.9	100.9	127.3	153.0	165.0	158.0	151.0	129.8	103.1	71.3	45.3	19.3	7.5	1.2	0.0	
Net use of Fund credit (SDR million)																		
Net use of Fund credit (SDR million)	-2.2	53.9	-2.9	94.0	40.6	39.6	18.5	-10.8	-10.8	-32.7	-41.1	-49.0	-40.0	-40.0	-18.2	-9.7	-3.7	
Disbursements	0.0	53.9	0.0	98.5	43.1	40.1	18.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repayments and repurchases (incl. CCRT)	2.2	0.0	2.9	4.5	2.5	0.5	0.0	10.8	10.8	32.7	41.1	49.0	40.0	40.0	18.2	9.7	3.7	
<i>Memorandum items:</i>																		
Exports of goods and services (US\$ million)	271.6	272.2	279.4	313.5	380.0	451.3	538.1	680.1	772.4	882.3	998.3	1136.1	1299.9	1495.1	1720.6	2000.8	2276.2	
Debt service (US\$ million)	23.1	20.4	31.7	72.7	85.5	94.9	65.6	80.3	76.5	104.4	117.9	130.9	123.5	125.4	101.3	87.7	79.6	
Tax revenue (US\$ million)	560.8	635.7	728.8	508.8	491.8	562.0	644.5	719.8	808.3	904.8	1057.8	1305.8	1612.3	1878.1	2085.6	2313.8	2556.5	
Gross official reserves (US\$ million; excl. financing needs)	94.3	266.6	159.0	239.7	337.9	385.1	467.1	545.6	664.4	305.0	196.0	419.5	467.7	570.1	444.4	766.6	1119.5	
Nominal GDP (US\$ million)	3086.4	3350.8	3917.8	3189.7	3058.3	3415.2	3786.9	4206.1	4650.6	5138.6	6018.1	7482.5	9298.9	10889.6	12009.0	13225.7	14572.4	
Quota (SDR, million)	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	154.0	

Sources: IMF staff estimates and projections.

¹ Total debt service includes IMF repurchases and repayments.

Table 9. Burundi: Proposed Prior Actions and Structural Benchmarks, 2023–24

Actions	Timing / Review	Objective
Prior actions		
1. Complete a special audit of the NIR of the BRB at end-December 2022 (assets and liabilities).	Prior action for the ECF approval	Assess data of the program's initial stock of NIR
2. Promulgate, as part of the 2023/24 budget Law, an article that gives the BRB full authority to adopt FX management-related regulations.	Prior action for ECF approval	Facilitate FX reforms
3. Raise the 7-day refinancing rate to 10 percent.	Prior action for the ECF approval	Monetary tightening
Structural Benchmarks		
External sector		
4. Complete the exchange rate realignment to the market exchange rate.	End-November 2023 (First review)	External sector rebalancing and eliminating the parallel market premium
5. Complete a special audit of the NIR of the BRB at end-July 2023 (assets and liabilities).	End-November 2023 (First review)	Assess the end-July target
Fiscal sector		
6. Complete a study on the budgetary impact of multi-year contracts, signed prior to FY2022/23, on current spending for the ministries of education, health, defense, and social protection.	End-June 2023 (First review)	Improve PFM and reduce contingent liabilities risks
Monetary and financial sector		
7. Adopt law capping Treasury advances to 10 percent of total revenues of fiscal year n-1.	End-September 2023 (First review)	Limit monetary financing
Governance		
8. Publish a governance diagnostic assessment, including a time-bound action plan.	End-December 2024 (Third review)	Improving governance and tackling corruption

Table 10. Burundi. External Financing by Main Donors ^{1/}
(In Percent of GDP)

	2023	2024	2025	2026
Loans (Projects)				
Projected disbursements (staff)	5.3	3.4	2.7	1.5
Multilateral	4.7	2.3	1.7	0.7
<i>Of which</i> : IMF	4.1	1.9	1.6	0.7
<i>Of which</i> : IDA	-	-	-	-
<i>Of which</i> : AfDB	-	-	-	-
<i>Of which</i> : Others	0.5	0.4	0.1	0.1
BADEA	0.3	0.2	0.0	0.0
OPEC Fund	0.3	0.2	0.1	0.1
Bilateral	0.6	1.2	1.0	0.8
Paris Club	-	-	-	-
Non Paris Club	0.6	1.2	1.0	0.8
India	0.4	0.9	0.8	0.7
EXIM Bank of Indian(EBI)	0.4	0.9	0.8	0.7
Saudi Arabia	0.2	0.2	0.1	0.1
Fonds Saoudien	0.2	0.2	0.1	0.1
Others	0.0	0.0	0.0	0.0
Other	-	-	-	-
Grants (Projects and budget support)				
Projected disbursements (staff)	14.9	16.9	13.1	11.3
<i>Of which</i> : IDA	4.7	6.6	5.8	4.7
<i>Of which</i> : AfDB	1.0	1.2	1.1	1.1
<i>Of which</i> : Others (incl. US and EU)	9.2	9.1	6.1	5.5
<i>Of which</i> : Project grants	12.8	14.4	12.6	10.8
Memorandum items:				
GDP at current market prices				
In billions of US\$	3.2	3.1	3.4	3.8
Share of IMF disbmt in total loans (in percent)	77.8	54.7	58.9	43.0
Share of IMF disbmt in total loans and grants (in percent)	20.4	9.3	9.9	5.1

Source. Authorities and IMF staff projections

^{1/} Staff projected disbursements are based on discussions between staff and the authorities and development partners and the absorption capacity.

Annex I. Risk Assessment Matrix

Source of Risks	Likelihood	Expected Impact on Economy	Policy Response
Conjunctural shocks and scenarios			
<p>Escalation of Russia’s war in Ukraine or other regional conflicts and related economic sanctions disrupt trade and remittances. If sanctions on Russia are broadened to include oil, gas, and food sectors. Russia is disconnected almost completely from the global financial system and large parts of the trading system. This, combined with Russian countersanctions and secondary sanctions on countries and companies that continue business with Russia, leads to even higher commodity prices, refugee migration, tighter financial conditions, and other adverse spillovers, which particularly affect LICs and commodity-importing EMs.</p>	High	<p>High. The continuation of the conflict would have strong negative impacts on economic activity, especially on the most vulnerable population.</p>	<ul style="list-style-type: none"> * Accelerate and strengthen discussions with donor community. * Promote pro-growth and pro-poor fiscal consolidation. * Accelerate negotiations with mining companies to brush up exports. * Further diversify export destinations.
<p>Rising and volatile food and energy prices. Commodity prices are volatile and trend up amid supply constraints, war in Ukraine, export restrictions, and currency depreciations. This leads to short-run disruptions in the green transition, bouts of price and real sector volatility, food insecurity, social unrest, and acute food and energy crises (especially in EMDEs with lack of fiscal space).</p>	High	<p>High. The increase in food and energy prices following the geopolitical situation might cause a deterioration of the terms of trade for net importers countries like Burundi. Given the relatively low level of official reserves, the country might go through some shortages on food and energy products.</p>	<ul style="list-style-type: none"> * Reform monetary and exchange rate policy. * Develop and strengthen domestic subsistence agriculture and food industry. * Build strong security stocks for energy products like fuel, * Strengthen public food management institutions to better smooth agricultural product availability between harvest and lean periods.
<p>Widespread social discontent and political instability. Supply shocks, high inflation, real wage drops, and spillovers from crises in other countries worsen inequality, trigger social unrest, and give rise to financing pressures and damaging populist policies with possible spillovers to other EMDEs. This exacerbates imbalances, slows growth, and triggers market repricing.</p>	High	<p>High. General social unrest would disrupt economic activities and reduce investors’ confidence. Increased pressures on fiscal expenditures (including military spending) would divert resources away from growth-enhancing spending and hence lower growth.</p>	<ul style="list-style-type: none"> * Support the vulnerable population with well targeted measures. * Assuming the turbulence is temporary, use fiscal space and monetary policy prudently to support the economy.
<p>De-anchoring of inflation expectations in the U.S. and/or advanced European economies. Amid high economic uncertainty and volatility, major central banks slow monetary policy tightening or pivot to loosen monetary policy stance prematurely triggering a wage-price spiral in tight labor markets.</p>	Medium	<p>High. If the trend of rising global inflation is confirmed, the impact on the external sector could be large and have negative effects on growth prospects as FX is critically low. The risk of capital outflows from Burundi looks minor as the country mostly relies on concessional financing.</p>	<ul style="list-style-type: none"> * Increase production in subsistence agriculture by enlarging cultivated lands and developing the local production inputs (e.g., fertilizers). * Accelerate reengagement with donor community and

			prioritize concessional financing.
Structural Risks			
Deepening Geopolitical fragmentation. Intensified geopolitical tensions, security risks, and conflicts cause economic and political disruptions, disorderly migration, production reshoring, a decline in global trade, and lower investor confidence. Associated supply chain disruptions and commodity price shocks give rise to inflationary pressures	High	Medium. The higher commodity prices could boost commodity exports and support economic growth and reserve build up. Disorderly migration and lower confidence could lead to high public spending on refugees and lower private consumption and investment.	<ul style="list-style-type: none"> * Increase fiscal space through stronger revenue administration and spending framework to cater to unforeseen spending. * Increase international reserve buffers with a more flexible exchange rate. * Implement a more accommodative monetary policy if inflation is in check.
Extreme climate events. Higher frequency of natural disasters cause severe economic damage to smaller vulnerable economies and accelerate emigration. Severe events in large economies reduce global GDP, cause further supply chain disruptions and inflationary pressures, and prompt a recalculation of risk and growth prospects. Disasters hitting key infrastructure or disrupting trade raise commodity price levels and volatility.	Medium	Medium. The lower performance of the weather-dependent agricultural sector will significantly weaken growth and exports (coffee and tea). Inflation would rise mainly because of the higher cost of food items.	<ul style="list-style-type: none"> * Increase fiscal space through domestic revenue mobilization measures and spending prioritization and efficiency. * Support the most vulnerable sectors and population. * Tighten monetary policy to limit second-round inflationary pressures. * Strengthen the business environment to further diversify exports and the economy.
Domestic Risks			
Adverse weather conditions.	Medium Short Term	High. This would lead to lower agricultural production and slower growth, an increase in food inflation, pressures on public spending and the current account, and adversely affect the vulnerable households.	<ul style="list-style-type: none"> * Guard against second-round effects on inflation. * Use targeted programs to help vulnerable groups and reprioritize spending. * Promote a weather-resilient agriculture relying for example on irrigation
A deterioration of the political and security situation.	Medium Short to Medium Term	Medium. General social unrest would disrupt economic activities and reduce investors' confidence. Increased pressures on fiscal Expenditures (including military spending) would divert resources away from growth-enhancing spending, lowering growth.	<ul style="list-style-type: none"> * Allow automatic fiscal stabilizers to operate. * Support the vulnerable population with well-targeted measures. * Assuming the turbulence is temporary, use fiscal space and monetary policy prudently to support the economy.

Domestic Risks (Concluded)			
Reengagement with the international community.	High	<p>High. Increased support from the international community will ease fiscal constraints by providing resources to the budget and funding for the National Development Plan.</p> <p>Strengthening international cooperation will provide the country with highly needed FX and help cover the large BOP financing needs.</p>	<ul style="list-style-type: none"> * Continue improving the political and social situation; facilitate the return of refugees. * Transparency and accountability in economic policies especially on the public spending side. * Not delaying essential structural reforms where profound disequilibrium/distortions have been identified.
Unification of the ER market through the convergence of the MID rate toward the parallel market rate.	High	<p>High. The disappearance of the parallel ER market with increased availability of FX in the economy traded at a unique official rate. This will boost official reserves and attract more investors in the domestic economy, hence growth.</p>	<ul style="list-style-type: none"> * Allow a free ER determination by the MID and remove all limitations in the variability. * Strengthen the guideline for FX bureaus * Remove monetary financing of the budget.
Source: IMF staff.			

Annex II. Write-up for the Enhanced Safeguards

1. **The size of Burundi's de facto senior debt plus other multilateral and collateralized debt as a share of total external debt is around 61 percent at program initiation and is projected to rise to 77 percent, over the medium term under the baseline.** These ratios are above the mean and median for PRGT programs and indicate a limited buffer of restructurable debt. At program initiation, debt held by institutions afforded preferred creditor status—the IMF, World Bank, and other major development banks—accounts for more than 30 percent of external debt; adding debt held by other multilaterals and collateralized debt brings the total to 61 percent. The combined share of such debt is projected to rise to 77 percent of external debt by end-2023. Total multilateral plus collateralized debt as a share of GDP is projected to rise significantly under the program, from 12 percent of GDP at end-2022 to a peak of 23 percent of GDP at end-2024 before declining to 19 percent of GDP by end-2026.

2. **Burundi's capacity to repay the Fund is adequate under the baseline scenario, but subject to significant risks.** Under the baseline, the stock of debt to the Fund as a share of GDP, exports or gross international reserves remains at elevated levels based on existing and prospective drawings, peaking in T+2 respectively at 9.2 percent of GDP, 69.7 percent of exports and 81.7 percent of gross international reserves (Annex II. Figure 1). This is well above the 75th percentile of past PRGT arrangements and among the PRGT's top exposures in the last decade. Debt service as a share of revenues, gross international reserves or exports is not elevated until T+5, but will sharply increase after, peaking respectively at 6.2 percent of revenue and 33.6 percent of gross reserves in T+7, and 6.7 percent of exports in T+8, with indicators of debt service to the Fund well above the 75th percentile of past PRGT arrangements. Burundi's capacity to repay the Fund is subject to significant downside risks including from natural disasters, deterioration in the security situation, and materialization of fiscal risks that could reduce the government's debt service capacity. Risks are mitigated by the authorities' strong track record of servicing their debt obligations to the Fund, fiscal policy measures envisaged in the program, measures to strengthen governance, structural reforms to support economic diversification, prospects of stronger-than-envisaged donor support and smoothed phasing of Fund disbursements.

3. **One of the main objectives of Burundi's request for a Fund-supported program is to reduce debt vulnerabilities, including those stemming from the pandemic.** The Debt Sustainability Analysis (DSA) assesses Burundi at high risk of external and overall debt distress. All four external debt burden indicators breach their thresholds under the baseline, signaling a high risk of external debt distress rating. The ratios of the PV of debt to GDP, PV of debt to exports and debt service to revenue under the baseline fall below their threshold in the medium term. The ratio of external debt service to exports under the baseline remains close to its threshold. As for the public debt, the PV of the public debt-to-GDP ratio under the baseline is above the benchmark in the near-to-medium term, implying that the risk of overall public debt distress is high. However, the indicator is on a declining trend and falls below its benchmark in the medium-to-long term. Nonetheless, Burundi's debt is assessed as sustainable based on the authorities' commitment to reforms under the

ECF arrangement, including exchange rate reform, fiscal consolidation, and structural and governance reforms, as well as a positive macroeconomic outlook, including robust exports and GDP growth. This assessment is subject to significant risks. Delays in reforms, potential information gaps on arrears, and a prolonged war in Ukraine would further heighten debt vulnerabilities. Burundi's public debt is especially vulnerable to shocks to combined contingent liabilities, non-debt creating flows, commodity prices, exports, and GDP growth. Further availability of grants and concessional loans to finance high-return projects, as donor operations scale up in tune with the re-engagement with the international community, would be beneficial for the country's growth and debt outlook.

Annex II. Table 1. Burundi: Debt Decomposition
(In US\$ million, unless otherwise indicated)

Creditor Profile	Actual	Projections			
	2022	2023	2024	2025	2026
Total	2640	1882	1908	1946	1976
External	770	890	941	968	986
<i>Multilateral creditors</i> ¹	468	681	708	714	715
IMF	82	207	262	314	339
World Bank	122	116	110	104	98
ADB/AfDB/IADB	29	...	...	...	...
Other Multilaterals	236	...	...	...	...
<i>Bilateral Creditors</i>	194	209	234	254	271
Paris Club	0	0	0	0	0
Non-Paris Club	194	209	234	254	271
<i>Private Creditors</i>	0	0	0	0	0
Bonds	0	0	0	0	0
Commercial creditors	0	0	0	0	0
Domestic	1870	992	966	978	990
Memorandum items:					
Collateralized debt ²	0	0	0	0	0
o/w: Related	0	0	0	0	0
o/w: Unrelated	0	0	0	0	0
Nominal GDP	3918	3190	3058	3415	3787
Multilateral and collateralized debt					
Multilateral debt	468	681	708	714	715
Percent of external debt	61	77	75	74	73
Percent of GDP	12	21	23	21	19
o/w IMF and World Bank	203	323	372	419	437
Percent of external debt	26	36	39	43	44
Percent of GDP	5	10	12	12	12
o/w ADB/AfDB/IADB	29	...	...	...	...
Percent of external debt	4	...	...	...	...
Percent of GDP	1	...	...	...	...
Other Multilaterals	236	...	...	...	...
Percent of external debt	31	...	...	...	...
Percent of GDP	6	...	...	...	...
Collateralized debt	0	0	0	0	0
Percent of external debt	0	0	0	0	0
Percent of GDP	0	0	0	0	0

Source. Authorities and IMF staff estimates and projections

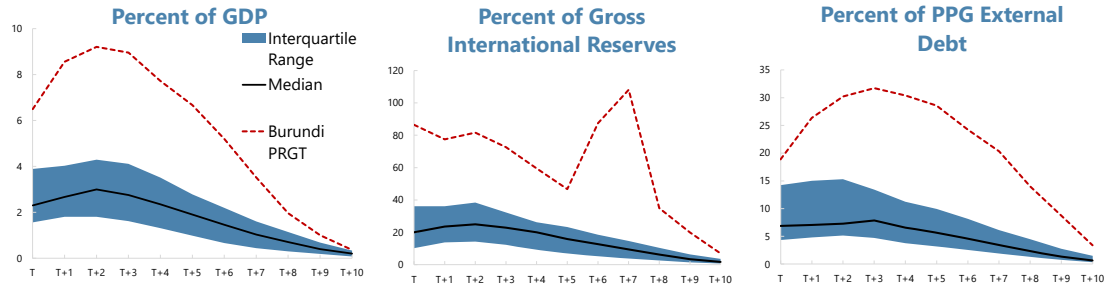
1/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

2/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

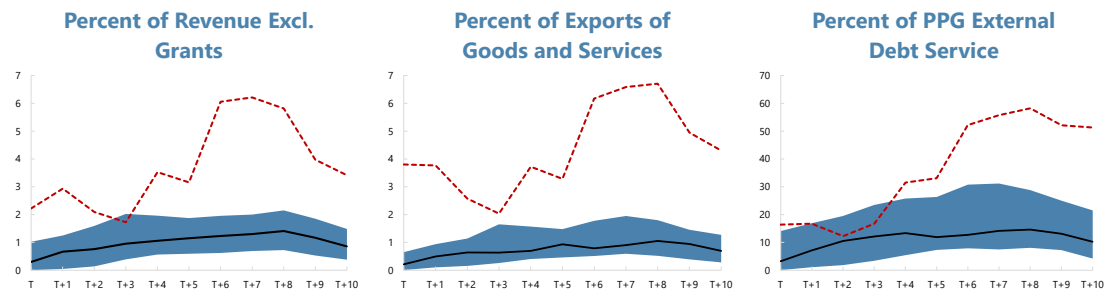
Annex II. Figure 1. Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(In percent of the indicated variable)

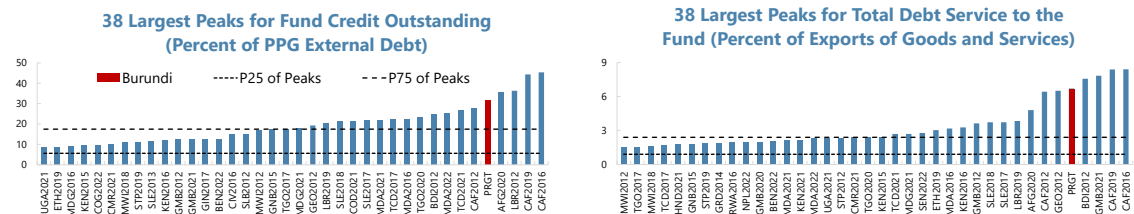
A. Total Fund Credit Outstanding



B. Total Debt Service to the Fund



C. Largest Peaks



Notes:

- 1) T = date of arrangement approval. PPG = public and publicly guaranteed.
- 2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
- 3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2012 and 2021.
- 4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
- 5) Comparator series is for PRGT arrangements only and runs up to T+10.
- 6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
- 7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.

Annex III. External Sector Assessment

Overall Assessment: The 2022 external position of Burundi was substantially weaker than the level implied by fundamentals and desirable policies, as per the Fund's external balance assessment (EBA-lite). This situation reflects profound distortions in the FX market. It also reflects large external imbalances and foreign exchange reserves below adequacy levels, although expected to be boosted by forthcoming ECF disbursements. External imbalances are projected to ease over the medium-to-long term with the planned structural reforms.

Potential Policy Responses. To address these challenges, authorities have started since 2022Q4 the FX market reforms aiming at closing the gap with the parallel FX market by allowing market forces to drive the market. Consistent monetary and growth friendly fiscal policies will be needed for a greater effectiveness of the exchange rate policy and market reforms. Other reforms, especially for financial sector resilience and soundness, are also essential to ensure a balanced economic and social development. In that process, seeking development partners support will help provide the country with additional FX reserves to cushion the path of adjustment and support an exit from fragility.

Foreign Assets and Liabilities: Position and Trajectory

Background. The latest estimation of NIIP for Burundi (dated 2018) is outdated for this assessment.

Current Account

Background. The current account (CA) deficit amounted to 15.6 percent of GDP in 2022—a 25 percent increase compared to 2021 (12.4 percent of GDP). The CA deficit averaged around 11.5 percent of GDP during 2017–21, a lower level compared to the 2012–2016 era (15.5 percent of GDP on average), owing to the country's isolation following the 2015 political crisis that led to lower capital inflows, compressed imports, and a drawdown of reserves to very low levels.

Assessment. The CA deficit widened to 15.6 percent of GDP in 2022 following rising import prices notably for capital goods, fuel, and food. The CA deficit is adjusted to 15.3 percent of GDP to account mainly for cyclical contributions to the model and natural disasters from a higher level of remittances. Compared to the current norm of -5.9 percent of GDP, the current account gap based on the CA model was -9.4 percent of GDP. In contrast, the REER index model finds a CA gap of only 10.5 percent of GDP in 2022. Taken together and given the limitations of the REER model, staff assess the external position to be substantially weaker than the level implied by fundamentals and desirable policies.¹

Text Table 1. Burundi: EBA-lite Model Results, 2022

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	-15.7	
Cyclical contributions (from model) (-)	0.5	
COVID-19 adjusters (-) 2/	-0.8	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	-15.3	
CA Norm (from model) 3/	-5.9	
Adjustments to the norm (-)	0.0	
Adjusted CA Norm	-5.9	
CA Gap	-9.4	-1.4
o/w Relative policy gap	-2.7	
Elasticity	-0.1	
REER Gap (in percent)	71.6	10.5

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

¹ Only the EBA-lite CA model was used in this analysis. The EBA-lite REER approach has limitations when applied to countries with large structural changes or some data inconsistencies. Additional to that, when the CA and REER approaches point to different conclusion, the CA model is often more informative and reliable (IMF, 2016). Also, given the data limitations for Burundi, especially for compensation of employees and NIIP and its components; the ES approach does not allow a comprehensive and consistent assessment of the CA adjustment needed to restore external sustainability.

Real Exchange Rate
<p>Background. The real effective exchange rate appreciated by around 32 percent in 2022, mainly due to higher inflation over the prior 12 months (26.6 percent) compared to that in trading partners.</p> <p>Assessment. Estimates of the REER gap range around 71.6 percent (CA model), indicating a large overvaluation and a severe REER misalignment.</p>
Capital and Financial Accounts: Flows and Policy Measures
<p>Background. In 2022, Burundi's CA deficit was largely financed by external inflows. In 2022, the financial and capital accounts receded due to higher financial liabilities. Direct investment remains resilient but is still anemic (0.2 percent of GDP). Over the medium term, direct investment inflows are projected to increase, supported by projects and reforms under the National Development Plan (NDP), which will boost investors' confidence. The projected ECF disbursement and donor support are expected to provide a significant buffer to the financial account and helped significantly improve FX coverage.</p> <p>Assessment. The planned reforms (ER policy, FX market and monetary policy) would improve the financial account and bring in more private flows. Improving the frequency and the quality of financial account data provision, notably on foreign investments and trade credits, would help better grasp developments.</p>
FX Intervention and Reserves Level
<p>Background. Foreign exchange reserve coverage declined to 1.3 months of prospective imports at end-December 2022 after reaching 2.5 months of imports at end-December 2021 following the SDR allocation (SDR147.6 million, representing around 0.14 month of imports) and the RCF disbursement (SDR 53,9 million, representing around 0.053 month of imports). Nevertheless, Burundi's reserve coverage was below 3.5 months of goods and services imports, the adequate level from the country's ARA-CC model.</p> <p>Assessment. Burundi's FX reserve coverage was below adequate levels. However, the adequate FX reserve level from the ARA metric should be regarded as a lower bound, given Burundi's structural economic characteristics. Indeed, as a commodity intensive economy, Burundi faces adverse terms-of-trade shocks and adjustment is difficult. Therefore, it is crucial for Burundi to hold precautionary FX reserves to boost confidence on domestic macroeconomic policies. However, the fact that the largest share of the country's debt is domestic (48.4 percent of GDP versus 19.9 percent of GDP for external debt in 2022) represents a mitigating factor on the impact of low level of reserves.</p>

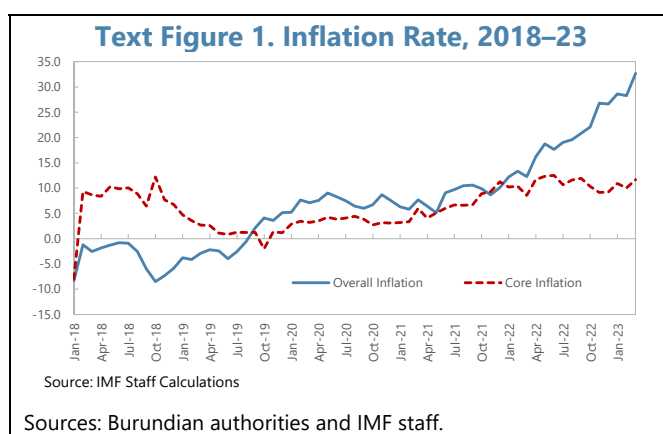
Annex IV. What Drives Inflation

Inflation in Burundi has been volatile in recent years. While evidence shows that recent price increases are global and mostly driven by food and energy prices, arising from the spillovers of the war in Ukraine, the case of Burundi deserves a particular attention as inflationary pressures had started prior to the outbreak of the war in Ukraine. The spillovers of the war have accelerated price increases in a country where the agricultural sector, the first job supplier in the country, is constrained by the effects of climate change; the secondary sector is under an ambitious reform agenda with most mining contracts suspended since 2021; and the tertiary sector faces the challenges posed by the parallel Exchange Rate market. This annex aims to analyze what drives inflation in Burundi.

A. Inflation Developments in Recent Years

1. Inflation has been volatile and trending upward since 2019 (Figure 1). With many ups

and downs, inflation has swung a lot the recent five years, reaching negative values in 2018-2019 and two-digits values starting in 2022 forward. The upward trend that started since 2019 has been accelerated by successive chocs including the Covid-19 crisis, the spillovers of the war in Ukraine and the effects of climate events on the primary sector. Furthermore, recent occurrence of Burundi-specific domestic shocks including the Rift-valley fever and the porcine fever also contributed to increase in prices. All these have been impacting the economy since 2020, disrupting supply chains, lowering agricultural production, and leading to important losses from farmers and breeders. These effects are even harder for Burundi as the country was already running out of foreign exchange reserves with very limited import capacity with a parallel ER market where the premium exceeded 100 percent before the recent creation of the MID (Marché Inter-bancaire des Devises).



2. The main drivers of recent price increases are food items, housing, transportation, and energy (Figure 2).

Food prices have been the main drivers of inflation in Burundi for years as food supplies are constrained by irregular rain patterns and limited import capacity. The contributions to inflation of housing, gas and energy products have also progressively increased over the years. In 2021, health items contributed more to inflation after food as Covid-related imports increased that year, reflecting the effects of the rise in global demand for health items. In 2022, the contributions of food, furniture, transportation, housing, and energy products including fuel, have all increased as international prices have risen with the war in Ukraine. Burundi being a net importer and constrained by limited foreign exchange, pressures on domestic prices arise from an excess in demand. The imbalance led to the development of parallel markets for fuel, fertilizers, sugar, and cements, the main priority import goods of the government. Parallel markets' prices are captured only in part in

the CPI inflation as they are partly reflected in transport, food, and housing prices when their inputs including fuel, fertilizers, sugar are purchased in those unofficial markets.

B. Imported Versus Monetary Inflation

3. Imported goods have significantly contributed to inflation in Burundi (Text Table 1).

Imported goods - estimated at 42 percent of the Burundian consumer basket -

include mainly food, clothing, fertilizers, housing, gas, electricity, fuel, health, and transportation items. Of the average inflation of 18.9 percent in 2022, imported goods have contributed to 7.85 percent and non-imported goods contributed by 11.05 percent. The spillovers of the war in Ukraine are one of the main drivers of global prices increases in the current juncture, especially in food and fuel markets. In Burundi, global price increases transmit to the domestic economy mostly through the imports of fuel, fertilizers, medicines, and housing.

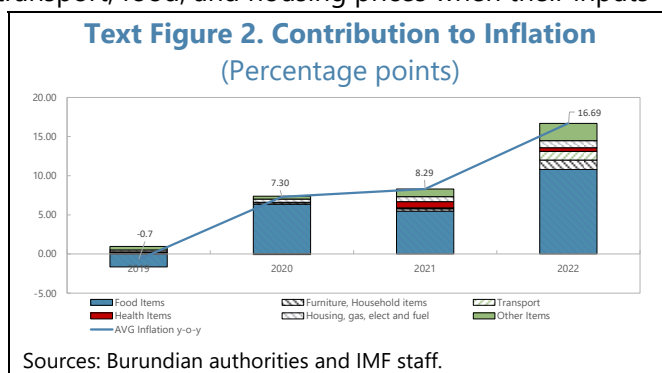
While a significant part of inflation is imported, the domestic portion is still higher. In addition, imported inflation may be related to domestic imbalances such as an overly expansionary monetary policy relative to the fundamentals of the economy, which can create an excess demand for both domestic and imported goods.

4. Monetary policy seemed to have played a role in rising inflation in Burundi.

The BRB's monetary stance has been accommodative in recent years in response to the Covid-19 crisis, the effects of climate events, the spillovers of the war in Ukraine, as well as to satisfy the financial needs of the government, especially in the aftermath of the 2015 political crisis, when budget support from the international community period dried up.

To further assess the effect of monetary policy on inflation, we established based on the literature a simple linear model where we took the Consumer Price Index as the dependent variable to be explained by its delayed variation taken in the same month in the preceding year to account for possible seasonality (ΔCPI_{t-12}), the variation of the monetary aggregate $\Delta M2$, the official ER and the premium of the parallel ER market. However, we notice a strong collinearity between $M2$ and the official ER, what led us to remove the Official ER and keep $M2$ as the purpose is to measure the effect of the monetary stance. The model can be written as follows:

$$CPI_t = \beta_0 + \beta_1 \Delta CPI_{t-12} + \beta_2 \Delta M2_t + \beta_3 \Delta Para. ER Premium_t + \varepsilon_t$$



Text Table 1. Burundi: Contribution of Imported Goods to CPI

Items	Weights (percent)	Contribution (Jan-Dec 2022) (Percent)
Imported goods and services	42.0	7.9
Food	19.6	4.8
Clothes and shoes	5.7	0.7
Housing, Gas Electricity and fuel	8.0	0.8
Health	2.8	0.4
Transportation	5.9	1.2
Non imported goods and services	58.0	11.1
Food, locally produced	33.0	8.1
Other, non imported	25.0	2.9
Overall	1.0	18.9

Source: ISTEEDU and IMF staff calculations

5. **To estimate this model**, we used monthly time series covering the period January 2017 to December 2022 and run a simple ordinary least square (OLS) regression. And as anticipated, M2 is a significant factor of inflation (Text Table 2.) while surprisingly, the parallel market ER premium is not. This tends to confirm that of the 80 percent of ER transactions made on the parallel market, a smaller share is really used for imports. The analysis of the parameters and error terms of the model show that while characteristics of the error terms confirm that the model while it may have misspecification issue denoted by a relatively weak R-Square, is robust with independent, homoscedastic, and normally distributed error terms (Text Table 3).

Text Table 2. Burundi: Results of the Regression

Parameter Estimates				
Term	Estimates	Std Error	t Ratio	Prob>|t|
Intercept	117.83	2.17	54.07	<.0001*
Δ CPI-12	2.28	0.92	2.45	0.0168
Δ para. ER	-0.0035	0.021	-0.16	0.8706
Δ M2	0.1102	0.031	3.45	0.0010*
Rsquare=0.20		F Ratio=5.9		Prob>F 0.0013*

Sources: Burundian authorities and IMF staff.

Text Table 3. Burundi: Analysis of Error Terms

Linear Fit**					Linear Fit*				
<i>Square Residual</i> -950.5834 + 9.24804*Predicted CPI					<i>Residual CPI</i> 4.931e-14 - 4.486e-16*Predicted CPI				
Summary of Fit					Summary of Fit				
RSquare	0.035639				RSquare	0			
RSquare Adj	0.021663				RSquare Adj	-0.01449			
Root Mean Square Error	344.9519				Root Mean Square Error	13.97393			
Mean of Response	189.7702				Mean of Response	-6E-15			
Observations (or Sum Wgts)	71				Observations (or Sum Wgts)	71			
Analysis of Variance					Analysis of Variance				
Source	DF	Sum of Squares	Mean Square	F Ratio	Source	DF	Sum of Squares	Mean Square	F Ratio
Model	1	303428.4	303428	2.55	Model	1	0	0	0
Error	69	8210435.3	118992	Prob > F	Error	69	13473.686	195.271	Prob > F
C. Total	70	8513863.8		0.1149	C. Total	70	13473.686		1
Parameter Estimates					Parameter Estimates				
Term	Estimate	Std Error	t Ratio	Prob>|t|	Term	Estimate	Std Error	t Ratio	Prob>|t|
Intercept	-950.583	715.2905	-1.33	0.1882	Intercept	4.93E-14	28.97627	0	1
Predicted CPI	9.24804	5.791354	1.6	0.1149	Predicted CPI	-4.5E-16	0.234607	0	1
**Breusch -Pagan Test					*Independence of residual test				

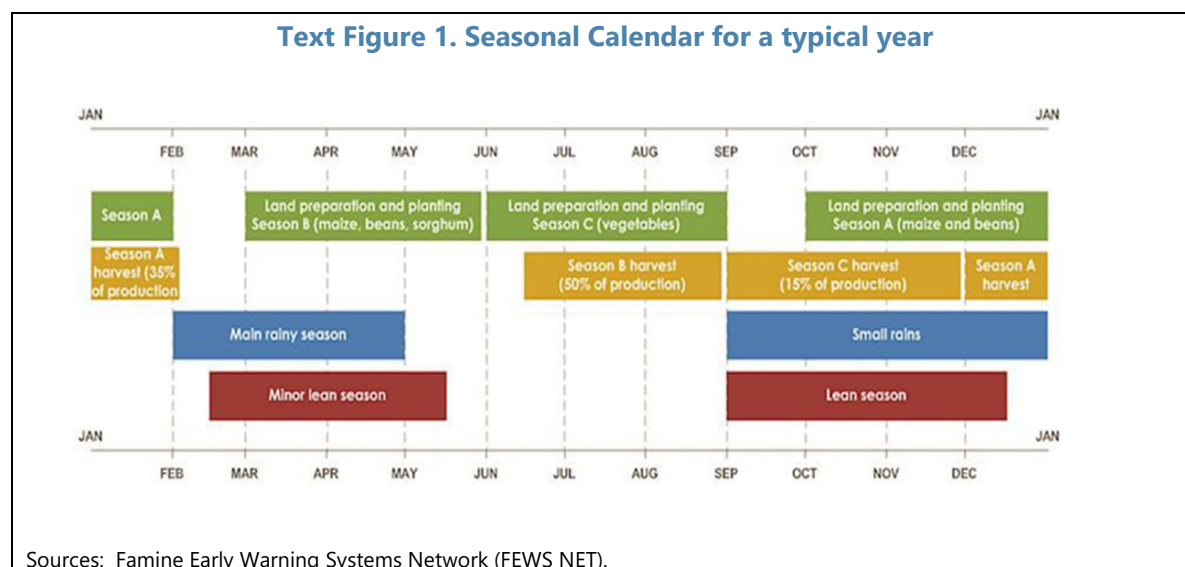
Sources: Burundian authorities and IMF staff.

Annex V. Overview of the Agricultural Sector

This note describes the organization and recent developments of the agricultural sector in Burundi, as well as the challenges posed to the sector by climate change, and the efforts of the government to encourage extension of farms and build resilience to adverse climate conditions.

A. Overview of the Agricultural Sector

1. A typical calendar year covers three agricultural seasons A, B and C with the season A overlapping on two consecutive years. The calendar year starts with the season A which occurs between October of the previous year and February of the current year. The season contributes to 35 percent of the total annual agricultural production and is made mainly of maize and beans. Then follows the season B considered as the main season as it brings 50 percent of the production and is mainly made of maize, beans, and sorghum. At the end of the season B in June, the season C mostly farmed in swamps immediately starts concomitantly with the harvest of season B. The season C largely dedicated to vegetables contributes to 15 percent of total production. The calendar year is characterized by seasonal lean periods from March to May and from Mid-September to December following the depletion of food stocks from production in seasons A and B. In these periods, households face high food prices in markets as crop production of season C provides food for two to three weeks to around 60 percent of total population, possessing small plots in marshlands¹. Subsistence agriculture alone represents about 27 percent of GDP and employs around 70 percent of the workforce.



2. Fertilizers are of the highest priority. The Burundian agricultural sector has two main components: export agriculture composed mostly of coffee and tea and subsistence agriculture that produces crops for local consumption. Both productions are highly dependent on rainfalls and fertilizers. While rainfalls are exogenous factors that cannot be controlled immediately, the supply of

¹ Ofews Net, 2022

fertilizers is considered by the government as a strategic factor that needs to be handled with the highest priority.

3. The local fertilizer company (Fertilisants Organaux-Mineraux or FOMI) plays a crucial role in the system. Prior to 2019, fertilizers were totally imported in the country and then in 2019 two of the importers created FOMI, a company able to supply domestically produced fertilizers composed of 50 percent of domestic organic manure and 50 percent of imported mineral substances. The composition of their fertilizers is what makes them more adequate to subsistence agriculture and soils sustainability as they contain less mineral chemical elements. Since its creation FOMI has been the main supplier of fertilizers to farmers through local offices of the Ministry of agriculture. Fertilizers are classified as priority inputs and therefore subsidized by 70 percent by the government's budget to allow a large access for farmers who only pay 30 percent of the price per bag of FOMI fertilizers. For export agricultural productions including coffee and tea, NPK fertilizers are more adapted and are fully imported as FOMI does not produce them yet.

4. The fertilizer sector is expanding to better respond to the demand. The demand for fertilizers has been increasing over the years as the government takes measure to encourage farming on larger surfaces through the promotion of cooperatives of farmers, allowing civil servants to have their own farms, as well as facilitating financial access to farmers through a lower interest rate credit for the agricultural sector implemented by the BRB. And to better satisfy not only the fast-growing domestic demand but also external demand from neighboring countries including from Tanzania, FOMI is extending its factories with one new factory in Bujumbura and two almost finalized in the South of the country. Moreover, the authorities also authorized the construction of a new fertilizer firm in the administrative capital (Gitega) recently. The AFDB's pledge to donate 2 years of supply of fertilizers will also help avoid shortages.

B. The Government Efforts and Challenges of the Agricultural Sector

5. Agriculture is positioned as the priority sector in the government action plan. Beyond subsidizing fertilizers by 70 percent of the price to facilitate access to farmers, the government also took actions to establish preferential interest rates in banks and micro-financial institutions for the agricultural sector through the BRB refinancing window. The government also intervenes in the organization of the sector via its Ministry of Agriculture, working closely with agricultural cooperatives and overseeing all the process of distribution of fertilizers as well as putting public lands at the disposal of cooperatives and investors to encourage farms extensions. On the other hand, the agronomic research institute ISABU distributes improved quality seeds to farmers to boost production.

6. Adaption to climate change remains the main challenge for the Burundian agricultural sector. The Burundian agriculture, mostly a rain-fed agriculture, is highly dependent on the variability and intensity of rains. These recent years, agricultural production has fluctuated a lot owing to climate conditions. For example, in 2022, production in the primary sector declined by 1.8 percent due to delayed and insufficient rainfalls at the end of the year that have affected the production of seasons C and A and raised concerns about food security in certain parts of the

country. The efforts of the government to adapt the agriculture to climate change through the promotion of irrigation agriculture and climate-resistant seeds are still insufficient to mitigate the effects of weather conditions on the sector.

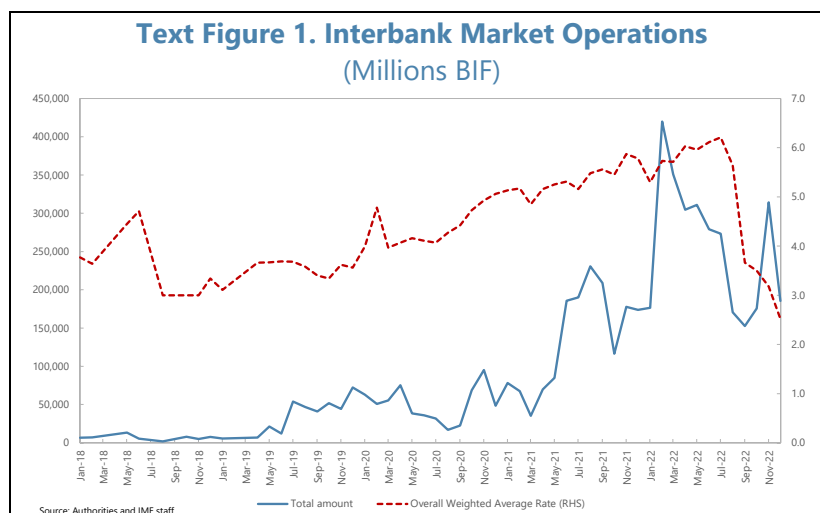
Annex VI. Recent Developments in Monetary and Financial Sectors

In response to several shocks both internal and external, including the covid-19 pandemic, the BRB engaged into policies aiming at supporting the economy through liquidity provision to the financial sector and direct support to the treasury. For that purpose, the BRB has used a variety of instruments and now is in the process of progressively unwinding these measures.

Monetary Policy: Time to Tighten

1. **Since second half of 2022**, the BRB starts progressively unwinding its accommodative monetary policy. The main measures adopted concerned both liquidity quantity and price provision.

- **Reserve requirement ratio increased.** On April 4, the BRB decided to revise up the reserve requirement ratio from 3 to 5 percent effective on May 15. This measure is expected to dry a bit more commercial bank liquidity.
- **The 7-day refinancing window on hold.** The window was the main refinancing source for commercial banks and accounted for around 90 percent of total refinancing provided by the BRB. However, since June 2022, the BRB has put on hold this facility amid inflation pressure and an over-liquidity of the monetary and financial sector.
- **Eligibility to the refinancing window to priority sectors narrowed.** This facility aimed at incentivizing banks to provide long term credit to sectors deemed priorities for the country (e.g., agriculture, fertilizers, youth employment). Under this window, banks were refinanced at a subsidized rate of 2 percent and were allowed to lend at a maximum rate of 8 percent. The measure has been stopped on December 9, 2022, except for agricultural products.
- **Commercial banks have increasingly recourse to the interbank market for their refinancing needs.** Indeed, in November 2022 the refinancing flows in the interbank market increased by 76.8 percent compared to November 2021 thanks to the lower rates in the interbank market (compared to the overnight rate) combined with the closure of the 7-day window.



Foreign Exchange Market and Exchange Rate Policy Reforms: Further Market Liberalization

2. Since October 2022, the BRB initiated several reforms aiming at lifting restrictions, allowing more involvement of the private sector, and limiting distortions in the FX market operations.

- **Remittances can now be withdrawn in hard currency.** In order to increase remittances flows through official channels, authorities decided to allow these inflows to be received in FX. Therefore, remittances credits increased by almost 529 percent¹ between October and December 2022.
- **FX bureaus are authorized to resume activities (banned since February 2020) and trade at market rate—subsequently revoked on May 4, 2023.** Early January 2023, the BRB took a step forward by allowing FX bureaus to buy and sell FX at the market rate (the parallel market rate). Additional to that, the central bank removed and replaced the multiple margins in the FX operations with a unique maximum rate of 5 percent for commercial banks.
- **On April 28, the BRB announced the launch of the Interbank FX market (MID - Marché interbancaire des devises) and, on May 4, it announced that the official ER would be determined by trades between commercial banks through the MID.** From May 4, effective date of the MID, the BRB no longer provided FX to the private sector (except for fuel and medicines) and all needs should be directed to commercial banks (for importers) or FX bureaus (for other FX needs and limited to US\$5000 per person)—provision subsequently relaxed. Ultimately, the official ER will now be freely determined out of the negotiations between commercial banks participating in the MID meaning that the BRB will no longer fix an ad hoc ER.
- **In the wake of the recent FX market reforms, the BRB ended all comfort letters and lifted other restrictions on FX surrendering requirement.** Indeed, the guarantees the BRB offered on private FX loans from commercial banks have been abrogated (US\$ 76.5 million was due in 2023).

¹ Authorities' data as of December 9, 2022, communiqué.

However, given the sensitivity of petroleum products, the BRB has maintained comfort letters for fuel and a payment of US\$ 60 million is due for end-August 2023. Additional to that, the surrender requirement for export proceeds has been lifted except for the coffee, tea, and mining products.

- **The BRB's intervention strategy and MID's regulatory framework for participants:** in the MID, the BRB's FX intervention will be allocated on a best-bid-first-served basis between participants through an auction. Commercial banks and other private bureaus will be the main actors of the MID. Also, if at the end of the day a commercial bank has a positive open net global position in FX² above 25 percent of equity, then it must sell the excess on the following day. Symmetrically, commercial banks must buy FX if their open net global position in FX is negative and above 25 percent (in absolute value) of total equity.

² Open net global position in FX is calculated as the difference between assets and liabilities in FX.

Annex VII. Channels of Transmission of Exchange Rate Unification

The 2022 Article IV Consultation and July 2023 technical assistance mission identified two exchange rate (ER) unification strategies: a gradual or an instant unification. This annex discusses the impact of ER unification and presents gains and cost of the two methods.

Methodology

1. **The instant unification would consist of carrying out the adjustment and de-segmentation of the two ER markets simultaneously.** In practical terms, it would consist of allowing banks to finance most current operations (eliminating or extending the priority list) and to purchase foreign currency from their customers (surrendering the foreign currency of receipts from major export products to banks instead of to the BRB) at freely negotiated rates. The official rate would then be replaced by a reference rate calculated as the weighted average of banks' transactions with their customers. The calculation formula and the underlying data (amounts and average rates per bank) should be published to signal an explicit break with the previous formula (which was complicated and unintelligible to the public). And left undirected, the forces of competition will lead to a convergence of rates for different transactions in the de-segmented market.
2. **Gradual unification would consist of first performing an incremental adjustment and then moving on to de-segmentation.** In practical terms, it would consist of replacing the formula for calculating the official exchange rate with a weighted average of all transactions between banks and their customers, while retaining the priority allocation and surrender of foreign currency earnings to the BRB. The boundaries between the official rate and the rate banks use with their customers could either be retained or eliminated, depending on the speed of convergence desired. As before with the representative exchange rate, the formula for calculating the official exchange rate and the underlying data should be published.¹ The representative market rate will replace the official rate once the BRB allocation and other market segmentation measures have been suspended, including removing the margin limits on FX transactions between banks and their customers.²
3. **An ER adjustment period of more than six months is not advisable** as pressures to not fully complete the reform would mount, see Text Table 1 of pros and cons.

¹ The current formula, as defined by authorities in the May 4 communique on the first day of the MID, calculated the ER as the weighted average of transactions in the MID. But minor fluctuation in the ER have been noticed since then and the premium (40 percent) persist. The formula and underlying data have to be published yet.

² The recent measures from the BRB, capped the margins on FX operations at 2 percent (and 5 percent when all fees and costs are included).

Annex VII. Table 1. Burundi: Approaches to Exchange Rate Unification

	Instant unification	Gradual unification
Advantages	<ul style="list-style-type: none"> • Instantly eliminates distortions and inefficiencies stemming from the parallel market. • Easier to communicate than a gradual unification. • Fiscal benefits. For example, increase in the domestic currency value of taxes on international trade. • Higher credibility of policy adjustment. 	<ul style="list-style-type: none"> • Offers agents (including budgetary authorities) time to adjust smoothly and avoid disruptive effects. • Allows time to design a post-unification monetary policy framework and strengthen the alternative monetary anchor.
Disadvantages /risks	<ul style="list-style-type: none"> • Potentially disruptive if sizable segments of the economy have currency mismatches or are exposed to sharp exchange rate fluctuations in other ways, including via large implicit subsidies generated by the misaligned official rate. For example, exchange rate depreciation may hamper the ability to service external debt. • Sharp exchange rate depreciation could trigger a sudden spike in domestic inflation and possibly second-round effects. 	<ul style="list-style-type: none"> • Risks getting derailed during the transition phase due to several interlinked factors: <ul style="list-style-type: none"> ✓ Possible speculative attacks, especially if FX reserves become critically low during the transition. ✓ Shocks to the equilibrium exchange rate during the transition may generate uncertainty regarding the path and timing of the unification and the authorities' commitment. Credibility issues will be particularly high if the transition period is too long. • Offers more scope for continuing rent seeking activities and for special interest groups to attempt stalling the unification. • FX market and availability may deteriorate during the transition while benefits will mostly accrue once the unification is achieved.

Source: IMF staff.

Other Considerations

4. ER unification may not necessarily heighten inflation. A significant portion of the adjustment has already been passed on to the consumer because more than 60 percent of imports are financed in the parallel market. It is estimated that inflation would rise to 5 or 6 percent above the baseline scenario upon unification completion (MCM TA). An increase in the interest rate (7-day refinancing rate) of 6-7 percentage points would be enough to contain the inflation uptick.

5. The reform will allow recalibrating the BRB and Treasury responsibilities. Under the current system, the cost of subsidizing regulated products (a fiscal responsibility) is borne by the BRB with a depleting impact on FX reserves. Although not immediately apparent, the fiscal cost is significant. With unification, the cost is reallocated to the fiscal authorities because importers of price-controlled goods (e.g., gasoline, fertilizers) will buy the currency in the market, and any losses on the resale price will be borne by the budget. Depending on the fiscal space available, the tax authorities will have to decide what measures are needed to optimize the subsidy, the cost of which is now apparent, by better targeting the beneficiaries and adjusting the regulated prices. Moreover, unification will increase tax revenues, due, for example, to the valuation of imports by customs at the unified (rather than the overvalued) rate, but it will also increase debt service (albeit in a limited way due to the relatively low stock of external debt).

6. The exchange rate adjustment is expected to reduce macroeconomic imbalances and improve competitiveness, investment, remittance inflows, and, thus, growth. Unification will also eliminate a tax on exports and a subsidy for certain imports that is not targeted and is therefore particularly costly for the public sector. It will improve the supply of FX to the official market by incentivizing foreign direct investment (FDI),³ repatriation of export earnings, and remittance inflows through official channels. The cumulative effects of the reforms and external support would support official reserves buildup to 3.7 months of imports by the end 2026.

7. With ER unification, the BRB will be able to focus on its core mandate, participating in the FX market only through an auction and when necessary to build up reserves or smooth excessive volatility. The BRB must establish and clearly communicate its interaction strategy with the market and set a limited (FX) intervention budget to avoid slippages.

³ Although there is no official control, dividend repatriation is made difficult by limited FX availability and the priority FX allocation list.

Annex VIII. Key Revenue Measures in Recent Budgets

The authorities have taken measures in recent budget laws to boost revenue, some of which are presented below. In general, the impact of these measures has not been estimated, though the authorities have estimated the impact of selected tax measures adopted in the draft 2023/24 budget law. Successful implementation of these measures would likely boost revenue above current staff baseline projections.

Key Measures in the 2023/24 Budget Law

- There is further strengthening of VAT reimbursement controls. To be eligible for deduction or reimbursement, the VAT must appear on an electronic invoice sent to the database of the electronic billing management system of the OBR (Electronic Billing Management System “EBMS”) at the time of its establishment.
- There is a new service consumption tax on hotels (5 percent), which is payable by their clients. It is payable monthly by the hotels, which must collect it.
- There is a new tax (8 percent) on financial services. The tax base is made up of the gross amount of interest, agios, commissions and other remuneration. It is not an expense deductible from taxable income. The VAT on financial services is abolished. The specific 5 percent contribution payable by financial institutions is abolished.
- Natural persons who have businesses are now subject to a taxation system similar to that applied to companies. Those who realize a turnover less than or equal to BIF 25,000,000 annually are required to subscribe to the quarterly tax declaration. The tax rate is set at a single rate of 0.3 percent of quarterly turnover. Individuals with an annual turnover of more than twenty-five million (25,000,000) must file an annual income tax declaration.
- There is an increase in the discharge tax (impôt libérateur) for some businesses (butchers, trucks of more than 10 tons).
- Revenue from renting stands and shops belonging to the government must be transferred to OBR accounts, with the government giving 10 percent of the money back to local governments.
- There is an increase in the fee for canceling or modifying a customs declaration.
- A new annual fee (BIF 50,000) is instituted for obtaining an importer or exporter code.
- There are new fees for obtaining a license to operate beverage outlets of different categories.
- A new fee (BIF 10,000) is introduced for the printing of a duplicate of a payment receipt or a tax registration certificate, when the printing results from the initiative of the beneficiary.

- The specific tax on cigarettes has been increased.
- There are new taxes on building permits, plane tickets, mobile messaging, internet protocol (IP) communication, mobile financial services, services in the electronic communication sector.
- A new wealth tax is introduced from the acquisition of the third building.
- There is a new fee on the registration, renewal or transfer of mortgage relating to an immovable or a registered immovable real right.
- The cost of the Health Assistance Cards (CAM) has been unified to BIF 3000.
- The cost of the tax stamp is set in BIF (instead of US\$) at an amount equivalent to BIF 576.

Key Measures in the 2022/23 Budget Law

- The deduction or reimbursement of the Value Added Tax (VAT) became conditional on the verification of the payment of the VAT collected by the supplier.
- Exemptions from direct and indirect taxation, apart from laws, international conventions, ratified treaties and international contracts signed by Burundi were eliminated.
- The delivery of buildings, or fractions of buildings whose use is not yet defined, made by legal persons, became subject to the VAT under the conditions defined by law.
- There was an increase in annual flat-rate road charge for some vehicles and other machinery.
- There was an increase in the fee for the cancellation or modification of a declaration and of any document at the expense of the customs agency author of the declaration, when the fault lies with it.
- There was an increase in the fee for the reactivation of a customs agency deactivated due to fraud or a proven customs offense.
- An ad valorem tax of 1.5 percent of the customs value was instituted on all imports, except for those exempted by other laws, international conventions, treaties ratified, and international contracts signed by Burundi.
- An annual fee for the renewal of temporary admissions was instituted for vehicles, motorcycles or any other item subject to the temporary admission regime.
- There was an increase in the fee related to national driving licenses.
- A new special contribution of five percent (5 percent) of the customs value was introduced for some vehicles; and another special contribution of five percent (5 percent) of the acquisition

value is introduced for buildings whose market value is equal to or greater than five hundred million Burundian francs.

- A fifteen percent (15 percent) withholding was applied to some payments made by residents, including tax-exempt persons.
- There was an increase in the levy paid for customs declaration except for simplified declarations.
- A flat-rate levy was instituted on the income earned by intermediaries in mobile money transfer operations.
- A tax of ten percent (10 percent) was applied on the rates applied by notaries and lawyers on behalf of the Treasury.
- There was an increase in ad valorem tax rate on vehicles (exception of ambulances, cellular cars, and hearse cars); and there was an increase in specific tax rates on beer, liquors, wines of all categories, and lubricants.
- A specific taxation system was operated on cigarettes containing tobacco to replace the ad-valorem taxation system for the calculation of the consumption tax.

Key Measures of the 2021/22 Budget Law

- A new tax on mobile phone megabits (18 percent of the cost) was introduced.
- A non-exemption from income tax and VAT on sales made by companies was introduced.
- A new anti-pollution tax on imported used vehicles was instituted.
- A new road fee was introduced.
- The rental tax base was widened to include land leases.
- There was a strengthening of tax collection from mining sector activities.
- There was a strict enforcement of dividend collection from public enterprises.

Annex IX. Key Areas of Reform in Revenue Administration and Tax Policy

Revenue Administration Measures

A recent IMF capacity development (CD) mission identified important areas of reform in revenue administration that could be further considered in future program reviews to further improve revenue collection. These include:

- *Enhancing the management of activities and computerization* by: (i) modernizing the management of reforms and services by modernizing the methods of evaluating the activities of the OBR, developing and automating dashboards, rethinking the role of leaders in relation to the activities of the office, developing a computer performance management module and strengthening statistical analysis capabilities; (ii) developing a digitalization plan adapted to the strategic objectives of the OBR; (iii) revitalizing the governance and management of IT projects; (iv) securing the operationalization of tax management system ITAS; and (v) anticipating the impact of computerization on the OBR by carrying out without delay a study of the impact of the digital transformation on the organization and the number and profile of the OBR agents.
- *Strengthening tax operations* by: (i) making the taxpayer registry more reliable¹ and expanding it by enhancing tax information by updating taxpayer register information, publishing active tax identification numbers (TINs) and leveraging third party data sources; (ii) improving the sincerity of declarations by implementing a tax control strategy based on risk management and strengthening spot checks on significant risks (loans, nil, exemptions); (iii) strengthening recovery action to reduce the stock of tax arrears and limit their increase by immediately engaging in a management dialogue on declarations not followed by payment and implementing all the coercive actions provided for by the regulations; and (iv) promoting voluntary consent to tax by simplifying and modernizing reporting and payment procedures to facilitate tax obligations and reduce their cost, and simplifying the tax system for micro and small taxpayers.
- *Strengthening customs operations* by: (i) improving the risk management system by establishing the "risk analysis" unit of the customs and e-business services department as the only structure in charge of customs risk management, drawing up a roadmap for the "risk analysis" unit and strengthening the human and material resources of the unit; (ii) activating the litigation management module; (iii) setting up an updated and dynamic database listing for the main revenue-generating products; (iv) strengthening the control of exemptions by bringing together under the responsibility of a single department all the activities for monitoring exemptions and by increasing the staff dedicated to the control of this function; and (v) improving controls by aligning current customs procedures with Single Customs Territory (SCT) guiding principles,

¹ The number of taxpayers increased by 45 percent to 30,402 from FY2020 to FY2021 and further by 13 percent to 34,311 in FY2022 and could be further increased.

bringing together the various services in charge of handling, customs clearance and monitoring of manifests, modernizing the management of warehouses and temporary storage areas (MADT), automating warehouse plan management, and expediting checks for the duration of the temporary regime and strengthening the means of the surveillance department.

Tax Policy Measures

- *Additional revenue gains could be reaped through tax expenditure rationalization.* While mostly driven by government and automatic exemptions for donor and NGO activities, exemptions for private investors are also large. In FY2021/22, most exemptions dealt with VAT (65.1 percent), followed by customs duties (18.5 percent), consumption tax on sugar (6.3 percent), excises (3.3 percent) and specific tax on fuel (3.3 percent). In addition to the authorities' ongoing analysis of tax exemption categories and impact on investment, a tax system review could help close loopholes. Reporting of tax exemptions in the budget execution reports (submitted to Parliament) would strengthen accountability.

Annex X. Spending Rationalization Measures

Some initiatives to shift spending towards greater investment while reinforcing public investment efficiency could be further considered in future program reviews, including:

- *Implementing the authorities' public investment program (PIP), while reinforcing public investment efficiency.* The authorities confirmed that the remainder of their SDR allocation will be mostly devoted to financing a railway. Capital spending should prioritize projects that enhance competitiveness and long-term growth, building on TA on public investment management.
- *Protecting well-targeted SSN.* The expected higher fiscal space should be partly used for appropriately targeted social programs and measures to mitigate the adverse impact of revenue measures and recent shocks on food and fuel prices. The authorities have improved social safety nets in recent years, including boosting spending for the education and health sectors and expanding social programs targeted at women, the youth, people with disabilities, and natural disaster victims (AIV SIP).
- *Containing the wage bill increase linked to an ongoing civil service reform.* The 2020/21, 2021/22 2022/23 and 2023/24 budget laws (i) froze hiring in all public sectors, except defense and security, education, health, and the revenue administration starting July 1, 2021; and (ii) adopted a "fair wage policy" to reduce wage disparities in the public sector by using a job classification and rating system, which is expected to improve the predictability of the wage bill.¹ The fair wage policy and payment of wage arrears due to uncompensated promotions over the last five years (4.6 percent of GDP) are expected to be repaid over 10 years (2023-33). Staff advised further carefulness and efficiency in hiring and salary negotiation.
- *Containing subsidies, especially for fuel and fertilizers.* With the still high fuel and fertilizer import prices and the initiated ER unification, fiscal policy must be attuned to containing subsidies and related contingent liabilities, while managing domestic inflation. Fuel subsidies will continue to weigh on budget execution owing to global price hikes. Revenue collection is hampered by tax holidays on fuel products implemented since October 2021 to avoid large pump price increases, with a cumulative cost of about 0.7 percent of GDP. In light of the ER unification, revising the domestic fuel price structure with the view of eliminating untargeted subsidies is essential. For example, subsidies could be circumvented to gasoil, which is mainly used for public transportation and merchandise freight. Other types of fuel-related subsidies should also be avoided, including direct subsidies to compensate the oil-related businesses for potential losses stemming from currency mismatches during the ER unification.² Similarly, fertilizer subsidies

¹ With an initial budgeted increase of 0.5 percent of GDP in 2021/22 (salary increase of previously discriminated civil servants).

² Fuel importers typically pre-order fuel using a foreign currency credit facility. Repayment of such facility hinges upon pump sale revenues, which are regulated (fuel price structure) and currently indexed on a pre-unification ER.

(continued)

operated in 2022/23 will cover the cost for 2022—24 and the approach of prepaying subsidies should be totally discontinued.³ The AfDB's pledge to supply two years of subsidies will be helpful. Fertilizer subsidies should continue to be targeted at small farmers and the vulnerable population. Improving targeting will help contain cost, against the backdrop of the ongoing ER unification, and help limit leakages to neighboring countries.⁴

- *Avoiding extrabudgetary spending and ensuring gradual repayment of pending bills* accumulated during the pandemic. Previous budget laws also introduced multi-year procurement and payment plans to strengthen investment management.

Resulting currency mismatches between private companies' liabilities (in US dollars) and the domestic value of imported fuel that is indexed on an overvalued ER are expected to generate losses (estimated from 3 to 6 percent of GDP per year).

³ The prepayment is expected to accelerate FOMI's investments, curbing near-term domestic supply shortages of fertilizer. (driven by higher fertilizer prices in the context of limited FX availability for imports and supply disruptions linked to the war in Ukraine) and meet anticipated higher future demand. It will also help cater to a significant demand from neighboring countries, in particular Tanzania, which will support FX buildup.

⁴ The local fertilizer company (FOMI)'s ongoing investment would expand its production with two new factories in the south of the country and one additional unit of production in Bujumbura. The authorities also authorized the construction of a new fertilizer firm in the administrative capital (Gitega). Beyond curbing domestic supply shortages, fertilizer production expansion aims to meet anticipated higher future demand and tap into significant demand from neighboring countries, in particular Tanzania.

Annex XI. Possible Public Financial Management Measures

Building on the October 2022 PFM diagnosis TA mission, recommended PFM measures to be further considered in future program reviews include:

- Developing and publishing on the Ministry of Finance (MFBPE) website a performance monitoring framework for the revenue administration that is updated on a quarterly basis.
- Preparing and publishing on the MFBPE website a roadmap of actions taken and planned for the implementation of key recommendations of the RA CD mission.
- Requesting IMF CD to review the tax system and help elaborate tax expenditure reports. Once the CD support is provided, start preparing and publishing on the MFBPE website quarterly tax expenditure reports. Prepare tax expenditure reports for each fiscal year including the tax exemption policy and an assessment of its efficiency, which should be published on the MFBPE website and annexed to draft budget review laws that are submitted to parliament.
- Developing and publishing on the MFBPE website quarterly budget execution reports that include analysis covering not only the amounts spent, but also the outcomes achieved, including on social and capital spending.
- Preparing and publishing on the MFBPE website a roadmap of actions taken and planned for the successful implementation of program budgeting.
- Preparing and publishing on the MFBPE website a roadmap of actions taken and planned for the successful computerization of the PFM framework.
- Preparing and publishing on the MFBPE website a roadmap of actions taken and planned for the successful implementation of key recommendations of the PFM CD mission, including (i) establish a reform monitoring unit; (ii) finalize the audit of the financial information systems of the Ministry of Finance; (iii) conduct a census and audit of budgetary and extrabudgetary arrears; (iv) conduct an inventory of guarantees granted; (v) conduct a census of public enterprises; (vi) develop an annual, monthly, rolling cash flow plan; and (vii) adopt an orderly and integrated budget calendar consistent with the work of the macroeconomic framework process, CBMT/MTEF, PIP, and budget preparation.

Appendix I. Letter of Intent

June 30, 2023

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Ms. Georgieva:

The purpose of this letter of intent is to request financial assistance from the International Monetary Fund (IMF) through a 38-month arrangement under the Extended Credit Facility (ECF) with access of SDR 200.2 million (130 percent of quota), and the first disbursement of SDR 46.20 million upon approval. This arrangement will enable the Burundian government to address protracted balance of payments imbalances, which heightened owing to the spillovers from the COVID-19 pandemic and Russia's war in Ukraine (external shocks), as well as weather shocks and emerge of livestock diseases (domestic shocks). The associated sharp rise in commodity and domestic prices exacerbated balance of payments pressures, against the backdrop of limited FX availability and imports compression to help contain imbalances. Fiscal financing needs have deepened as spending needs to cope with the shocks added to Burundi's already-large investment needs. The ECF-supported reform agenda that the Government plans to implement, as described in the Memorandum of Economic and Financial Policies (MEFP), will help restore external macroeconomic equilibria and improve the living conditions of the people of Burundi. The Burundian Government takes this opportunity to thank the IMF for the RCF disbursement (SDR 53.9 million) and the 2021 SDR allocation (SDR 147.6 million), which supported Burundi's fight against the COVID-19 pandemic.

The Burundian economy has been hard hit by rising food and fuel prices resulting from the breakdown in international supply chains connected with the Russia-Ukraine war. This situation has impacted all sectors of the domestic economy, GDP growth, government finance, and especially the balance of payments and FX reserves.

Even though GDP growth was initially projected at 4.6 percent in early 2022, it was revised to 1.8 percent in 2022, largely because of the Russia-Ukraine war's harmful impact on the services sector. Furthermore, the primary sector—which accounts for a major share of GDP (40 percent) and employs 90 percent of the active population—has been impacted by the high cost of agricultural inputs, notably fertilizers, which have largely originated from the two sides in the conflict. To lessen the impact on the population, the government has had to raise subsidies on agricultural inputs to protect a large proportion of the public from rising prices that could cause food insecurity.

Inflation has increased significantly, turning out at 18.9 percent as an annual average in 2022 compared to 8.3 percent in 2021. This upturn in inflation is attributable to rising food and fuel prices as well as to the spillover effects on other major consumer goods.

The government has increased social spending to shield the public from the effects of rising food and fuel prices, and this increase has had an impact on the budget at a time when government revenues have failed to keep up. The Burundian government is pursuing efforts to enhance the tax yield by digitalizing the entire system for government revenues and expenditures, and by endeavoring to incorporate all sectors of the domestic economy into the taxation system. As noted in the MEFP, this is part of a broader effort to increase public revenue collection through a sustainable revenue mobilization policy. Nonetheless, the war in Ukraine is continuing to leave its mark on government finances. In response, the government has resorted to domestic borrowing, and the scope for borrowing is shrinking.

The current account is continuing to deteriorate in relation to the previous year, in the wake of the increase in the import bill for food and fuel products. The current account deficit in relation to GDP turned out at 13.9 percent as against 12.1 percent in 2021. The capital account has improved, reflecting the collection of project grants. Secondary income has increased, thereby serving to ease the current account deficit. In addition, migrants' remittances increased throughout 2022. The financial account has also worsened following the increase in other investments in the form of trade credits. In light of this fragile external position, international FX reserves declined in spite of the RCF disbursement, which had significantly improved their level to 3.2 months. They were covering just 1.8 months of imports of goods and services at end-December 2022.

As described in the MEFP, the 2022/2023 and draft 2023/2024 Budget Laws initiated the effective transition to the Program Budget, with annexes presenting budget programs and provision for sectoral budgetary allocations based on activities programmed at the level of each ministry or other government entity. The 2022/2023 Budget focuses on priority sectors, namely: (i) agriculture and stockbreeding; (ii) education and public health; (iii) economic and social infrastructure; and (iv) employment of young people and social safety nets. The Budget Law 2023/24 is consistent with the National Development Plan 2018-27 (PND) and the objectives of the IMF-supported program. The implementation of the program budget should facilitate the formulation, execution, monitoring and efficiency of public expenditure. Going forward, some of the policies that worsened the fiscal stance will be discontinued. Large advances for fertilizer subsidies will be discontinued and the Government plan to ultimately replace subsidies with social assistance to targeted groups. Similarly, the Government is working on streamlining fuel subsidies to contain the cost impact of the ongoing exchange rate realignment, building on existing social programs. Efforts to strengthen public financial management will continue.

Monetary and exchange rate policy reforms are being conducted to restore external sustainability, against the challenging backdrop of persisting inflationary pressures and diminishing FX reserves. The *Banque de la République du Burundi* (BRB) initiated exit from expansionary monetary policy since mid-2022, in preparation of the reforms, and has taken steps towards FX market liberalization. The exchange rate depreciation of 38 percent operated in early May 2023 underpins commitment to

gradually restore market forces, as described in the MEFP. To facilitate the reform agenda implementation, the Government is committed to provide the BRB with full institutional authority regarding regulations and policies related to the FX market and reserves management.

In the context of efforts to restore stable and sustainable macroeconomic equilibria, policy instruments will be put together through better coordination of fiscal and monetary policy, including sectoral policies based on the government's actions and strategies. The role played by economic and financial partners, in general—and by the IMF, particularly through its financial and technical assistance—are of the utmost importance. The ongoing fiscal transparency reforms should be continued, and IMF inputs will be carefully considered. The Burundian government welcomes the informal technical discussions already undertaken with IMF staff regarding the policies necessary to resolve balance of payments disequilibria. The strengthening of international cooperation with bilateral and multilateral partners will support the reforms already initiated by the *Banque de la République du Burundi* (BRB).

The ECF arrangement in favor of Burundi will support the initiatives being taken by the authorities to restore macroeconomic equilibria and enhance their resilience to exogenous shocks. Furthermore, the ECF will help support Burundi's economic and financial policies aimed at achieving macroeconomic stability and sustainable and inclusive growth. It follows that the Burundian government welcomes the negotiations with IMF staff regarding the Economic and Financial Program.

Under the Economic and Financial Program, the government of Burundi reassures the IMF of its determination to restore external equilibria and public debt sustainability through transparent fiscal, monetary, exchange and structural policies, that will facilitate the success of reforms designed to achieve macroeconomic stability as well as long-lasting and sustainable economic growth.

Given the worsening balance of payments deficit following the increase in the import bill for food and fuel products, Burundi is requesting financing under the Extended Credit Facility (ECF) to help restore external equilibria. These disbursements will also help to improve the very low international FX reserves. The IMF's financial assistance provided through the ECF will serve as a catalyst for other financial assistance from Burundi's economic and financial partners.

Against this backdrop, Burundi will not impose or intensify existing restrictions on payments and transfers for current international transactions or adopt new or modify multiple currency practices. Burundi does not intend to introduce measures or policies that would compound Burundi's balance of payments difficulties. The country intends to consult with the IMF before introducing any such new measures or policies.

We will provide the IMF with all the data and information required to monitor implementation of the measures and achievement of the objectives as detailed in the TMU. We intend to host regular evaluation missions and implement IMF recommendations pertaining to the program. We will take any additional measures that become necessary for this purpose. We will consult the IMF on the

adoption of such measures, and prior to any revision of the policies set forth in the MEFP, in accordance with the Fund's policies.

We will establish a framework agreement between the BRB and the Ministry of Finance on their respective responsibilities for servicing obligations to the IMF that relate to the direct budget financing portion of the disbursements (half of each disbursement under the ECF).

The Government is committed to implementing recommendations from the 2022 safeguards assessment. Building on IMF technical assistance, we plan to review the BRB's legal provisions and financial position. We are also taking steps to strengthen compliance, the capacity of internal audit, the coverage of high-risk areas, as well as the timeliness of the BRB's financial statements. We also plan to review the foreign reserves management framework and align it with leading practices.

We consent to the publication of this letter of intent and its attachments, the staff report for the ECF request, and the accompanying debt sustainability analysis.

Yours sincerely,

/s/

Hon. Audace NIYONZIMA

Minister of Finance, Budget, and Economic Planning

Attachment I. Memorandum of Economic and Financial Policies

1. **This memorandum describes the macroeconomic and financial policies that the Government** of Burundi intends to implement under the 38-month Extended Credit Facility (ECF) supported program (2023-2026) that the country requested from the International Monetary Fund (IMF). The program will focus on maintaining macroeconomic and financial stability to help reduce vulnerabilities to external shocks.
2. **The main objectives of the program are:** (i) improving public financial management to increase fiscal space and promote investment in pro-growth sectors and reduce debt vulnerability, (ii) modernizing the monetary policy framework and restoring external sustainability through a more flexible exchange rate management, (iii) promoting financial sector stability, and (iv) implementing governance and anti-corruption reforms for sustainable and inclusive growth.
3. **This program is aligned with the National Development Plan (NDP, 2018—2027)** as well as Burundi's commitments to the East African Community. These include the following macroeconomic convergence criteria: (i) an overall fiscal deficit (including grants) to GDP ratio below 3 percent, (ii) a public debt-to-GDP ratio of no more than 50 percent, (iii) an inflation rate of no more than 8 percent, and (iv) FX reserves of at least 4.5 months of imports.
4. **This memorandum outlines recent economic developments and the macroeconomic outlook.** It also presents the economic and financial policies and key structural reforms and goals set for 2023 to 2026.

A. Recent Macroeconomic Developments

5. **Although resilient, Burundi's economy has been affected by the fallout of the Russian-Ukrainian crisis and the covid-19 pandemic.** Economic growth is estimated at 1.8 percent in 2022, a slowdown compared to 2021 (3.1 percent). The inflation rate has been on an upward trend since February 2022, averaging 18.9 percent annually in 2022 compared to 8.3 percent in 2021, driven mainly by higher global oil and food prices.
6. **The fiscal deficit remained high despite higher revenue mobilization.** The overall fiscal deficit (cash basis) stood at BIF 510.2 billion for fiscal year 2021/2022 compared to BIF 474.0 billion for the previous year. Total revenue reached BIF 1,372.7 billion, supported by tax measures taken by the authorities on road fees, telephone calls, while total public expenditure is estimated at BIF 2,404.5 billion.
7. **Deficit financing was mainly through domestic debt.** Total public debt reached BIF 5,410.5 billion at end 2022. Debt is dominated by domestic public debt which stands at BIF 3,859.2 billion while external public debt amounts to BIF 1,551.3 billion.

8. The current account deficit remains persistent and large. The average current account deficit over the period 2019-2022 is USD 423.3 million billion (12.5 percent of GDP). It increased from USD 417.0 million in 2021 (12.4 percent of GDP) to 610.5 million in 2022 (15.6 percent of GDP). The trade balance has widened further and remains structurally in deficit following the more proportional increase in imports compared to exports.

9. The level of FX reserves remains low, although supported by the 2021 IMF SDR allocation and the Rapid Credit Facility disbursement. Following the SDR allocation and the IMF Rapid Credit Facility support, official reserves increased from 0.8 to 3.0 months of imports from end-June 2021 to end-December 2021, before dropping to 1.5 at end-December 2022. This reduction in FX reserves is partly due to external imbalances driven by an overvalued exchange rate (ER) in real terms and the central bank's FX interventions to meet the rising fuel and food product import bill.

10. The foreign exchange market is characterized by a growing parallel market with a high premium compared to the official market. The withdrawal of development partners following the socio-political situation in 2015 contributed to the decline in foreign exchange. Import requirements increased more than exports, demand exceeded supply leading to a shortage of foreign exchange on the market. This has led to the creation of a currency rationing system based on a list of strategic import products to be financed primarily by the official market. Recent policy reforms in the FX and monetary sectors (e.g., FX interbank market launch) has helped narrow down the FX market spread. However, the premium on the parallel market continues to rise as the official market has not reached sufficient depth yet to meet demand.

11. The Bank of the Republic of Burundi (Banque de la Republique du Burundi, BRB) continued to apply an accommodative monetary policy until June 2022. The monetary base and money supply increased by 29.9 percent and 20.8 percent respectively from June 2021 to June 2022, mainly due to the increase in net domestic assets. Credit to the economy increased by 81.7 percent from June 2021 to June 2022 mainly due to the refinancing policy of pro-growth sectors implemented by the BRB since October 2019.

12. Monetary policy has been tightened starting July 2022. The refinancing window for priority sectors was suspended from December 9, 2022, except for the agro-pastoral sector. Refinancing for these sectors amounted to BIF 530.8 billion prior to the suspension of this measure. The normal 7-day refinancing window remains open for commercial banks, but the BRB has refrained from intervening through this window since July 2022, thus allowing the monetary base to decline (-14.6 percent between July and December 2022). Effective May 15, 2023, the BRB decided to revise up the reserve requirement ratio from 3 to 5 percent amid inflationary pressure and to be consistent with recent FX market reforms.

13. Reform of the foreign exchange and monetary markets continues. Since October 2022, the BRB has authorized the reopening of the bureaux de change and lifted restrictions on instant currency transfers (operators are now allowed to withdraw their foreign currency transfers) and

other payment institutions. Multiple exchange margins on banks' foreign currency transactions have been eliminated and replaced by a single margin of 2 percent around the official rate. In addition, to improve liquidity management, the BRB has suspended the refinancing of pro-growth sectors except for the agro-pastoral sector. To reduce cash in circulation, avoid money laundering and terrorism financing and encourage electronic payments, the BRB instructed commercial banks and microfinance institutions to limit withdrawals to 15 million per day with a monthly cap of 100 million, while payments are limited to 20 million BIF per day, except. Payments in excess of these caps are subject to the presentation of justificative documents to account for the funds' origin.

14. Effective May 4, 2023 the official ER level is determined by transactions between commercial banks through the Forex Interbank market (MID - *Marché Interbancaire des Devises*). Furthermore, the BRB has discontinued provision of FX to the private sectors (except for fuel imports) and has instructed that all needs should be directed to commercial banks (for importers) or FX bureaus (for other FX needs and limited to US\$ 5000 per person)—this restriction for FX bureaus was later made not compulsory. The BRB has also revoked the comfort letters guaranteeing provision of FX to repay the private sector's external liabilities coming due and allowed commercial banks to collect and hold repatriated proceeds for some exports (except for coffee, tea, and mining products). To end, the BRB cancelled the previous measures limiting cash transactions described in para. 13.

15. *The financial sector has remained resilient.* The overall solvency ratio stood at 25.5 percent at the end of June 2022, well above the minimum required (14.5 percent). Non-performing loans represented 2.5 percent of total loans through end-June 2022. The baseline solvency ratio was at a comfortable 24.0 percent at end-June 2022, compared to the 12.5 percent rule.

B. Macroeconomic Outlook

16. The economic outlook is positive for sustained growth, despite the uncertainty due to the war crisis in Ukraine. Real GDP growth is estimated at 1.8 percent in 2022 and is expected to gradually strengthen in 2023 and in the medium term. The implementation of the NDP should drive growth, in particular, through the modernization and diversification of production in the agriculture and livestock sector, the mining sector, increased and improved energy supply, and the tertiary sector through the supply of services.

17. The balance of payments will continue to show a current account deficit, due to the financing of investment projects that will increase imports. Imports will continue to exceed exports, mainly due to the increase in imports of producer goods including petroleum products and capital goods for the implementation of investment projects included in the NDP, such as the construction of the railway and hydroelectric dams. Exports are expected to increase with the revitalization of the mining sector, following the promulgation of the new mining code.

18. Distortions in the foreign exchange market should be resolved in the near term. The BRB is carrying out reforms to unify the official exchange rate and the parallel market exchange rate and liberalize the foreign exchange market.

19. Actions to improve the level of FX reserves will be taken. To ensure the success of these reforms, the authorities will continue to encourage investment in export-oriented and import-substitution sectors.

C. Macroeconomic and Financial Policies under the Program

Fiscal Policy

Fiscal Consolidation

20. The Government is committed to achieving gradual fiscal consolidation over the duration of the program thanks to the combined effect of an acceleration in revenue collection and prudent fiscal policy. In the short term, the overall fiscal deficit for fiscal year 2022/23 could widen to around BIF 806 billion (8.9 percent of GDP). Revenue mobilization is expected to pick up significantly thanks to tax and non-tax measures taken in the 2021/22 and 2022/23 budgets, amounting to BIF 1,530.3 billion. Fiscal expenditure is expected to reach BIF 3,185.3 billion, including project grants (BIF 849.1 billion) and fertilizer subsidies (BIF 300 billion, para. 27.). However, over the medium term, the fiscal balance should improve by more than 5.9 percent of GDP to settle below the regional convergence criterion.

21. The Government adopted a draft budget for 2023/24 that takes into accounts Burundi's development and the program objectives. The 2023/2024 Budget Law projections take into account the measures agreed under this program, which will help to achieve the programmed fiscal primary deficit targets (quantitative performance criterion, QPC, Table 2). Spending beyond budget allocations is prohibited and may be sanctioned. In the event of revenue shortfalls, the Minister in charge of Finance is legally empowered to block the commitment of expenditure for "non-fixed" expenditure. Even though current budget projections show a fiscal deficit that is larger than the program target, the Government will limit spending if needed to remain within the fiscal primary balance target envisaged in the program.

22. The Government will continue efforts to increase public revenue collection through a sustainable revenue mobilization policy. We commit to reaching minimal levels of domestic revenue collection or revenue floors (indicative target, IT, Table 2). Our overarching goal is to streamline tax exemptions, address tax and customs fraud, and the revenue administration (*Office Burundais des Recettes or OBR*) operations and interactions with taxpayers. In this context, revenue mobilization measures such as the digitalization of the entire public revenue collection system and collection procedures, the modernization of the tax administration, by implementing the updated strategic plan of the OBR, as well as the introduction of new tax measures are envisaged. The updated OBR action plan is structured around three dimensions, nine operational objectives and sixty-seven priority actions. Each priority action is associated with a set of measures that aim to

propose innovative solutions to forcefully address long-lasting bottlenecks to revenue mobilization including, weak risk management culture, outmoded and standalone IT applications, widespread fraud and smuggling, and a pervasive informal sector. In support of the ER unification and DRM, a new module of the customs management IT system (ASYCUDA) was launched on June 2, 2023 to improve and automate trade-related FX flow management. It will allow digitalization of customs declarations and cross-checking with related bank transactions thanks to a unique identification number per trade transaction. The module will improve tracking of international trade flows and the associated FX flows, which will help reduce fraud, improve revenue collection, monitor use of FX for trade and enforce repatriation of export proceeds.

23. The 2023/24 budget reflects our efforts to boost revenue collection. It introduced new taxes (e.g., mobile messaging, internet protocol (IP) communication, mobile financial services, services in the electronic communication sector and a new wealth tax) and some existing ones have been increased. Revenue gains from these measures could yield BIF 128.4 billion (1.1 percent of GDP) in FY2023/24. Further actions will be taken to broaden the tax base by expanding the coverage of taxpayers by identifying untaxed informal operators and sectors and prompt them to pay their taxes regularly. For 2023/24, the Government will specifically focus on electronic invoicing, which will strengthen controls. For example, in order to be eligible for VAT deduction or refund, the VAT must appear on an electronic invoice transmitted to the database of the electronic invoicing management system of the OBR (Electronic Invoicing Management System “EBMS”) at the time of its establishment. The Government will also launch in July 2023 a new IT system to allow electronic filing and payment of all taxes, which will improve revenue administration. The system will also ensure timely monitoring of revenue collection and daily transfer of government revenue to the Treasury.

24. The Government also plans to further strengthen the tax system and enhance its efficiency. Important structural challenges to rationalizing tax expenditures remain, including the continued use of discretionary exemptions through presidential decrees or ministerial orders. The Government will limit the use of such decrees. The Government will also rationalize tax expenditures, including by tightening procedures for granting incentives and strengthening control of the use of incentives by beneficiaries. The Government will also enhance capacity to analyze and advise on tax incentives and broader tax policy design and development. It will further strengthen the role of the tax policy department and its analytical tools to cost and evaluate tax expenditures and report transparently on these costs (and possibly benefits) to Parliament.

25. The Government plans to pursue an inclusive and sustainable growth policy through the implementation of the National Development Program, including by accelerating investments and related reforms. Current expenditure will be streamlined. In the short term, spending will be controlled by focusing on strictly priority expenditure. Capital spending will remain a priority in order to strengthen production through quality infrastructure. A monitoring and evaluation mechanism will be established to improve expenditure planning and implementation.

26. The Government will continue its social policy, particularly focusing on social sector expenditure. This policy consists of granting allocations in relation to social expenditures which contribute to delivering education, health and social protection services with the aim of building human capital. A new national social protection policy and its strategy is in place to improve the living conditions of pensioners in terms of social security. Work is ongoing to revise the domestic fuel price structure to reflect cost-recovery and reduce currency mismatches driven by the ER depreciation, while targeting assistance to the vulnerable through existing social programs. The program includes a floor on social spending (IT).

27. Fertilizer subsidies are important to support subsistence farming, which is critical to combat household vulnerability; these will be further streamlined to enhance efficiency and make them more targeted. In 2019, the private company *ITRACOM-Fertilisants* (FOMI) launched the production of organo-mineral fertilizers aimed at protecting the soil by avoiding the intensive use of chemical fertilizers. During 2022/23, the government made an advance payment of BIF 300 billion to FOMI to support the increase of its fertilizer production in Bujumbura (from 100,000 tons to 350,000 tons) and the construction of two new production units in the center and south of the country with a capacity of 100,000 tons each. The cumulative government advance payments to FOMI amount to BIF 600 billion as of February 10, 2023, of which BIF 74 billion have been repaid through a 70 percent discount on the prices of these fertilizers, with BIF 114 billion still outstanding. The balance will be reimbursed through the same fertilizer subsidy mechanism. Such large advances for fertilizer subsidies, and more generally publicly guaranteed lending schemes by the BRB, will be gradually discontinued. The government will also better target fertilizer subsidies used by small farmers by closer monitoring production areas and quantities requested, with the view of ultimately allowing prices to reflect costs and using social assistance for targeted groups.

28. The wage reform aimed at harmonizing wages in the public sector started in 2016 and will continue. It includes three phases: (i) introducing payment of an adjustment allowance for wage disparities during the period 2016-2020 coupled with a record freeze, with a total cost of BIF 180 billion; (ii) correcting the pecuniary impacts of annual and grade promotions from 2016 to 2022, with a total cost of BIF 72 billion for civilian staff and BIF 50 billion for state-owned enterprise (SOE) employees; and (iii) implementing a fair salary policy with a cost of BIF 150 billion for civil servants, payable over 10 years (from 2023 to 2033), and an estimated cost of BIF 75 billion for SOE employees. This fair wage policy is aimed at establishing a performance-based remuneration system for the classification and rating of jobs, functions and positions in the public sector. The reform aims to correct unjustifiable professional disparities and serve as a dynamic tool for government to manage and remunerate public sector employees fairly. The new salary structure will include two components, one based on the type of job and the other on performance. In addition, the wage reform could in the future be further implemented in the defense and security sectors. The Government will limit the risks of de-anchoring of wage negotiations and large wage bill increases by strengthening payroll management, including through computerization, controlling recruitments, and the identification and removal of ghost workers from the civil servant roster. The Government has already frozen hiring in all public sectors, except defense and security, education, health, and the revenue administration since July 1, 2021.

29. The public investment program (PIP) will continue in line with the NDP. The Uvinza-Musongati-Kindu railway project will, inter alia, facilitate the transport of nickel products and other goods to ports in the East African Community. The cost of the section of the railway linking Uvinza in Tanzania and Musongati-Gitega in Burundi is estimated at USD 1,319 million, excluding compensation for displaced people, the cost of which is currently being estimated. The cost of the Musongati-Kindu section in the DRC is currently being estimated. Burundi's contribution to the financing of this project is being finalized and will include capital (BIF 258 billion each fiscal year and provided for in the 2022/23 and 2023/24 budgets), an AfDB grant (US\$100 million), the use of IMF SDRs allocation (USD 100 million), as well as other sources of financing yet to be determined. The implementation of the remaining PIP projects will continue within the limits of budget availability.

30. The fiscal deficit will be financed to safeguard macroeconomic stability, public debt sustainability and external sustainability. Re-engagement with the international community will be intensified to maximize grants and concessional loans. We commit to not borrow on non-concessional terms during the program period (QPC), while closely monitoring contracting or guaranteeing concessional external borrowing (IT). Domestic financing should avoid crowding out the private sector and should seek to develop the domestic capital market. Monetary financing (excluding the SDR credit line resulting from the July 4, 2022 agreement with the Ministry of Finance) will only be used as a last resort, within the limits of program targets on Central Bank financing of the government (QPC) and the cap on the stock of statutory Treasury advances—10 percent of total revenues of fiscal year n-1 (structural benchmark, SB, Table 1 and IT).

Improve Financial Management

31. Improved cash management by government will contribute to fiscal consolidation. Cash flow forecasts will be improved through an annual cash flow plan which will be continuously updated on a monthly and weekly basis to better monitor public expenditure. The Treasury Single Account will gradually be extended to include local entities.

32. The Public investment management framework will be further strengthened. Starting with the 2021/2022 budget year, a separation into commitment appropriations and payment appropriations was made for investment projects running over a period of two years to provide better visibility and better control of investment projects and their financing. The commitment appropriation corresponds to the overall cost of the investment project to be launched during the financial year concerned and the payment appropriation corresponds to the cost of the phase of work that will be carried out during the same financial year. The procurement plan is based on payment appropriations and not commitment appropriations. The Government also plans to: (i) identify all the entities managing the investment projects; (ii) ensure proper monitoring and reporting of the current budget line "*construction et réhabilitation des infrastructures*" (under the current realm of the Ministry of Infrastructure); (iii) strengthen reporting on the PIP execution, based on the physical and financial execution reports, that are to be prepared by the project management units; (iv) report on the execution of all projects (including those that are currently outside the budget) in the PIP and the public investment financial management system (*Système*

Informatique de Gestion Financière de l'Investissement Public or SIGFIP), using a unique project code per project in all the databases. The Government will continue to work to align the PIP with the National Development Plan and the sectoral strategies, the medium-term fiscal framework (MTFF)/medium-term budget framework (MTBF) as well as the budget law; and ensure strong coordination between the Ministry in charge of finance (*Ministère des Finances, du Budget et de la Planification Economique* or MFBPE), Cabinet, Directorates of Budget and Planification as well the unit in charge of public-private partnerships (PPP).

33. The Government intends to terminate extrabudgetary commitments without prior legal authorization. According to the 2022/2023 Finance Law, public procurement contracts related to current spending are valid for a period of one year, in line with the annual budget principle and the contracting authority shall confirm the availability of funds before putting out the tender notice, in accordance with its public procurement plan, and prior to the signing of the order contract. A study on the budgetary impact of multi-year contracts, signed prior to FY2022/23, on current spending for the ministries of education, health, defense, and social protection will be conducted (SB) and the annual impact of multi-year contracts signed prior to the adoption of the 2022/2023 Budget Law will be better taken into account in the development of public finance laws. The June 2022 organic public finance law states that the *Cour des Comptes* (State Audit Office) has the authority to dismiss government accounting officers. The government will submit the *bill establishing the mission and functioning of the "Cour des Comptes" and the procedure followed before this body* to Parliament for adoption. Once adopted and implemented, this law will allow the *Cour des Comptes* to sanction mismanagement, including the commitment of extra-budgetary expenditure without prior legal authorization.

34. In accordance with the June 2022 Organic Law of Public Finance, quarterly budget implementation reports for the current year shall be produced and submitted to Parliament for comment. The first quarterly report on the implementation of the 2022/23 budget for the first quarter of the fiscal year (July to September 2022) was prepared and transmitted to Parliament for comment in November 2022. A revised report for this quarter, including comments and recommendations, was returned to Parliament for consideration. The report for the second quarter is currently being prepared. The submission deadlines for these quarterly reports will be specified in the general regulations for the management of public budgets.

35. The effective transition to program budgeting which started in the 2022/23 fiscal year will continue. The Annual Budget Work Plans of Ministries and some institutions have already been put in place. The preparation of the budget programs of all Ministries has been completed, and the budget nomenclature was harmonized with the government's chart of accounts. These budget programs have been annexed to the 2023/24 budget, though on a transitional basis. The public financial management information system will be adapted to meet the requirements of program budgeting when implementing the unified strategy for computerized public financial management. The implementing texts of the organic law will be updated, as will the manual for budget preparation and implementation. As program budgeting provides for a de-concentration of payment authorizations, all audits of the management capacities of Ministries and constitutional

institutions should be carried out by the *Cour des Comptes*. Once implemented, program budgeting should facilitate public expenditure formulation, execution, monitoring and effectiveness.

36. The management of State-owned enterprises (SOEs) will be strengthened. The list of SOEs will be clarified, notably removing enterprises that do not meet the public ownership threshold, and SOEs' governance will be improved through the revision of the legal and regulatory framework governing them. This will enhance their overall competitiveness and limit fiscal risks for the government. The budget forecasts of SOEs were annexed to 2022/23 and draft 2023/24 Finance Laws and this practice will continue with the next public finance laws. The annual financial statements of large SOEs, as defined by the Tax Administration, are annexed to the 2023/24 budget law. By law, these large SOEs also produce quarterly budget execution reports and submit them to the Ministry of Finance.

Public Debt

37. Debt coverage and the monitoring of public fiscal arrears are being strengthened. We are expanding the public debt coverage in our Public Debt Management Reports. The latest report was published in May 2023. The report presents preliminary debt data at end-2022 of twenty-four (24) SOEs (BIF 1295.0 billion or 16.2 percent of GDP), as some SOEs had not finalized their financial statements at the time of issuance of the report. The report also includes domestic arrears identified at end-2022 (BIF 103.9 billion or 1.3 percent of GDP). We have institutionalized recent improvements in debt transparency by introducing a formal requirement (through an ordinance signed by the Minister of Finance) to publish debt reports annually, within six months of the end of the reporting period, that will include information on all SOE debt as well as domestic arrears. The process of estimating budget arrears is ongoing and will be finalized by June 2023 and a plan to clear them will follow. The budget line provided for clearing arrears in the 2022/23 Budget Law (BIF 2 billion) has been partly used. The draft 2023/24 Budget Law also allocates resources to clear all or part of these arrears. We commit to no new domestic arrears (IT, Table 2) or no new external payments arrears (PC, Table 2).

38. A short-and medium-term public sector debt management strategy will be developed in the course of 2023 and updated regularly. A national public debt committee and a technical committee were established in 2013 and will be reinvigorated with the appointment of new members by 2024. These committees will facilitate the design and implementation of the debt strategy. The debt strategy will facilitate the financing of the government budget at lower costs and risks and support the public debt sustainability goals. Capacity building of human and material resources of the debt management unit will help ensure the effective implementation of this strategy. The debt management unit will regularly conduct a debt sustainability analysis to assess the risk of debt distress and annex this to the debt strategy. Debt stabilization measures will be taken when necessary, including reducing the fiscal deficit.

39. The effectiveness of debt instruments will be enhanced through the development of the capital market. The preparation and publication of a schedule for the issuance of debt instruments will be effective by 2024. The publication of the issuance schedule will allow investors to

better prepare their bids and the government to mobilize lots of participants and lower financing costs through competition. To broaden the investor base, potential investors will be made aware of the functioning of the government securities market. The planned revitalization of the secondary market will help to expand the resources of deficit financing. Investor reluctance will be mitigated by improving the liquidity of securities so that these can be traded on the secondary market when needed.

40. Significant progress has been made in the establishment of capital markets. In 2020, a capital market law was promulgated, as well as a law establishing the Capital Market Regulatory Authority (ARMC). The ARMC Board of Directors was appointed in 2021 and the recruitment process for its members is well underway. Licensing for market operators should start by 2024. Progress has also been made to set up the Stock Exchange which is expected to become operational by 2024.

41. Both the establishment of the capital market and the diversification of sources of deficit financing will mitigate liquidity and debt refinancing risks. The strengthening of public-private partnerships for the financing and implementation of selected public investment projects will remain a priority and should complement other sources used to finance public expenditure.

Monetary Policy and Financial Stability

42. Monetary policy should remain prudent to ensure price stability. Following sizeable liquidity injections to support the economy from 2016 to June 2022, the BRB has been tightening monetary policy since July 2022 (see paragraph 6) to control inflation. The BRB should also continue to ensure stability in the financial sector.

43. The current monetary policy framework will be modernized. The BRB has begun the process of establishing a regulatory and institutional framework to modernize monetary policy. A Policy Forecasting and Analysis System (FPAS) has been in place since 2017 and forecasts are produced regularly on a quarterly basis. The institutionalization of the FPAS is being finalized. To facilitate migrating from a policy framework based on monetary aggregates targeting to inflation targeting, the BRB, in consultation with stakeholders, plans to gradually limit monetary financing of the fiscal deficit and normalize monetary policy.

44. With a view to bringing inflation under control and support the ongoing unification, monetary policy has been tightened. The BRB raised the coefficient of required reserves to 5 percent and will further tighten monetary policy, including by raising the 7-day refinancing rate to 10 percent (PA). A ceiling on net domestic assets and a floor for net foreign assets will be established at the BRB to internally monitor monetary creation and use a monetary target in line with projected GDP. The program will monitor reserve money (floor, IT).

45. BRB financing for the Treasury will be gradually reduced (monitoring compliance with counterparties). It is difficult to calibrate direct financing of the deficit through advances as these are automatic and adjusted in the general Treasury account. The government is committed to a

ceiling on the stock of BRB advances to the Treasury at 10 percent of the previous fiscal year's tax and non-tax revenue (IT). The government's financing needs will primarily be met through the Treasury securities' market. We commit to no new BRB disbursements to the Treasury other than statutory advances (i.e. Conventions, PC). In the long term, the use of ordinary advances should end in 2027 in accordance with the roadmap of the Monetary Union of the East African Community.

46. The BRB will accelerate and adopt an inflation-targeting monetary policy framework.

The BRB's current monetary policy framework based on monetary aggregates targeting is inefficient. The adoption of the FPAS forecasts will allow the migration of the monetary aggregates targeting framework to inflation targeting. In fact, although the current monetary policy framework is based on monetary aggregates targeting, these provide only an intermediate anchor. The Central Bank is in the process of adopting a policy rate, which will become the operational target instead of the monetary base. Then, inflation forecasts will be used to adjust the policy rate and enhance monetary policy effectiveness.

47. A Monetary and Fiscal Policy Coordination Committee will be established. Among other things, its role will be to optimize options to finance the fiscal deficit that work in synergy with monetary policy objectives. The committee will be composed of members of the Ministry of Finance, Budget and Economic Planning and the Central Bank and will meet monthly.

48. We will strengthen resilience of the banking sector. Better oversight and credit restructuring helped maintain the non-performing loans (NPL) ratio at an acceptable level (2.9 percent at end-June 2022). However, additional indicators will be developed to monitor off-balance-sheet assets management, to reliably reflect all assets, given that after 24 months, unpaid loans should be managed off-balance-sheet. In addition, the minimum capital requirement of commercial banks will be increased to strengthen their resilience. The BRB will also create a deposit insurance system and a regulatory framework to facilitate early intervention.

49. The direct exposure of the banking sector to currency risks—and indirect exposure through possible impairment of portfolio quality—appears limited. Repatriation requests by companies amount to € 116.2 million euros and USD 1.5 million, and those from commercial banks amount to USD 4.2 million that can be reinvested. Foreign currency loans from commercial banks have an equivalent value of BIF 286.4 billion BIF, or 10.5 percent of total loans. All these loans are sufficiently covered by guarantees in BIF, whose value has been estimated based on the parallel market price.

50. We are committed to implementing recommendations from the 2022 safeguards assessment. In this context we will request IMF technical assistance for legal reforms and an analysis of the BRB's financial position. We will also take steps to establish a compliance function and to strengthen the internal audit capacity and coverage of high-risk areas. The timeliness of finalization of BRB's financial statements will be improved and we will review the foreign exchange reserves management framework with a view to align it with leading practices.

Exchange Rate Policy

51. The unification of the official and parallel exchange rates will be effective as soon as possible. To reduce market distortions, the BRB will take measures to gradually eliminate restrictions that have been introduced in the market. The calculation of the reference rate or official rate will be adjusted to reflect transactions between all market intermediaries and their clients. The official exchange rate will be realigned to the market rate by end-November 2023 (SB). This will boost investor confidence, stimulate capital flows, and improve the level of FX reserves. In end-June 2023, the Government will promulgate as part of the draft 2023/24 Budget Law provisions that will give the BRB full power to adopt FX management-related regulations (PA), which will facilitate future reforms.

52. A more flexible exchange rate management will be applied to lower the exchange premium. The BRB will introduce an FX market intervention strategy that will be implemented through auctioning to avoid excessive exchange rate volatility (with an appropriately high tolerance threshold considering the BRB's low stock of reserves). The BRB will also envisage allowing FX bureaus to purchase FX at freely negotiated rates and apply sale rates with a maximum margin of 2 percent, enforceable daily on average sales.

53. The foreign exchange market is being liberalized and revitalized through measures such as the revitalization of the FX interbank market (MID), the efficient allocation of foreign currency and the lifting of domiciliation requirements at the BRB for certain foreign currency accounts. However, exporters will still be required to repatriate foreign currency and importers will have to prove the release for consumption of goods and services for which foreign exchange has been requested and allocated for import purposes.

54. Unification will also improve the level of FX reserves by encouraging the use of the formal market for the repatriation of exports proceeds (e.g., mining and agricultural products), and private transfers. Gold buying and selling operations can potentially improve reserve levels. A governance framework on gold operations will be put in place including (the new mining code has been adopted by the ministries council and is under review at the parliament) (i) pricing, (ii) due diligence procedures for all counterparts (sellers, refiners, custodians, buyers), (iii) decision-making and internal reporting to ensure the traceability of these operations. Special audits of the stock net international reserves (NIR) of the BRB at end-December 2022 (assets and liabilities) has been undertaken by the BRB's external auditors (prior action), and another audit will be conducted on the stock at end-July 2023 (SB). The program will monitor the change in NIR (QPC).

55. In order to avoid massive capital outflows, consistent and transitory capital flow measures or targeted restrictions on transactions will be considered to help mitigate the unintended effects of the ER unification. Indeed, Burundi's capital account is relatively open, which might be premature in the context of the unification and could induce capital outflows post-reform. Necessary measures will be discussed with the IMF.

D. Structural and Governance Reforms

56. The objective of the National Development Plan is to enable the structural transformation of the Burundian economy, for strong, sustainable, resilient, inclusive growth, creating decent jobs for all and leading to the improvement of social well-being. Structural reforms will be carried out in various key sectors, including agriculture and livestock, energy, infrastructure, minerals, industry, ICT, etc.

Mining

57. Revitalize the mining sector to optimize the sector's contribution to the country's growth and socio-economic development by promoting mining product exports through structural reforms of this sector. Given the limitations of the mining code promulgated in 2013, in particular, in terms of added value (gain) for Burundi, the government has embarked on a revision of the mining code since 2020 to develop legislation that would allow the country to take advantage of this sector through mutually beneficial contracts between Burundi and investors in this sector. The mining code will allow local companies to actively participate in promoting minerals and industrial processing units to reduce exports of unrefined ores and increase their added value.

Agricultural Sector

58. Strengthen food security through the mechanization of agriculture. In view of the dominant role played by the agro-pastoral sector within the Burundian economy, steps will be taken to implement modern intensive agriculture with the aim of ensuring food security and promoting market-based agriculture.

- Improved access to agricultural inputs, through the policy of fertilizer subsidies, will enable farmers to gain access to such products at lower cost to boost agricultural production.
- Boost production through the development of wetlands, mechanization, large-scale agricultural irrigation, and regionalization of crops.
- Develop infrastructures to support the production, processing, conservation, and marketing of agro-pastoral products.
- Improve the fertility of the land and natural resource management to intensify agricultural and animal production with the aim of achieving sustainable increases in food supplies.

Private Sector

59. Support for private sector development aimed at achieving sustainable increases in living standards will be provided in the form of efforts to strengthen PPPs, improve the business climate, create industrial attraction zones, enhance quality infrastructure, create vocational training centers and incubation centers, certify quality control agencies and enhance the governance of private sector stakeholders.

60. The tourism sector will be equipped with a national tourism policy to ensure that the sector has a clear vision; the strategy for implementing this vision will aim at raising foreign exchange inflows and creating jobs, while channeling tourism revenues into the Treasury general account.

61. Other structural reforms will be implemented to enhance growth through improvements in the business climate, rehabilitation and maintenance of existing hydro-electric centers, development of infrastructures to support revitalization and expansion of industry and telecommunications, and the creation of local industries for the extraction and transformation of mining products.

Fiscal Sector

62. The Government is committed to improving the PFM framework through the adoption of a series of measures:

- Massive initiatives are underway. Ministries' budget programs have been annexed to the FY 2023/2024 budget, using the program-based budget preparation methodology (in accordance with the government budget nomenclature and accounting standards). Efforts have already been made by adopting the new organic public finance law in June 2022, which is geared toward program budgets and accrual-basis accounting. The new system will be deployed through eight complementary projects designed to: adapt the BRB's information system to manage the Treasury Single Account (TSA); (ii) interface the information systems of financial institutions with the BRB system; (iii) adapt the system for the management of expenditures at the finance ministry to manage the single Treasury account; (iv) promote the use of electronic payments to collect government revenues; (v) operationalize the tax collection system by digitalizing the entire revenue collection system; (vi) finalize and operationalize the system for the collection of municipal taxes (*taxes communales*); (vii) provide public institutions—including non-electrified local entities—with a reliable, efficient, and accessible electric power system; and (viii) connect institutions located in non-covered zones to broadband networks.

- Improve the quality of macroeconomic and budgetary forecasts as well as the quality of the budget preparation process with the primary aim of ensuring that the budget is implemented from a multiyear perspective with a controlled trajectory.
- Turn the Public Investment Project (PIP) into a full-fledged tool for budget programming, which should also make it possible to align the PIP with Burundi's development strategy, and to strengthen project monitoring and evaluation.
- Improve budget execution procedures and governance in the budget execution process, particularly in order to ensure fiscal discipline and enhance the efficiency of the expenditure system; ensure better management of (and hence more effective control over) the wage bill; develop the information system for the expenditure chain, which should facilitate the monitoring of expenditure; strengthen the management of Treasury liquidity and of the Treasury single account; strengthen accounting arrangements and the network of government accounting officers; improve fiscal information; ensure more effective control over fiscal risks, including those risks linked to public debt management, the operations of SOEs and PPPs ; and implement budget programming in a careful and organized fashion, in particular with a proper IT system.

63. Establish a permanent commission responsible for monitoring the authorization of exemptions. The Government will set up a standing commission responsible for monitoring the granting of exemptions and their economic efficiency under the National Investment Code. A report on the efficiency of exemptions will be prepared and an estimate of the exemptions recorded in the previous year will be attached to the budget for the following year.

Improve Governance and Eradicate Corruption

64. The eradication of corruption and promotion of social justice are government priorities. Efforts to combat corruption and embezzlement and increase accountability are part of the Government's priorities under the 2018-2027 National Development Plan. The Government will prepare, with IMF staff support, and publish a comprehensive governance diagnostic report, including specific recommendations and a time-bound action plan for implementing them (SB). This will help improve governance and combat corruption in the interest of enhancing the country's economic stability and efficiency and reducing macroeconomic vulnerability and socioeconomic and political instability.

65. Accountability of COVID-19 spending remains essential. The Government prepared a first execution report on COVID-19 expenditures executed during the period from October 15, 2020-August 12, 2021, which was audited by the *Cour des Comptes* and published in January 2023. The second audited report covering the period from August 13, 2021 to December 22, 2022 was published on June 15, 2023. The Government further intends to modify the questionnaires associated with bidding on government contracts in order to collect beneficial ownership

information on companies awarded COVID-related contracts. The commercial registry will be used to identify the shareholders in firms who obtained contracts awarded through 2022.

66. The efforts to combat money laundering and terrorist financing will be stepped up, in line with the action plan of the March 2023 report of the High-Level Mission to the Republic of Burundi, with a view to becoming a full member of the Eastern & Southern Africa Anti-Money Laundering Group (ESAAMLG). The national financial intelligence unit (CNRF) was set up in March 2020 with the aim of promoting transparency in financial transactions, combating financial crime, and taking action against terrorist financing and money laundering. The executive bodies of the CNRF have been established, but the CNRF still requires further work and amendments to the AML/CFT law to become operational and operationally independent. The Government will seek IMF support to strengthen the CNRF setup.

E. Program Financing and Monitoring

67. The program will be closely monitored by means of quantitative performance criteria, indicative targets, and structural benchmarks. Net foreign assets for end-December 2022 will undergo an external audit to yield a base for the pertinent quantitative performance criterion. The Technical Memorandum of Understanding (TMU) describes the definitions of these terms as well as the data reporting requirements for monitoring and evaluation purposes. The program will be monitored on a semiannual basis. The first review will be based on end-July 2023 quantitative targets and the second review on end-December 2023 quantitative targets. The quantitative targets and structural benchmarks are set out in Tables 1 and 2 of the MEFP respectively.

Table 1. Burundi: Proposed Prior Actions and Structural Benchmarks, 2023–24

Actions	Timing / Review	Objective
Prior actions		
1. Complete a special audit of the NIR of the BRB at end-December 2022 (assets and liabilities).	Prior action for the ECF approval	Assess data of the program's initial stock of NIR
2. Promulgate, as part of the 2023/24 budget law, an article that gives the BRB full authority to adopt FX management-related regulations.	Prior action for ECF approval	Facilitate FX reforms
3. Raise the 7-day refinancing rate to 10 percent.	Prior action for the ECF approval	Monetary tightening
Structural Benchmarks		
External sector		
4. Complete the exchange rate realignment to the market exchange rate.	End-November 2023 (First review)	External sector rebalancing and eliminating the parallel market premium
5. Complete a special audit of the NIR of the BRB at end-July 2023 (assets and liabilities).	End-November 2023 (First review)	Assess the end-July target
Fiscal sector		
6. Complete a study on the budgetary impact of multi-year contracts, signed prior to FY2022/23, on current spending for the ministries of education, health, defense, and social protection.	End-June 2023 (First review)	Improve PFM and reduce contingent liabilities risks
Monetary and financial sector		

Table 1. Burundi: Proposed Prior Actions and Structural Benchmarks, 2023–24 (Concluded)

7. Adopt law capping Treasury advances to 10 percent of total revenues of fiscal year n-1.	End-September 2023 (First review)	Limit monetary financing
Governance		
8. Publish a governance diagnostic assessment, including a time-bound action plan.	End-December 2024 (Third review)	Improving governance and tackling corruption

Table 2. Burundi: Proposed Quantitative Performance Criteria and Indicative Targets, 2023–24^{1/}
(BIF billion, unless otherwise indicated)

	2023			2024	
	End-July	End-Sept	End-Dec	End-Mar	End-June
Performance Criteria	PC	IT	PC	IT	IT
Fiscal primary balance (floor)	-50.0	-63.6	-17.8	-83.5	-205.1
BRB net financing of central government (ceiling)	50.0	0.0	80.2	80.2	248.2
Ceiling on gross disbursements to the Treasury under other loan agreements with the BRB (Conventions) 2/	0.0	0.0	0.0	0.0	0.0
Change in net international reserves of the BRB (floor, US\$ million) 3/	-115.7	-66.8	-47.9	-28.8	31.3
Indicative Targets	IT	IT	IT	IT	IT
Domestic revenue (floor)	78.9	394.7	778.9	1198.1	1638.7
Social spending (floor) 4/	29.8	178.9	391.7	560.3	779.5
Stock of BRB statutory advances to Treasury (Ceiling, 10 percent of previous FY revenue)	153.0	153.0	153.0	153.0	153.0
New domestic arrears (ceiling)	0.0	0.0	0.0	0.0	0.0
Contracting or guaranteeing concessional external borrowing (ceiling, US\$ million) 5/	7.5	10.6	34.7	3.1	5.7
Reserve money (ceiling on stock) (upper bound)	1375.9	1134.2	1170.4	1207.9	1246.6
Continuous Performance Criteria					
Contracting or guaranteeing non-concessional external borrowing (ceiling, US\$ million) 6/	0.0	0.0	0.0	0.0	0.0
Accumulation of external payments arrears (ceiling, US\$ million)	0.0	0.0	0.0	0.0	0.0
Memorandum items:					
Total PV of external debt (US\$ million)	...	...	946.9	...	...

Source: IMF staff projections

1/ In addition to QPCs enumerated in this table, the Standard Continuous Performance Criteria will also apply: (i) not to impose or intensify restrictions on the making of payments and transfers for current international transactions, (ii) not to introduce or modify multiple currency practices, (iii) not to conclude bilateral payments agreements that are inconsistent with Article VIII, (iv) not to impose or intensify import restrictions for balance of payments reasons.

2/ Cumulated gross disbursements (from the beginning of the fiscal year) to the Treasury under loan agreements between the BRB and the central government (Conventions) that are not part of statutory BRB advances to the Treasury. It also excludes the BRB financing of the coffee, tea and maize harvests. The ceiling on gross disbursements to the Treasury under loan agreements between the BRB and the central government (Conventions) is set at zero.

3/ The changes in NIR are compared to NIRs at end-December of previous year.

4/ The social spending floor is set at 90 percent of selected budget credit lines considered as social spending.

5/ Cumulative from the beginning of the calendar year. Contracting or guaranteeing concessional external borrowing is an Indicative Target for September 2023, March 2024 and June 2024, but a Performance Criterion for June 2023 and December 2023. Disbursements by the IMF, the World Bank and the AfDB are excluded from the ceilings on non-concessional and concessional external borrowing.

6/ For program purposes, non-concessional external borrowing excludes: (i) the use of IMF resources; (ii) lending by the World Bank and the African Development Bank; (iii) any BIF-denominated treasury bill and government bond holdings by nonresidents; and (iv) disbursements under loan contracts signed before December 31, 2022.

Attachment II. Technical Memorandum of Understanding

A. Introduction

1. **This memorandum sets out the understandings regarding the definition of the i) performance criteria (PC); ii) indicative targets (IT) and iii) adjustors that will be applied under Burundi's program supported by a 38-month ECF (2023–2026), as described in the Memorandum of Economic and Financial Policies (MEFP) and its attached tables.** This memorandum also establishes the content and frequency of the data to be provided to IMF staff for monitoring the economic program supported by the 38-month ECF.

2. **The central government includes ministries, departments, and agencies, and other selected units of government that exercise authority over the entire economic territory (Annex I Table 1).** These are the entities currently covered in the *Tableau des Opérations Financières de l'Etat* (TOFE). The accounts of the monetary authorities include those of the Banque de la République du Burundi (BRB). Monetary aggregates under the program are based on the monetary survey (covering, the central bank, commercial banks, and micro-finance institutions). Given current capacity constraints, other entities of the public sector (Annex I Tables 2 and 3) are excluded for purposes of this memorandum.

B. Quantitative Performance Criteria and Indicative Targets

List of Targets and Test Dates

3. **Quantitative performance criteria are set for July 31, 2023, and December 31, 2023 and are to be met at the end of each period with respect to:**

- Floor on fiscal primary balance;
- Ceiling on the BRB net financing of the Central Government;
- Ceiling on gross disbursements to the Treasury under loan agreements with the BRB (Conventions); and
- Floor on the change of net international reserves of the BRB.

4. **Indicative targets for September 30, 2023 and March 31, 2024 and July 30, 2024 with respect to the above variables, and for these dates as well as July 31, 2023 and December 31, 2023 with respect to:**

- Ceiling on the stock of reserve money of the BRB;

- Floor on domestic revenue;
- Ceiling on the stock of BRB statutory advances to the Treasury;
- Ceiling on new domestic arrears;
- Floor on social spending; and
- Ceiling on contracting or guaranteeing concessional external borrowing.

5. Performance criteria that are applicable on a continuous basis have been established with respect to:

- Ceiling on the contracting or guaranteeing of new non-concessional external borrowing by the central government.
- Ceiling on the accumulation of new external payment arrears by the central government;

6. The standard continuous performance criteria will also apply: (i) not to impose or intensify restrictions on the making of payments and transfers for current international transactions, (ii) not to introduce or modify multiple currency practices, (iii) not to conclude bilateral payments agreements that are inconsistent with Article VIII of the IMF Articles of Agreement, (iv) not to impose or intensify import restrictions for balance of payments reasons.

Definitions

7. For the purposes of the program, the following definitions will be used:

- **External** and **domestic** debt shall be defined on a residency basis of the creditor.
- The **fiscal year** starts on July 1 and ends on June 30.
- **Banque de la République du Burundi** (BRB). The BRB is the central bank of the country responsible for the formulation and implementation of monetary policy, bank supervision, and the payment system.
- **The domestic banking system** is defined as the BRB and licensed lending institutions, operating in the Republic of Burundi.
- **Central Government.** "Central government" includes ministries, departments, and agencies, and other selected units of government that exercise authority over the entire economic territory as described in Annex I Table 1.

- **Public Sector.** For the purpose of the program, the public sector (see Annex I) comprises the general government, all non-financial public enterprises (non-financial enterprises and agencies in which the government owns more than 50 percent of the shares, but which are not consolidated in the budget), and any other newly created non-financial public development institution.
- **Foreign-financed Public Investment Program (PIP) loans and grants.** The “foreign financed PIP” is a program of investments in infrastructure and social sectors agreed by the central government of Burundi and its donors (including but not limited to international financial organizations). The “foreign-financed PIP” is fully financed by related grants and loans and does not involve any additional financing commitment from the central government of Burundi. Related grants are grants provided by the donors that are financing projects included in the “foreign-financed PIP”.
- **External budget support loans and grants** are loans and grants received by the central government for direct budget support from foreign partners and that are not related to the “foreign-financed PIP”.
- **Debt.** In connection with the contracting or guaranteeing of short-, medium-, and long-term external debt by any entity of the public sector, for program purposes, the definition of debt is set out in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to the Executive Board Decision No. 15688–(14/107), as amended by Decision No.16919–(20/103), adopted October 28, 2020. Debt will be understood to mean a current, i.e., not contingent, liability, created under a contractual agreement 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 many forms; the primary ones being as follows:
 - **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);
 - **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
 - **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 Guidelines, 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.

- Under the definition of debt set out in paragraph 8 (a) in the above-mentioned Executive Board Decision, **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.
- **Concessional and non-concessional debt.** Concessional Debt is defined as debt with a grant element of 35 percent or more. The grant element is the difference between the nominal value of the loan and its present value (PV), expressed as a percentage of the nominal value. The PV of the debt at the date on which it is contracted is calculated by discounting the future stream of debt service payments due on this debt. The discount rate used for this purpose is 5 percent. Debt refers also to commitments contracted or guaranteed and for which value has not been received. Debt is non-concessional if it includes a grant element of less than 35 percent. 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. The calculation is performed by authorities and verified by the IMF staff based on the data provided by the authorities. For program purposes non-concessional external borrowing excludes (i) the use of IMF resources; (ii) lending by The World Bank and the African Development Bank (AfDB); (iii) any BIF-denominated treasury bill and government bond holdings by nonresidents; and (iv) and disbursements under loan contracts signed before December 31, 2022.
- **Guarantees.** For program purposes, the guarantee of a debt arises from any explicit legal obligation of the public sector to service a debt in the event of nonpayment by the debtor (involving payments in cash or in kind), or from any implicit legal or contractual obligation of the public sector to finance partially or in full a shortfall incurred by the debtor.
- **The stock of external payment arrears** for program monitoring purposes is defined as the end-of-period amount of external debt service due and not paid within the grace period specified in the relevant debt contract, including contractual and late interest. 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/rescheduling or restructuring has been agreed with the creditor are not considered arrears for program monitoring purposes. Arrears for the purposes of the arrangement would include any debt service due under such agreements that have not been paid.
- **Program exchange rates** are IMF staff estimates and projections of the exchange rate of the BIF to the U.S. dollar at the time the ECF-supported program is approved by the IMF Executive Board. The program exchange rates of the BIF to the U.S. dollar are set in Table 1.
- **Valuation changes (program exchange rates).** For program purposes, foreign-currency denominated economic and financial variables will first be expressed in US dollars and evaluated in BIF at the program exchange rates.

C. Quantitative Performance Criteria

Floor on Fiscal Primary Balance

8. Definition. The fiscal primary balance of the central government is the overall cash fiscal balance of the central government net of interest payments on the central government debt. The overall cash fiscal balance of the central government will be measured from the financing side (below the line) as the net cash flow from financing activities, defined as the net incurrence of liabilities minus the net acquisition of financial assets other than cash. It will be measured on a cumulative basis over the course of the fiscal year, at current exchange rates, and will be defined as the sum of:

- **change in BRB net claims on the central government:** net claims on the central government is defined as the sum of the change in stocks of net claims on the central government, which include all deposits of the central government, counterpart deposits (which reflect balance of payment and/or general budget support from international financial institutions and other donors), BRB loans and advances to the central government, BRB holdings of government securities (excluding treasury bills issued as part of the BRB recapitalization process), and the privatization account (where proceeds from the privatization of state property are held);
- **change in net claims on the central government of the rest of the domestic banking system:** net claims on the central government (loans, overdrafts, cash advances, holdings of treasury bills or other securities) and liabilities (deposits, etc.).
- **change in net claims on the central government of domestic nonbank institutions and households:** net claims on the central government of domestic nonbank institutions and households are defined as Treasury bills, bonds or other government securities held by nonbank institutions and households (including nonresidents and nonresident financial institutions), plus any other liabilities of the general government to domestic nonbank institutions or households.
- **change in net foreign liabilities of the central government:** net foreign liabilities of the central government are defined as central government debt to foreign sovereigns, and foreign financial and nonfinancial institutions. This includes net foreign loans disbursed to the central government for budgetary support and for PIP financing.
- **withdrawal of gross proceeds from the privatization of state property, gold and precious metal:** gross proceeds from the privatization of state property, gold and precious metal are defined as all receipts originating from the sale of the central government property, gold and precious metal holdings.
- **change in gross arrears of the central government:** gross arrears refer to domestic or external arrears.

9. All changes will be calculated as the difference between end-of-period stocks, net of any valuation changes resulting from currency movements.

10. External and domestic net lending, which are recorded as financing items, are excluded from the calculation of the fiscal balance. This effectively treats net lending as an expenditure item when loans are made and as a revenue item when the loans are repaid.

11. Adjustors (Table 2). The floor on the fiscal primary balance will be adjusted downward for a windfall of external loans or a shortfall of external budget support; and will not be adjusted upward for higher revenue collection or a windfall of external budget support.

Ceiling on BRB Financing of Central Government

12. Definition. BRB financing of central government is defined as the sum of the change in stocks of the BRB's net claims on the central government, which include all deposits of the central government, counterpart deposits (which reflect balance of payment and/or general budget support from international financial institutions and other donors), BRB loans and advances to the central government, BRB holdings of government securities (excluding treasury bills issued as part of the BRB recapitalization process), and the privatization account (where proceeds from the privatization of state property are held).

13. Adjustors (Table 2). For cash management purposes, the ceiling on BRB financing of the central government is subject to an upward adjustment of 10 percent of the previous fiscal year's domestic revenue (excluding grants) in excess of programmed domestic revenue for that fiscal year. It will also be adjusted for excesses or shortfalls in net disbursements under central bank credit lines related to SDR allocations compared to programmed projections.

Ceiling on Gross Disbursements to the Treasury under Loan Agreements between the BRB and the Central Government (Conventions)

15. Definition. Gross disbursements to the Treasury under loan agreements between the BRB and the central government (Conventions) are BRB disbursements to the Treasury that are not part of statutory BRB advances to the Treasury. They also exclude the financing of the coffee, tea and maize harvests. The ceiling on gross disbursements to the Treasury under loan agreements between the BRB and the central government (Conventions) is set at zero.

Floor on Changes in Net International Reserves of the BRB

Definition

16. The net official international reserves (NIR) of the BRB will be calculated as the difference between its gross international reserves and official reserve liabilities. Gross official international reserve assets and liabilities are defined below. For the purpose of this TMU, the NIR will be monitored in U.S. dollars using program exchange rates as of May 31, 2023 (Text Table 1).

Text Table 1. Burundi: Program Exchange Rates
(Currency unit per US dollar)

SDR	0.75
BIF	2822.15

Source: Authorities and IMF, May 31, 2023.

<https://www.brb.bi/fr/content/cours-de-change-du-31-05-2023>
[SDRs per Currency unit for May 2023 \(imf.org\)](https://www.imf.org)

17. The gross official international reserve assets of the BRB are readily available claims on nonresidents controlled by the monetary authority (BRB) and denominated in freely convertible foreign currencies, and monetary gold holdings. They are defined as the sum of :

- (i) monetary gold;
- (ii) convertible foreign currency;
- (iii) unencumbered foreign-currency deposits at non-resident banks;
- (iv) foreign securities and deposits;
- (v) SDR holdings and
- (vi) reserve position with the IMF.

18. Gross international reserves exclude:

- (i) non-convertible currencies;
- (ii) any encumbered reserve assets including but not limited to reserve assets pledged, swapped (maturing in less than one year), or used as collateral or guarantee for third-party external liabilities;
- (iii) reserve requirements on other depository corporations' foreign currency deposits;
- (iv) any foreign assets not readily available to or not controlled by the BRB; and
- (v) any foreign currency claims on residents in Burundi.

19. For program purposes, convertible foreign currencies refer to currencies separately identified in the Currency Composition of Official Reserve Assets (COFER) survey, which are: U.S. dollar, Euro, British pound, Japanese yen, Chinese yuan, Swiss franc, Canadian dollar, and Australian dollar.

20. Foreign liabilities are defined as short-term (one year or less in original maturity) foreign exchange liabilities of the BRB to residents and non-residents, plus any outstanding use of IMF credit. Short-term liabilities exclude liabilities with an asset counterpart that is encumbered (excluded from the asset side as well). They are defined to include:

- (i) Outstanding IMF loan;
- (ii) Short-term scheduled debt service (principal and interest);
- (iii) Foreign currency liabilities of the BRB to nonresidents with a remaining maturity of up to and including one year, on remaining maturity basis;
- (iv) Foreign currency liabilities of any maturity of the BRB to residents, including reserves and deposits of commercial banks; and
- (v) commitments to sell foreign exchange arising from derivatives (such as futures, forwards, swaps, and options).

21. In addition, foreign currency owed to commercial banks with any maturity as part of any existing or future swap arrangement will be treated as a reserve liability. Total international reserves and NIR decline with the provision of foreign assets by the BRB through foreign currency swaps with resident financial institutions and non-resident institutions. For program monitoring purposes, total international reserve assets and liabilities will be valued at the program exchange rates as described in paragraph 7.

Adjustors

22. The floor on the change in stock of NIR will be adjusted upward of 10 percent of the deviation in excess of programmed projections of budget support and project loans and grants as specified in Tables 1 and 2 and downward to the full extent of the shortfall from programmed projections of these variables. It will also be adjusted upward (downward) to the full extent of any shortfall (excess) in amortization and interest payments of public and publicly guaranteed external debt than the projected amounts in Tables 1 and 2. It will be adjusted downward for excess imports related to the swine and rift Valley fever shocks that are not financed with external loans or grants. For the 2023 QPCs, the floor in the change of NIR will be adjusted downward (upward) by the difference between the stock of NIR at end-December 2022 computed in the program and the one estimated by external auditors. This will ensure that the potential discrepancy assessed by the audit does not impact the NIR buildup effort in 2023.

Ceiling on Contracting or Guaranteeing of any New Public and Publicly Guaranteed (PPG) Non-Concessional External Borrowing

23. External debt ceilings. A ceiling applies to the contracting and/or guaranteeing of new non-concessional short-term external debt (with an original maturity of up to and including one year), and to the contracting or guaranteeing of new non-concessional medium- and long-term

external debt (with original maturities of more than one year) by the central government. The ceiling also applies to debt and commitments contracted or guaranteed for which value has not yet been received. The government should consult with IMF staff before contracting or guaranteeing any new external debt obligation to confirm the grant element of such a prospective debt obligation.

24. Exclusions from external debt limits. Disbursements by the IMF, The World Bank and the AfDB are excluded from the ceilings on non-concessional and concessional external borrowing. Also excluded from these external borrowing ceilings is the contracting or guaranteeing of new external debt that constitutes a rescheduling or refinancing of existing external debt on the terms more favorable to the debtor, rollover of existing guarantees, import-related credits (“trade credits”), securitization of pledged reserves and loans classified as international reserve liabilities of the BRB (liabilities of the BRB to nonresidents with an original maturity of up to and including one year). Non-concessional external borrowing is defined as new external debt with a grant element lower than 35 percent as defined in paragraph B.7. The ceiling on non-concessional external borrowing also excludes disbursements under non-concessional external loan contracted before December 31, 2022 (e.g. loans from OPEC Fund and Exim Bank India).

25. Valuation of external debt denominated in currencies (including the SDR) other than the U.S. dollar. Debts falling within the external debt limits that are denominated in currencies other than the U.S. dollar shall be valued in U.S. dollars at the exchange rate stipulated in the contract if there is one. Otherwise, the valuation of the debt shall be at the exchange rate prevailing at the time the contracting or guaranteeing takes place.

Ceiling on External Payment Arrears

26. External arrears of the central government on a given date are defined as overdue external debt obligations of the central government on that date. To allow monitoring of the above defined arrears, the government will provide data on actual payments as part of the monthly budget execution reports submitted to IMF staff (Table 3).

D. Indicative Targets

Ceiling on the Stock of BRB Advances to the Treasury

27. Definition. The stock of BRB advances to the Treasury is defined as the BRB’s stock of statutory loans and advances that the BRB extends to the central government. The ceiling is set at 10 percent of the previous fiscal year’s domestic revenue (excluding grants).

28. Adjustors. For cash management purposes, the ceiling on the stock of BRB advances to the Treasury is subject to an upward adjustment of 10 percent of the previous fiscal year’s domestic revenue (excluding grants) in excess of programmed domestic revenue for that fiscal year.

Ceiling on Reserve Money of the BRB

29. A ceiling applies to the stock of reserve money. Reserve money consists of currency issued by the BRB (currency in circulation), commercial banks reserves and other non-bank deposits.

More specifically, reserve money is calculated as the sum of cash in circulation outside banks, banking sector deposits and liquidity held by banks and other institutional entities that have accounts at the central bank.

Floor on Domestic Revenue Collection

30. Domestic revenue collection is defined to include all taxes (and custom revenues) and nontax revenue collected under the central government budget. It will be measured on a cumulative basis over the course of the fiscal year. Regarding internal taxation, the definition excludes any proceeds from loans, or other banking system credits, the issuance of securities, or from the sale of state assets (including gold and other minerals). Custom revenues are defined to include customs duties and other taxes (including VAT) on international trade and transactions.

Ceiling on New Domestic Arrears

31. For program purposes, domestic arrears of the central government are defined as overdue domestic obligations at the end of the month for salaries and pensions and more than 40 days overdue for all other outstanding obligations. To allow monitoring of the above defined arrears the government will provide data on actual payments as part of the monthly budget execution reports submitted to the IMF staff (Table 3).

Floor on Social Spending

32. Social spending is defined as the sum of expenditures in the education, health, and social protection sectors under selected budget lines provided in Annex II. The floor is calculated as 90 percent of budgeted social spending.

Ceiling on Contracting or Guaranteeing Concessional External Borrowing

68. Concessional external borrowing is defined as new external debt with a grant element of 35 percent or more as defined in paragraph 7.

E. Conclusion

69. The government and the BRB will consult with Fund staff on all economic and financial measures that would have an impact on program implementation and will provide any additional relevant information as requested by Fund staff.

Table 1. Burundi: Proposed Quantitative Performance Criteria and Indicative Targets, 2023–24^{1/}
(BIF million, unless otherwise indicated)

	2023			2024	
	End-July	End-Sept	End-Dec	End-Mar	End-June
Performance Criteria	PC	IT	PC	IT	IT
Fiscal primary balance (floor)	-50.0	-63.6	-17.8	-83.5	-205.1
BRB net financing of central government (ceiling)	50.0	0.0	80.2	80.2	248.2
Ceiling on gross disbursements to the Treasury under other loan agreements with the BRB (Conventions) 2/	0.0	0.0	0.0	0.0	0.0
Change in net international reserves of the BRB (floor, US\$ million) 3/	-115.7	-66.8	-47.9	-28.8	31.3
Indicative Targets	IT	IT	IT	IT	IT
Domestic revenue (floor)	78.9	394.7	778.9	1198.1	1638.7
Social spending (floor) 4/	29.8	178.9	391.7	560.3	779.5
Stock of BRB statutory advances to Treasury (Ceiling, 10 percent of previous FY revenue)	153.0	153.0	153.0	153.0	153.0
New domestic arrears (ceiling)	0.0	0.0	0.0	0.0	0.0
Contracting or guaranteeing concessional external borrowing (ceiling, US\$ million) 5/	7.5	10.6	34.7	3.1	5.7
Reserve money (ceiling on stock) (upper bound)	1375.9	1134.2	1170.4	1207.9	1246.6
Continuous Performance Criteria					
Contracting or guaranteeing non-concessional external borrowing (ceiling, US\$ million) 6/	0.0	0.0	0.0	0.0	0.0
Accumulation of external payments arrears (ceiling, US\$ million)	0.0	0.0	0.0	0.0	0.0
<i>Memorandum items:</i>					
Total PV of external debt (US\$ million)	...	...	946.9	...	...

Source: IMF staff projections

1/ In addition to QPCs enumerated in this table, the Standard Continuous Performance Criteria will also apply: (i) not to impose or intensify restrictions on the making of payments and transfers for current international transactions, (ii) not to introduce or modify multiple currency practices, (iii) not to conclude bilateral payments agreements that are inconsistent with Article VIII, (iv) not to impose or intensify import restrictions for balance of payments reasons.

2/ Cumulated gross disbursements (from the beginning of the fiscal year) to the Treasury under loan agreements between the BRB and the central government (Conventions) that are not part of statutory BRB advances to the Treasury. It also excludes the BRB financing of the coffee, tea and maize harvests. The ceiling on gross disbursements to the Treasury under loan agreements between the BRB and the central government (Conventions) is set at zero.

3/ The changes in NIR are compared to NIRs at end-December of previous year.

4/ The social spending floor is set at 90 percent of selected budget credit lines considered as social spending.

5/ Cumulative from the beginning of the calendar year. Contracting or guaranteeing concessional external borrowing is an Indicative Target for September 2023, March 2024 and June 2024, but a Performance Criterion for June 2023 and December 2023. Disbursements by the IMF, the World Bank and the AfDB are excluded from the ceilings on non-concessional and concessional external borrowing.

6/ For program purposes, non-concessional external borrowing excludes: (i) the use of IMF resources; (ii) lending by the World Bank and the African Development Bank; (iii) any BIF-denominated treasury bill and government bond holdings by nonresidents; and (iv) disbursements under loan contracts signed before December 31, 2022.

Table 2. Burundi: Adjustors Estimates, 2023–24^{1/}

	2023			2024	
	End-July	End-Sept	End-Dec	End-Mar	End-June
I. Monetary policy adjustor (BIF billion)					
BRB Financing of Central Government (ceiling)					
<i>Previous fiscal year's domestic revenue programmed, excluding grants (Adjustor: 10 percent of the previous financial year's domestic revenue, excluding grants, in excess of programmed domestic revenue for that fiscal year) 1/</i>	1530.3	1530.3	1530.3	1530.3	1530.3
<i>Net disbursements under central bank credit lines related SDR allocations (Adjustor: deviation from programmed projections) 2/</i>	123.9	185.9	275.2	275.2	477.5
II. Net International Reserves (NIR) Adjustors (US\$ million)					
Change in Net International Reserves of the BRB (floor, US\$ million) 3/					
<i>External project and program loans (Adjustor: 10 percent of deviation in excess of programmed projections and full extent of shortfall from programmed projections) 3/</i>	48.6	72.9	166.4	2.9	34.5
<i>External project and program grants (Adjustor: 10 percent of deviation in excess of programmed projections and full extent of shortfall from programmed projections) 3/</i>	202.4	303.6	464.0	75.4	186.9
<i>Amortization and interest payments of public and publicly guaranteed external debt (Adjustor: full extent of deviation from programmed projections) 4/</i>	2.4	14.4	16.4	10.2	11.3
<i>Imports related to swine and rift Valley fever that are not financed with external loans or grants (Adjustor: full extent of deviation in excess of programmed projections) 5/</i>	0.7	1.1	1.1	0.0	0.0
III. Fiscal Adjustor (BIF billion)					
Fiscal primary balance (floor)					
<i>External project and budget loans (Adjustor: windfall of external loans) 6/</i>	82.8	124.2	343.5	355.2	426.0
<i>External budget support grants (Adjustor: shortfall of external budget support) 6/</i>	0.0	0.0	208.1	208.1	208.1

Source: IMF staff projections

1/ This is the projected path of revenue in the program baseline, excluding grants. For cash management purposes, the ceiling on BRB financing of the central government is subject to an upward adjustment of 10 percent of the previous fiscal year's domestic revenue (excluding grants) in excess of programmed domestic revenue for that fiscal year.

2/ Programmed projections. Cumulated net disbursements from the beginning of the fiscal year. The ceiling on BRB Financing of the Central Government will be adjusted for deviations of net disbursements under SDR credit lines from programmed projections.

3/ Programmed projections. NIR changes are from end-December of the previous year. The NIR floor will be adjusted upward of 10 percent of the deviation in excess of programmed projections and downward to the full extent of the shortfall from programmed projections.

4/ Programmed projections. The NIR floor will be adjusted downward or upward to the full extent of the deviation from programmed projections.

5/ Programmed projections. The NIR floor will be adjusted downward to the full extent of deviation in excess of programmed projections of imports related to swine and rift Valley fever that are not financed with external loans or grants.

6/ This is the projected path in the program baseline. The floor on domestic primary balance will be adjusted downward for a windfall of external loans or a shortfall of external budget support.

Reporting Requirements under the Program

34. For program monitoring, the following data with respect to all variables subject to performance criteria and indicative targets shall be reported to the African Department of the International Monetary Fund via the Fund's Resident Representative's office in Bujumbura on the frequency and lag described below (Table 3). The authorities will transmit promptly to Fund staff any data revisions and the government will inform immediately Fund staff on any accumulation of external payment arrears.

Table 3. Burundi: Data Reporting Requirements, Frequency and Lag for Program Monitoring Under the Arrangement			
Responsibility	Data	Frequency	Lag
BRB	BRB analytical balance sheet using actual exchange rates.	Weekly	4 weeks
BRB	BRB balance sheet, using actual exchange rates, and for the month ending on a test date, using both actual and program exchange rates.	Monthly	4 weeks
BRB	Monetary survey; Commercial banks' balance sheets and income statement of banks (aggregated); data on capital assessment of the commercial banks and the data on the main factors of the loan portfolio's growth of the banking system.	Monthly	8 weeks
BRB	Detailed report on movements in gold – purchases, sales, holdings of monetary and non-monetary gold	Monthly	4 weeks
BRB	Foreign auction regulation to be published and regulation and in line with the review.	Quarterly	4 weeks
BRB	Consolidated balance sheet and income statement of banks; sectoral distribution of loans and NPLs by currency; restructured and renewed loans; largest exposures; loan classification; Nonperforming loans for microfinancing organization.	Monthly	12 weeks
BRB	Indicators of financial soundness of the banking system (capital adequacy, liquidity, asset quality, earning and profitability, loans and deposits ratios, foreign currency exposure and dollarization).	Monthly	8 weeks
MoF	Financial statements (i.e., including balance sheets, statements of profit and losses and statements of cash flows) of the large State-Owned Enterprises as defined by the revenue administration.	Annually	Within 5 months from the end of the year
BRB	Auction results (volumes supplied and exchanged, prices, numbers of participants) for BRB bonds and treasury bills	Weekly	1 week

Table 3. Burundi: Data Reporting Requirements, Frequency and Lag for Program Monitoring Under the Arrangement (Continued)			
Responsibility	Data	Frequency	Lag
MoF	The amount of holdings of treasury bills, treasury bonds and other securities issued by the central government.	Monthly	6 weeks
BRB	Nominal exchange rates and BRB foreign currency transactions.	Weekly	1 week
MoF	Budget execution report of the central government (TOFE) including fiscal revenues, current and capital expenditures, net lending and financing of budgets execution. Also report on-lending of financial assets and liabilities of the central government.	Monthly	8 weeks
MoF	Actual disbursements under the public investment program, budgetary grants, and grants in kind.	Quarterly	12 weeks
MoF	Reports on social spending using budget lines in Annex II Table	Quarterly	8 weeks
MoF	Arrears of budget entities and state-owned enterprises	Bi-annually	12 weeks
MoF	Wage and pension arrears by the central government and the public sector	Quarterly	12 weeks
MoF	Stocks, disbursements, guarantees, new contracts of external debt including terms and disbursement profile, including nonguaranteed external debt of state-owned enterprises	Bi-annually	12 weeks
MoF	External arrears arising in respect of obligations incurred directly, guaranteed, or converted into interstate debt by the central government of Burundi and the BRB, including penalties or interest charges.	Quarterly	12 weeks
BRB	Liquidity loans and loans stemming from fulfilment of the lender of last resort function extended by the BRB to the economic agents in Burundi (financial sector, non-financial sector, enterprises, individuals, and any other) specifying date of issue, amount of original loan, interest, term, schedule of repayment, currency, and any grace period. This excludes normal BRB refinancing of banks.	Monthly	4 weeks
BRB	Net and gross international reserves including gold holdings, daily sales and purchases of foreign currency, and daily sales and purchases of foreign currency executed with an intention of influencing the exchange rate.	Daily	2 weeks

Table 3. Burundi: Data Reporting Requirements, Frequency and Lag for Program Monitoring Under the Arrangement (Concluded)			
Responsibility	Data	Frequency	Lag
BRB	Reserve composition by currency and instrument	Quarterly	12 weeks
BRB	Current account and capital account data	Quarterly	12 weeks
BRB	Foreign trade data	Monthly	6 weeks
BRB	Remittances by country of origin and currency.	Monthly	6 weeks
INSBU	Consumer Price Index by category	Monthly	4 weeks
INSBU	Quarterly national accounts	Quarterly	6 weeks

Annex I. Coverage of the Public Sector

1. This annex describes entities of the central government covered in the ECF-supported program and other entities. It may be updated during the program as the authorities' capacity to monitor other units of the general government and public sector improves. Annex Table 1 describes entities of the budgetary central government considered under the fiscal reporting requirements of the program. Annex I Tables 2 and 3 describe the remaining entities of the public sector that are not yet included in the fiscal reporting requirements under the program but could be considered at a later stage of the program implementation (general government).

Annex I. Table 1. Burundi: Entities of the Budgetary Central Government	
DRAFT PUBLIC SECTOR INSTITUTIONAL TABLE FOR REPUBLIC OF BURUNDI	
1.	BUDGETARY CENTRAL GOVERNMENT
1.1	PRESIDENCE DE LA REPUBLIQUE
1.2	VICE-PRESIDENCE
1.3	PREMIER MINISTERE
1.4	SECRETARIAT GENERAL DE L'ETAT
1.5	ASSEMBLEE NATIONALE
1.6	SENAT
1.7	COUR DES COMPTES
1.8	COMMISSION ELECTORALE NATIONALE INDEPENDANTE
1.9	MINISTERE DE L'INTERIEUR, DU DEVELOPPEMENT COMMUNAUTAIRE ET DE LA SECURITE PUBLIQUE
1.10	MINISTERE DES AFFAIRES ETRANGERES ET DE LA COOPERATION AU DEVELOPPEMENT
1.11	MINISTERE DE LA DEFENSE NATIONALE ET DES ANCIENS COMBATTANTS
1.12	MINISTERE DES FINANCES, DU BUDGET ET DE LA PLANIFICATION ECONOMIQUE
1.13	MINISTERE DE LA JUSTICE
1.14	MINISTERE DE LA FONCTION PUBLIQUE, DU TRAVAIL ET DE L'EMPLOI
1.15	MINISTERE DES AFFAIRES DE LA COMMUNAUTE EST AFRICAINE, DE LA JEUNESSE, DES SPORTS ET DE LA CULTURE
1.16	MINISTERE DE LA COMMUNICATION, DES TECHNOLOGIES DE L'INFORMATON ET DES MEDIAS
1.17	MINISTERE DE L' EDUCATION NATIONALE ET DE LA RECHERCHE SCIENTIFIQUE
1.18	MINISTERE DE LA SANTE PUBLIQUE ET DE LA LUTTE CONTRE LE SIDA
1.19	MINISTERE DE LA SOLIDARITE NATIONALE, DES AFFAIRES SOCIALES, DES DROITS DE LA PERSONNE HUMAINE ET DU GENRE
1.20	MINISTERE DE L'ENVIRONNEMENT, DE L'AGRICULTURE ET DE L'ELEVAGE
1.21	MINISTERE DU COMMERCE, DU TRANSPORT, DE L'INDUSTRIE ET DU TOURISME
1.22	MINISTERE DE L'HYDRAULIQUE, DE L'ENERGIE ET DES MINES
1.23	MINISTERE DES INFRASTRUCTURES, DE L'EQUIPEMENT ET DES LOGEMENTS SOCIAUX
1.24	INSTITUTION OMBUDSMAN

Annex I. Table 1. Burundi: Entities of the Budgetary Central Government (Concluded)	
1.25	COUR SUPREME ET PARQUET GENERAL DE LA REPUBLIQUE
1.26	COUR CONSTITUTIONNELLE
1.27	CENTRE D'EXCELLENCE POUR L'EDUCATION PATRIOTIQUE/CAMPAGNE DE MORALISATION DE LA SOCIETE(CEEP-CAMOSO)
1.28	CONSEIL NATIONAL DE L'UNITE NATIONALE ET DE LA RECONCILIATION
1.29	AMBASSADE DU BURUNDI À NEW YORK
1.30	AMBASSADE DU BURUNDI À WASHINGTON
1.31	AMBASSADE DU BURUNDI À PÉKIN
1.32	AMBASSADE DU BURUNDI À GÉNÈVE
1.33	AMBASSADE DU BURUNDI À NAIROBIE
1.34	AMBASSADE DU BURUNDI À ADDIS ABEBA
1.35	AMBASSADE DU BURUNDI À PARIS
1.36	AMBASSADE DU BURUNDI À ANKARA
1.37	AMBASSADE DU BURUNDI À LA HAYE
1.38	AMBASSADE DU BURUNDI À MOSCOU
1.39	AMBASSADE DU BURUNDI À DAR ES SALAAM
1.40	AMBASSADE DU BURUNDI À BRUXELLES
1.41	AMBASSADE DU BURUNDI À LONDRES
1.42	AMBASSADE DU BURUNDI À PRÉTORIA
1.43	AMBASSADE DU BURUNDI À NEW DELHI
1.44	AMBASSADE DU BURUNDI AU CAIRE
1.45	AMBASSADE DU BURUNDI À ROME
1.46	AMBASSADE DU BURUNDI À RABAT
1.47	AMBASSADE DU BURUNDI À BERLIN
1.48	AMBASSADE DU BURUNDI À KAMPALA
1.49	AMBASSADE DU BURUNDI À DUBAI
1.50	AMBASSADE DU BURUNDI À ABUJA
1.51	AMBASSADE DU BURUNDI À RIYAD
1.52	AMBASSADE DU BURUNDI À KINSHASA
1.53	AMBASSADE DU BURUNDI À KIGOMA
1.54	AMBASSADE DU BURUNDI À LUSAKA
1.55	AMBASSADE DU BURUNDI À KIGALI

Annex I. Table 2. Burundi: Other Entities of the General Government (Not Yet Considered in the Fiscal Reporting Requirement of the Program)	
2.	EXTRABUDGETARY UNITS (ENTITES EXTRA BUDGETAIRES)
2.1	AGENCE DE REGULATION ET DE CONTROLE DES TELECOMMUNICATIONS (ARCT)
2.2	ECOLE NATIONALE D'ADMINISTRATION (ENA)
2.3	INSTITUT SUPERIEUR DE GESTION DES ENTREPRISES (ISGE)
2.4	DIRECTION GENERALE DE LA R.T.N.B
2.5	CENTRE DE FORMATION ET DE PERFECTIONNEMENT PROFESSIONNEL DE NYAKABIGA
2.6	ECOLE NORMALE SUPERIEURE (ENS)
2.7	CENTRE DE FORMATION ET DE PERFECTIONNEMENT PROFESSIONNEL DE KIRUNDO
2.8	CENTRE HOSPITALO-UNIVERSITAIRE DE KAMENGE (CHUK)
2.9	CENTRE DE FORMATION ET DE PERFECTIONNEMENT PROFESSIONNEL DE BURURI
2.10	COMMISSION NATIONALE SCIENCE, TECHNOLOGIE ET INNOVATION
2.11	UNIVERSITE DU BURUNDI
2.12	INSTITUT NATIONAL DE SANTE PUBLIQUE (INSP)
2.13	OFFICE BURUNDAIS DES MINES ET CARRIERES (OBM)
2.14	AGENCE DE L'HYDRAULIQUE ET D'ASSAINISSEMENT EN MILIEU RURAL (AHAMR)
2.15	FONDS D'IMPULSION DE GARANTIE/ FIGA
2.16	SITES ET MUSEES
2.17	SOCIÉTÉ HOTELIERE ET TOURISTIQUE DU BURUNDI (SHTB)
2.18	CENTRE NEURO-PSYCHIATRIQUE DE KAMENGE (CNPK)
2.19	HOPITAL PRINCE LOUIS RWAGASORE
2.20	HOPITAL PRINCE REGENT CHARLES
2.21	HOPITAL DU CINQUANTENAIRE NATWE TURASHOBOYE DE KARUSI
2.22	HOPITAL DE LA POLICE NATIONALE DU BURUNDI (HPNB)
2.23	HOPITAL MILITAIRE DE KAMENGE
2.24	AGENCE DE DEVELOPPEMENT BURUNDAIS (ADB)
2.25	INSPECTION GENERALE DE L'ETAT
2.26	OFFICE DE LA PREMIERE DAME POUR LE DEVELOPPEMENT AU BURUNDI (OPDD-BURUNDI)
2.27	COMMISSION VERITE ET RECONCILIATION
2.28	CONSEIL ECONOMIQUE ET SOCIAL
2.29	CONSEIL SUPERIEUR DE LA MAGISTRATURE
2.30	CONSEIL NATIONAL DE LA COMMUNICATION (CNC)
2.31	BUREAU D'ETUDE STRATEGIQUE ET DEVELOPPEMENT
2.32	BUREAU DE CENTRALISATION GEOMATIQUE
2.33	COMITE DECISIONNEL SUR LE CLIMAT DES AFFAIRES
2.34	COMMISSION FONCIERE NATIONALE

Annex I. Table 2. Burundi: Other Entities of the General Government (Not Yet Considered in the Fiscal Reporting Requirement of the Program) (Continued)

2.35	SECRETARIAT EXECUTIF PERMANENT DE LA PLATE FORME MULTISECTORIELLE DE SECURITE ALIMENTATAIRE ET NUTRITION
2.36	AGENCE NATIONALE DE PROMOTION ET DE REGULATION DES SOCIETES COOPERATIVES AU BURUNDI (ANACOOOP)
2.37	FONDS-NATIONAL-D-INVESTISSEMENT-COMMUNAL (FONIC)
2.38	OFFICE OF THE GLOBAL AIDS COORDINATOR (OGAC)
2.39	RÉGIE MILITAIRE DE CONSTRUCTION
2.40	AUTORITE DE REGULATION DES MARCHES PUBLICS (ARMP)
2.41	BRIGADE ANTI CORRUPTION
2.42	AGENCE DE REGULATION ET DE CONTROLE DES ASSURANCES (ARCA)
2.43	AGENCE DE PARTENARIAT PUBLIC PRIVE (PPP)= ARCP
2.44	OFFICE BURUNDAIS DES RECETTES (OBR)
2.45	INSTITUT DES STATISTIQUES ET ETUDES ECONOMIQUES DU BURUNDI (ISTEEBU)
2.46	CENTRE D'ETUDES ET DOCUMENTATIONS JURIDIQUES
2.47	TITRES FONCIERS ET AU CADASTRE NATIONAL
2.48	COUR SPECIALE TERRES ET AUTRES BIENS
2.49	COUR ANTI-CORRUPTION
2.50	SERVICE NATIONAL DE LEGISLATION
2.51	CENTRE DE FORMATION PROFESSIONNELLE DE LA JUSTICE
2.52	DIRECTION GENERALE DES AFFAIRES PENITENTIAIRES
2.53	SECRETARIAT EXECUTIF DE REFORMS DES ADMINISTRATION PUBLIQUES (SERAP)
2.54	SECRETARIAT EXECUTIF DE DIALOGUE SOCIAL
2.55	OFFICE BURUNDAIS DE L'EMPLOI ET DE LA MAIN D'OEUVRE (OBEM)
2.56	BURUNDIAN CENTRE FOR READING AND CULTURAL ACTIVITIES (CEBULAC)
2.57	OFFICE BURUNDAIS DU DROIT D'AUTEUR
2.58	MAISON DE LA CULTURE
2.59	FONDS DE L'INSERTION DES JEUNES (FIJ)
2.60	AGENCE BURUNDAISE POUR L'EMPLOI DES JEUNES
2.61	AGENCE BURUNDAISE DE PRESSE (ABP)
2.62	DIRECTION GENERALE DES PUBLICATIONS DE PRESSE BURUNDAISE (DGPPB)
2.63	DIRECTION GENERALE DU CIEP
2.64	CENTRE DE FORMATION ARTISANALE DE GITEGA
2.65	CENTRE DE FORMATION ARTISANALE DE KAMENGE
2.66	CENTRE REGIONAL D'APPRENTISSAGE MULTISECTORIEL DES JEUNES ET COMMUNAUTES REGROUPEES EN COOPERATIVES DE RUSI, PROVINCE KARUSI
2.67	COMMISSION NATIONALE DE L'ENSEIGNEMENT SUPERIEUR (CNS)
2.68	AUTORITE BURUNDAIS DE REGULATION DES MEDICAMENTS ET DES ALIMENTS (ABREMA)
2.69	CENTRE NATIONAL DE REFERENCE EN KINESITHERAPIE ET READAPTATION MEDICALE (CNRKR)

Annex I. Table 2. Burundi: Other Entities of the General Government (Not Yet Considered in the Fiscal Reporting Requirement of the Program) (Continued)	
2.70	SECRETARIAT PERMANENT DU COUNSEIL NATIONAL DE LUTTE CONTRE LE SIDA (SP/CNLS)
2.71	CENTRE ANTI-TUBERCULEUX DE BUJUMBURA
2.72	CENTRE NATIONAL DE TRANSFUSION SANGUINE (CNTS)
2.73	CENTRE NATIONAL DE READAPTATION SOCIO-PROFESSIONNELLE (CNRSP)
2.74	CENTRE NATIONAL D'APPAREILLAGE ET DE REEDUCATION (CNAR)
2.75	CENTRE HUMURA
2.76	CENTRE DE PROMOTION DES DROITS DE L'HOMME (CPDH)
2.77	CENTRE REGIONAL DE READAPTATION SOCIO-PROFESSIONNELLE (ANTENNE NGOZI)
2.78	CENTRES POUR HANDICAPES ET ORPHELINATS
2.79	FONDS D'APPUI A LA PROTECTION SOCIALE (FAPS)
2.80	CENTRE D'EXPOSITION VENTE POUR LA PROMOTION DE L'ARTISANAT ET DU COMMERCE
2.81	APPUI A LA PROTECTION DE LA FEMME
2.82	PROJET CADRE DE REINTEGRATION DES SINISTRES
2.83	SECRETARIAT EXECUTIF PERMANENT DE LA COMMISSION NATIONALE DE LA PROTECTION SOCIALE (SEP/ CNPS)
2.84	PROJET ENFANT SOLEIL
2.85	CENTRE D'ENCADREMENT ET DE REINSERTION DES ENFANTS SOLEIL DE GIHOSHA (CERES)
2.86	GENCE NATIONALE DE GESTION DU STOCK DE SECURITE. ALIMENTAIRE (ANAGESSA)
2.87	INSTITUT DES SCIENCES AGRONOMIQUES DU BURUNDI (ISABU)
2.88	OFFICE BURUNDAIS POUR LA PROTECTION DE L'ENVIRONNEMENT (OBPE)
2.89	INSTITUT GÉOGRAPHIQUE DU BURUNDI (IGEBU)
2.90	OFFICE DE L'HUILE DE PALME (OHP)
2.91	DIRECTION GENERALE DE L'OFFICE NATIONAL DE CONTRÔLE ET DE CERTIFICATION DES SEMENCES (ONCCS)
2.92	OFFICE DES TRANSPORTS EN COMMUN(OTRACO)
2.93	COMMISSION TECHNIQUE DE SECURITE DE LA NAVIGATION
2.94	BUREAU DE NORMALISATION ET DE CONTROLE DE LA QUALITE (BBN)
2.95	SECRETARIAT PERMANENT CADRE DE DIALOGUE
2.96	AUTORITE MARITIME ET AEROPORTUAIRE
2.97	COMMISSION NATIONALE SUR LA SECURITE ROUTIERE (CNSR)
2.98	CENTRE NATIONAL DE TECHNOLOGIES ALIMENTAIRES (CNTA)
2.99	CENTRE DE PROMOTION ARTISANALE DE KAMENGE (C.P.A.)
2.100	AUTORITE DE REGULATION, DES SECTEURS DE L'EAU POTABLE ET DE L'ENERGIE (AREEN)
2.101	AGENCE BURUNDAISE D'ELECTRIFICATION RURALE (ABER)
2.102	OFFICE BURUNDAIS DE L'URBANISME, DE L'HABITAT ET DE LA CONSTRUCTION (OBUHA)
2.103	AGENCE ROUTIERE DU BURUNDI (ARB)
2.104	HOPITAL RUSHUBI
2.105	HOPITAL DE BUHIGA (KARUZI)

Annex I. Table 2. Burundi: Other Entities of the General Government (Not Yet Considered in the Fiscal Reporting Requirement of the Program) (Continued)

2.106	HOPITAL DE BUYE
2.107	HOPITAL DE BURURI
2.108	HOPITAL DE KIRUNDO
2.109	HOPITAL MUSONGATI
2.110	HOPITAL BWIZA JABE
2.111	HOPITAL DE CANKUZO
2.112	HOPITAL DE MURAMVYA
2.113	HOPITAL BUBANZA
2.114	HOPITAL DE GITEGA
2.115	HOPITAL GASHOHO
2.116	HOPITAL MUSENYI
2.117	HOPITAL DE RWIBAGA
2.118	HOPITAL NTITA
2.119	HOPITAL DE NGOZI
2.120	HOPITAL DE RUMONGE
2.121	HOPITAL GAHOMBO
2.122	HOPITAL DE GIHOFI
2.123	HOPITAL RUZIBA
2.124	HOPITAL NYANZA- LAC
2.125	HOPITAL REMA
2.126	HOPITAL MPANDA
2.127	HOPITAL DE MABAYI
2.128	HOPITAL GITERANYI
2.129	SANATORIUM KIBUMBU
2.130	HOPITAL GIKO
2.131	CENTRE DE MEDECINE COMMUNAUTAIRE DE BUYENZI
2.132	HOPITAL D' I JENDA
2.133	HOPITAL MUSEMA
2.134	HOPITAL DE RUTANA
2.135	HOPITAL MATANA
2.136	HOPITAL DE MAKAMBA
2.137	HOPITAL GISURU
2.138	HOPITAL NDORA
2.139	HOPITAL DE CIBITOKI
2.140	HOPITAL DE MUYINGA
2.141	HOPITAL DE FOTA
2.142	HOPITAL GATUMBA
2.143	HOPITAL KINYINYA

Annex I. Table 2. Burundi: Other Entities of the General Government (Not Yet Considered in the Fiscal Reporting Requirement of the Program) (Continued)

2.144	HOPITAL KABEZI		
2.145	HOPITAL DE KAYANZA		
2.146	HOPITAL DE RUTOVU		
2.147	HOPITAL MUKENKE		
2.148	HOPITAL DE RUYIGI		
2.149	HOPITAL KAMENGE		
2.150	HOPITAL DE MURORE		
2.151	HOPITAL DE KIGANDA		
2.152	HOPITAL GIHANGA		
2.153	HOPITAL DE MUTAHO		
2.154	HOPITAL DE KIBUMBU (MWARO)		
2.155	HOPITAL COMMUNAL DE BUGENYUZI		
2.156	HOPITAL COMMUNAL CIRAMBO		
2.157	HOPITAL COMMUNAL BUTIHINDA		
2.158	HOPITAL DE DISTRICT GITERANYI		
2.159	HOPITAL COMMUNAL GASORWE		
2.160	HOPITAL COMMUNAL MISHIHA		
2.161	HOPITAL DE DISTRICT DE CANKUZO		
2.162	HOPITAL DE DISTRICT RUTANA		
2.163	HOPITAL DE DISTRICT KAMENGE		
2.164	CENTRE DE MEDECINE COMMUNAUTAIRE DE KAMENGE		
2.165	CENTRE DE MEDECINE COMMUNAUTAIRE BWIZA JABE		
2.166	HOPITAL COMMUNAL MBUYE		
3	SOCIAL SECURITY		
3.1	INSTITUT NATIONAL DE SÉCURITÉ SOCIALE (INSS)		
3.2	MUTUELLE DE LA FONCTION PUBLIQUE (MFP)		
3.2	OFFICE NATIONAL DES PENSIONS ET RISQUES (ONPR)		
4	LOCAL GOVERNMENTS/ COMMUNE		
4.1	COMMUNE DE BUBANZA	4.61	COMMUNE DE RANGO
4.2	COMMUNE DE GIHANGA	4.62	COMMUNE DE BUGABIRA
4.3	COMMUNE DE MUSIGATI	4.63	COMMUNE DE BUSONI
4.4	COMMUNE DE MPANDA	4.64	COMMUNE DE BWAMBARANGWE
4.5	COMMUNE DE RUGAZI	4.65	COMMUNE DE GITOBE
4.6	COMMUNE DE MUHA	4.66	COMMUNE DE KIRUNDO
4.7	COMMUNE DE MUKAZA	4.67	COMMUNE DE NTEGA
4.8	COMMUNE DE NTAHANGWA	4.68	COMMUNE DE VUMBI
4.9	COMMUNE DE ISALE	4.69	COMMUNE DE KAYOGORO
4.10	COMMUNE DE KABEZI	4.70	COMMUNE DE KIBAGO

Annex I. Table 2. Burundi: Other Entities of the General Government (Not Yet Considered in the Fiscal Reporting Requirement of the Program) (Continued)

4.11	COMMUNE DE KANYOSHA (RURAL)	4.71	COMMUNE DE MABANDA
4.12	COMMUNE DE MUBIMBI	4.72	COMMUNE DE MAKAMBA
4.13	COMMUNE DE MUGONGOMANGA	4.73	COMMUNE DE NYANZA-LAC
4.14	COMMUNE DE MUKIKE	4.74	COMMUNE DE VUGIZO
4.15	COMMUNE DE MUTAMBU	4.75	COMMUNE DE BUKEYE
4.16	COMMUNE DE MUTIMBUZI	4.76	COMMUNE DE KIGANDA
4.17	COMMUNE DE NYABIRABA	4.77	COMMUNE DE MBUYE
4.18	COMMUNE DE BURURI	4.78	COMMUNE DE MURAMVYA
4.19	COMMUNE DE MATANA	4.79	COMMUNE DE RUTEGAMA
4.20	COMMUNE DE MUGAMBA	4.80	COMMUNE DE BUHINYUZA
4.21	COMMUNE DE RUTOVU	4.81	COMMUNE DE BUTIHINDA
4.22	COMMUNE DE SONGA	4.82	COMMUNE DE GASHOHO
4.23	COMMUNE DE VYANDA	4.83	COMMUNE DE GASORWE
4.24	COMMUNE DE CANKUZO	4.84	COMMUNE DE GITERANYI
4.25	COMMUNE DE CENDAJURU	4.85	COMMUNE DE MUYINGA
4.26	COMMUNE DE GISAGARA	4.86	COMMUNE DE MWAKIRO
4.27	COMMUNE DE KIGAMBA	4.87	COMMUNE DE BISORO
4.28	COMMUNE DE MISHIHA	4.88	COMMUNE DE GISOZI
4.29	COMMUNE DE BUGANDA	4.89	COMMUNE DE KAYOKWE
4.30	COMMUNE DE BUKINANYANA	4.90	COMMUNE DE NDAVA
4.31	COMMUNE DE MABAYI	4.91	COMMUNE DE NYABIHANGA
4.32	COMMUNE DE MUGINA	4.92	COMMUNE DE RUSAKA
4.33	COMMUNE DE MURWI	4.93	COMMUNE DE BUSIGA
4.34	COMMUNE DE RUGOMBO	4.94	COMMUNE DE GASHIKANWA
4.35	COMMUNE DE BUGENDANA	4.95	COMMUNE DE KIREMBA
4.36	COMMUNE DE BUKIRASAZI	4.96	COMMUNE DE MARANGARA
4.37	COMMUNE DE BURAZA	4.97	COMMUNE DE MWUMBA
4.38	COMMUNE DE GIHETA	4.98	COMMUNE DE NGOZI
4.39	COMMUNE DE GISHUBI	4.99	COMMUNE DE NYAMURENZA
4.40	COMMUNE DE GITEGA	4.100	COMMUNE DE RUHORORO
4.41	COMMUNE DE ITABA	4.101	COMMUNE DE TANGARA
4.42	COMMUNE DE MAKEBUKO	4.102	COMMUNE DE BUGARAMA
4.43	COMMUNE DE MUTAHO	4.103	COMMUNE DE BURAMBI
4.44	COMMUNE DE NYARUSANGE	4.104	COMMUNE DE BUYENGERO
4.45	COMMUNE DE RYANSORO	4.105	COMMUNE DE MUHUTA
4.46	COMMUNE DE BUGENYUZI	4.106	COMMUNE DE RUMONGE
4.47	COMMUNE DE BUHIGA	4.107	COMMUNE DE BUKEMBA
4.48	COMMUNE DE GIHOGAZI	4.108	COMMUNE DE GIHARO

Annex I. Table 2. Burundi: Other Entities of the General Government (Not Yet Considered in the Fiscal Reporting Requirement of the Program) (Concluded)

4.49	COMMUNE DE GITARAMUKA	4.109	COMMUNE DE GITANGA
4.50	COMMUNE DE MUTUMBA	4.110	COMMUNE DE MPINGA-KAYOVE
4.51	COMMUNE DE NYABIKERE	4.111	COMMUNE DE MUSONGATI
4.52	COMMUNE DE SHOMBO	4.112	COMMUNE DE RUTANA
4.53	COMMUNE DE BUTAGANZWA (KAYANZA)	4.113	COMMUNE DE BUTAGANZWA (RUYIGI)
4.54	COMMUNE DE GAHOMBO	4.114	COMMUNE DE BUTEZI
4.55	COMMUNE DE GATARA	4.115	COMMUNE DE BWERU
4.56	COMMUNE DE KABARORE	4.116	COMMUNE DE GISURU
4.57	COMMUNE DE KAYANZA	4.117	COMMUNE DE KINYINYA
4.58	COMMUNE DE MATONGO	4.118	COMMUNE DE NYABITSINDA
4.59	COMMUNE DE MUHANGA	4.119	COMMUNE DE RUYIGI
4.60	COMMUNE DE MURUTA		

Annex I. Table 3. Burundi: Non-financial public enterprises (not yet considered in the fiscal reporting requirements of the program)

5.1.	PUBLIC NON- FINANCIAL CORPORATIONS/ENTREPRISES PUBLIQUES NON FINANCIERES
5.1.1	SOCIETE SUCRIERE DU MOSO (SOSUMO)
5.1.2	SOCIÉTÉ RÉGIONALE DE DÉVELOPPEMENT DE L'IMBO (SRDI)
5.1.3	AUTORITÉ DE L'AVIATION CIVILE DU BURUNDI (AACB)
5.1.4	BURUNDI AIRLINE
5.1.5	SOCIÉTÉ RÉGIONALE DE DÉVELOPPEMENT DE L'IMBO (SRDI)
5.1.6	SOCIÉTÉ HÔTELIÈRE ET TOURISTIQUE DU BURUNDI (SHNB)
5.1.7	SOCIÉTÉ RÉGIONALE DE DÉVELOPPEMENT DE RUMONGE (SRD RUMONGE)
5.1.8	DIRECTION GENERALE DES PUBLICATIONS DE PRESSE BURUNDAISE
5.1.9	LOTERIE NATIONALE (LONA)
5.1.10	OFFICE NATIONAL DES TELECOMMUNICATIONS (ONATEL)
5.1.12	CENTRALE D'ACHAT DES MÉDICAMENTS DU BURUNDI (CAMEBU)
5.1.13	COMPAGNIE DE GÉRANCE DU COTON (COGERCO)
5.1.14	OFFICE DES HUILES DE PALME DE RUMONGE (OHP RUMONGE)
5.1.15	OFFICE DES TRANSPORT EN COMMUN (OTRACO)
5.1.16	OFFICE DU THÉ DU BURUNDI (OTB)
5.1.17	OFFICE MILITAIRE DE CONSTRUCTION (OMC)
5.1.18	OFFICE NATIONAL DE LA TOURBE (ONATOUR)
5.1.19	RÉGIE DE PRODUCTION ET DE DISTRIBUTION D'EAU ET D'ELECTRICITÉ (REGIDESO)
5.1.20	RÉGIE NATIONALE DES POSTES (RNP)

Annex I. Table 3. Burundi: Non-financial public enterprises (not yet considered in the fiscal reporting requirements of the program) (concluded)	
5.1.21	OFFICE POUR LE DEVELOPPEMENT DU CAFE DU BURUNDI (ODCA)
5.1.22	OFFICE DU THE DU BURUNDI (OTB) NFCP

Annex II. Social Spending

1. This Annex describes social spending for program purposes. Public social expenditure is defined as central government expenditure on social protection, education, and health *from the budget lines specified in Annex II. Table 1.* These expenditures are recorded on a cash basis.
2. Public spending on social protection is defined as expenditure on social insurance and social assistance. Social insurance aims to protect households against shocks that may negatively impact their income and welfare and is usually financed by contributions or social charges. Social insurance is financed by pension contributions (pension contributions, sickness and maternity leave, unemployment). Social assistance aims to protect households from poverty and is financed by government revenues. It is important to note that some government subsidies can be considered social protection, insofar as they are oriented towards a universal transfer to households.
3. Public spending on education is all the expenditures that the Government allocates to the primary, secondary and university education sector, including scholarships and internships that the Government of Burundi grants to students, operating costs for training and development centers (“CFP”) as well as teachers' salaries.
 - Public spending on health is all the expenditure that the government allocates to the operation of hospitals (hospital grants), vaccination programs, the production of medical and pharmaceutical products, the fight against epidemics, and the remuneration of healthcare personnel

Annex II. Table 1. Burundi: List of Budget Lines Used for the Estimation of Social Spending			
40000010042218011000042401	12000050016161011000011501	14000230016116011000012101	
40000010042218011000042402	12000090016116011000011501	14000230016126011000012101	
01000010016126011000011301	12000090016161011000011501	14000230016161011000012101	
01000010016162011000011301	12000100016116011000011501	14000230016162011000012101	
01000010066721011000101302	12000100016161011000011501	16000010016116011000033101	
02000010016126011000011501	12000110016116011000011501	16000010016126011000033101	
02000010016162011000011301	12000110016161011000011501	16000010016161011000033101	
02000010066721011000011301	12000120016116011000011501	16000010016162011000033101	
03000010016126011000011101	12000120016161011000011501	16000010066721011000033101	
03000010016162011000011101	12000130016116011000011501	16000020016116011000033101	
03000010066721011000011301	12000130016126011000011501	16000020016126011000033101	
04000010016116011000011301	12000130016161011000011501	16000020016161011000033101	
04000010016126011000011301	12000130016162011000011501	16000020016162011000033101	
04000010016161011000011301	12000140016116011000011501	16000030016116011000033101	
04000010016162011000011301	12000140016161011000011501	16000030016126011000033101	
05000010016116011000011101	12000150016116011000011501	16000030016161011000033101	
05000010016126011000011102	12000150016161011000011501	16000030016162011000033101	
05000010016126011000011101	12000160016116011000011501	16000040016116011000033101	
05000010016161011000011101	12000160016161011000011501	16000040016126011000033101	
05000010016162011000011101	12000170016116011000011501	16000040016161011000033101	
05000010016163011000011101	12000170016161011000011501	16000040016162011000033101	
05000010066721011000011102	12000180016116011000011501	16000060016116011000033901	
06000010016116011000011101	12000180016161011000011501	16000060016126011000033901	
06000010016126011000011101	12000190016116011000011501	16000060016161011000033901	
06000010016126011000011102	12000190016161011000011501	16000060016162011000033901	
06000010016161011000011101	12000200016116011000011501	16000120016116011000033101	
06000010016162011000011101	12000200016161011000011501	16000120016126011000033101	
06000010016163011000011101	12000220016116011000011501	16000120016161011000033101	
06000010066721011000011102	12000220016161011000011501	16000120016162011000033101	
07000010016126011000011401	13000020016116011000021101	16000130016116011000033101	
07000010016161011000011401	13000020016126011000021101	16000130016126011000033101	
07000010016162011000011401	13000020016161011000021101	16000130016161011000033101	
11000010016116011000031101	13000020016162011000021101	16000130016162011000033101	
11000010016126011000031101	14000010016116011000012101	16000140016116011000033101	
11000010016161011000031101	14000010016126011000012101	16000140016126011000033101	
11000010016162011000031101	14000010016161011000012101	16000140016161011000033101	
11000010042123011000031101	14000010016162011000012101	16000140016162011000033101	
11000020016116011000031101	14000020016116011000012101	16000150016116011000033101	
11000020016126011000031101	14000020016126011000012101	16000150016126011000033101	
11000020016161011000031101	14000020016161011000012101	16000150016161011000033101	
11000020016162011000031101	14000020016162011000012101	16000150016162011000033101	
11000020016168011000031101	14000030016116011000013401	19000010016116011000013101	
11000030016116011000011301	14000030016126011000013401	19000010016126011000013101	
11000030016126011000011301	14000030016161011000013401	19000010016161011000013101	
11000030016161011000011301	14000030016162011000013401	19000010016162011000013101	
11000030016162011000011301	14000040016116011000013401	19000010076611011000013105	
11000040016116011000011301	14000040016126011000012101	19000010076620011000013102	

**Annex II. Table 1. Burundi: List of Budget Lines Used for the Estimation of Social Spending
(Continued)**

11000040016161011000011301	14000040016161011000013401	19000020016116011000013101	
11000050016116011000011301	14000040016162011000012101	19000020016126011000013101	
11000050016126011000011301	14000050016116011000013201	19000020016161011000013101	
11000050016161011000011301	14000050016126011000013201	19000020016162011000013101	
11000050016162011000011301	14000050016161011000013201	19000030016116011000013101	
11000060016116011000011301	14000050016162011000013201	19000030016126011000013101	
11000060016161011000011301	14000060016116011000012101	19000030016161011000013101	
11000060016162011000011301	14000060016126011000012101	19000030016162011000013101	
11000070016116011000011301	14000060016161011000012101	19000040016116011000013101	
11000070016126011000011301	14000060016162011000012301	19000040016126011000013101	
11000070016161011000011301	14000070016116011000012401	19000040016161011000013101	
11000070016162011000011301	14000070016126011000012701	19000040016162011000013101	
11000080016116011000011301	14000070016161011000012702	19000050016116011000013101	
11000080016126011000011301	14000070016162011000012701	19000050016126011000013101	
11000080016161011000011301	14000090016116011000041401	19000050016161011000013101	
11000080016162011000011301	14000090016126011000041401	19000050016162011000013101	
11000090016116011000011301	14000090016161011000041401	19000060016116011000013101	
11000090016126011000011301	14000090016162011000041401	19000060016126011000013101	
11000090016161011000011301	14000100016116011000012101	19000060016161011000013101	
11000090016162011000011301	14000100016126011000012101	19000060016162011000013101	
11000100016116011000011301	14000100016161011000012101	19000070016116011000013101	
11000100016126011000011301	14000100016162011000012101	19000070016126011000013101	
11000110016116011000011301	14000110016116011000012101	19000070016161011000013101	
11000110016126011000011301	14000110016126011000012101	19000070016162011000013101	
11000120016116011000011301	14000110016161011000012101	19000080016116011000041201	
11000120016126011000011301	14000110016162011000012101	19000080016126011000041201	
11000130016116011000042101	14000120016116011000013401	19000080016161011000041201	
11000130016126011000042101	14000120016126011000013401	19000080016162011000041201	
11000130016161011000042101	14000120016161011000013401	19000090016116011000041201	
11000130016162011000042101	14000120016162011000013401	19000090016126011000041201	
11000140016116011000042101	14000140016116011000012101	19000090016161011000041201	
11000140016126011000042101	14000140016126011000012101	19000090016162011000041201	
11000150016116011000042101	14000140016161011000012101	19000100016116011000041301	
11000150016126011000042101	14000140016162011000012101	19000100016126011000041301	
11000150016161011000042101	14000160016116011000012101	19000100016161011000041301	
11000150016162011000042101	14000160016126011000012101	19000100016162011000041301	
11000160016116011000013201	14000160016161011000012101	19000110016116011000016301	
11000160016126011000013201	14000160016162011000012101	19000110016126011000016301	
11000160016161011000013201	14000170016116011000012101	19000110016161011000016301	
11000160016162011000013201	14000170016126011000012101	19000110016162011000016301	
11000170016116011000042101	14000170016161011000012101	19000120016116011000041201	
11000170016126011000042101	14000170016162011000012101	19000120016161011000041201	
11000170016161011000042101	14000180016116011000012101	20000010016116011000011501	
11000170016162011000042101	14000180016126011000012101	20000010016126011000011501	
12000010016116011000011501	14000180016161011000012101	20000010016161011000011501	
12000010016126011000011501	14000190016116011000012101	20000010016162011000011501	
12000010026224011000011501	14000190016126011000012101	20000020016116011000011501	
12000020016116011000011501			

Annex II. Table 1. Burundi: List of Budget Lines Used for the Estimation of Social Spending (Continued)			
12000020016161011000011501	14000190016161011000012101	20000020016126011000011501	
12000030016116011000011501	14000190016162011000012101	20000020016161011000011501	
12000030016161011000011501	14000200016116011000012101	20000020016162011000011501	
12000040016116011000011501	14000200016126011000012101	20000030016116011000011501	
12000040016161011000011501	14000200016161011000012101	20000030016126011000011501	
12000050016116011000011501	14000200016162011000012101	20000030016161011000011501	
20000030016162011000011501	32000060016161011000096901	32000290076611011000098203	
20000040016116011000011501	32000060016162011000096901	32000290076611011000098202	
20000040016126011000011501	32000070016116011000098201	32000290076611011000098201	
20000040016161011000011501	32000070016126011000098201	32000290076611011000098204	
20000040016162011000011501	32000070016161011000098201	32000310016116011000094201	
20000050016116011000011501	32000070016162011000098201	32000310016126011000094201	
20000050016126011000011501	32000070026268011000098201	32000310016161011000094201	
20000050016161011000011501	32000070026317011000098201	32000310016162011000094201	
20000050016162011000011501	32000080016116011000098201	32000320016116011000095101	
20000060016116011000011501	32000080016161011000098201	32000320016126011000095101	
20000060016161011000011501	32000080026212011000098201	32000320016161011000095101	
20000070016116011000011501	32000080026216011000098201	32000320016162011000095101	
20000070016161011000011501	32000080026255011000098201	32000340016116011000097101	
20000080016116011000011501	32000080026317011000098202	32000340016126011000097101	
20000080016161011000011501	32000080086732011000098201	32000340016161011000097101	
20000090016116011000011501	32000080086732011000098202	32000340016162011000097101	
20000090016126011000011501	32000090016116011000096901	32000340026216011000097101	
20000090016161011000011501	32000090016161011000096901	32000350016116011000097101	
20000090016162011000011501	32000090026216011000096902	32000350016126011000097101	
20000100016116011000011501	32000090026317011000096901	32000350016161011000097101	
20000100016161011000011501	32000100016116011000096901	32000350016162011000097101	
20000110016116011000011501	32000100016126011000096901	32000360016116011000096501	
20000110016161011000011501	32000100016161011000096901	32000360016126011000096501	
20000160016116011000084101	32000100016162011000096901	32000360016161011000096501	
20000160016126011000084101	32000120016116011000097101	32000360016162011000096501	
20000160016161011000084101	32000120016126011000097101	32000370016116011000098401	
20000160016162011000084101	32000120016161011000097101	32000370016126011000098401	
20000170016116011000084201	32000120016162011000097101	32000370016161011000098401	
20000170016126011000084201	32000120026212011000097101	32000370016162011000098401	
20000170016161011000084201	32000120076611011000097101	32000370086731011000096501	
20000170016162011000084201	32000130016116011000097101	32000380016116011000098401	
20000230016116011000085301	32000130016126011000097101	32000380016161011000098401	
20000230016126011000085301	32000130016161011000097101	32005040042710011000075401	
20000230016161011000085301	32000130016162011000097101	33000010016116011000071101	
20000230016162011000085301	32000130026212011000097101	33000010016126011000071101	
20000270016116011000082101	32000130026216011000097101	33000010016161011000071101	
20000270016126011000082101	32000130076611011000097101	33000010016162011000071101	
20000270016161011000082101	32000130076611011000097102	33000010026255011000071101	
20000270016162011000082101	32000140016116011000097101	33000010026258011000071101	
20000310016116011000011501	32000140016126011000097101	33000010026316011000071102	
20000310016161011000011501	32000140016161011000097101	33000010026316011000071103	

**Annex II. Table 1. Burundi: List of Budget Lines Used for the Estimation of Social Spending
(Continued)**

20000320016116011000011501	32000140016162011000097101	33000010026316011000071101	
20000320016116011000011501	32000140026216011000097101	33000010026321011000071107	
20000330016116011000011501	32000140076620011000097101	33000010026321011000071106	
20000330016116011000011501	32000150016116011000098201	33000010026321011000071105	
20000340016116011000011501	32000150016126011000098201	33000010026321011000071103	
20000340016116011000011501	32000150016161011000098201	33000010026321011000071101	
21000010016116011000046101	32000150016162011000098201	33000010026321011000071102	
21000010016126011000046101	32000150026216011000094201	33000010042011011000046501	
21000010016161011000046101	32000150026278011000098201	33000010042011011000073201	
21000010016162011000046101	32000170016116011000091901	33000010042145011000071105	
21000020016116011000046101	32000170016126011000091901	33000010042145011000075204	
21000020016161011000046101	32000170016161011000091901	33000010042145011000072306	
21000060016116011000046501	32000170016162011000091901	33000010042680011000079101	
21000060016161011000046501	32000170026216011000091901	33000011476611011836074902	
32000010016116011000091901	32000170026317011000091901	33000011876611011910074901	
32000010016126011000091901	32000180016116011000091901	33000010176611011871074901	
32000010016161011000091901	32000180016126011000091901	33000010976611011833074901	
32000010016162011000091901	32000180016161011000091901	33000010676611011831074901	
32000010026212011000091902	32000180016162011000091901	33000011676611011828074901	
32000010026212011000091901	32000190016116011000092101	33000010276611011904074101	
32000010026322011000091901	32000190016161011000092101	33000010076611011000071104	
32000010042143011869092101	32000200016116011000098301	33000011676611011913074901	
32000010042143011868091901	32000200016126011000098301	33000010276611011873074901	
32000010042143011867091901	32000200016161011000098301	33000011176611011824074901	
32000010042148011000092101	32000200016162011000098301	33000010776611011878074901	
32000011156532011863092201	32000210016116011000098601	33000011776611011839074901	
32000010056532011864092201	32000210016161011000098601	33000010076611011870075901	
32000010076611011869095201	32000210026322011000098601	33000010376611011876074901	
32000010076611011000094202	32000210076620011000098603	33000010876611011823074901	
32000010876611011909094401	32000210076620011000098601	33000011376611011817074901	
32000010076611011868095201	32000210076620011000096905	33000010076611011039079101	
32000010076611011000094201	32000210076620011000098604	33000010476611011842074901	
32000010076611011867095201	32000220016116011000097101	33000011476611011836074901	
32000010076611011000094106	32000220016161011000097101	33000011276611011000074901	
32000010076611011816094101	32000220026317011000096901	33000010276611011914074901	
32000010076611011000094102	32000230076620011000098201	33000010976611011814074901	
32000010076611011000094203	32000240016116011865046101	33000010676611011822074901	
32000010076640011028094101	32000240016126011865046101	33000011576611011885074901	
32000010076641011000094201	32000240016161011865046101	33000010376611011901074102	
32000010076641011028094202	32000240016162011865046101	33000010076611011000071103	
32000020016116011000091901	32000250016116011000098301	33000011576611011915074901	
32000020016126011000091901	32000250016126011000098301	33000010276611011843074901	
32000020016161011000091901	32000250016161011000098301	33000011076611011834074901	
32000020016162011000091901	32000250016162011000098301	33000010776611011841074901	
32000030016116011000096901	32000250026216011000095201	33000011776611011829074901	
32000030016126011000096901	32000250076611011000098201	33000010076611011844074901	
32000030016161011000096901	32000260016116011000098601	33000010376611011875074901	

**Annex II. Table 1. Burundi: List of Budget Lines Used for the Estimation of Social Spending
(Continued)**

32000030016162011000096901	32000260016126011000092201	33000011276611011835074901	
32000040016116011000096901	32000260016161011000098601	33000010776611011886074901	
32000040016126011000096901	32000260016162011000092201	33000010076611011908071101	
32000040016161011000096901	32000270016116011000096901	33000010076611011896071101	
32000040016162011000096901	32000270016126011000092301	33000010476611011840074901	
32000050016116011000096901	32000270016161011000096901	33000011476611011826074901	
32000050016126011000096901	32000270016162011000092301	33000010376611011900074901	
32000050016161011000096901	32000270076611011000092301	33000010076611011000071106	
32000050016162011000096901	32000290016116011000098201	33000010576611011830074901	
32000050026317011000096901	32000290016126011000098201	33000011576611011837074901	
32000060016116011000096901	32000290016161011000098201	33000010076611011000071102	
32000060016126011000096901	32000290016162011000098201	33000011876611011912074901	
33000010176611011892074901	33000210016126011000071101	40000030016161011000042401	42000050016161011000044101
33000011076611011815074901	33000210016161011000071101	40000030016162011000042401	42000050016162011000044101
33000010776611011832074901	33000210016162011000071101	40000040016161011000042401	42000060016161011000042301
33000011676611011893074901	33000220016116011000071101	40000050016161011000042401	42000060016162011000042301
33000010176611011903074101	33000220016126011000071101	40000050016162011000042401	42000070016161011000043601
33000010076611011808075201	33000220016161011000071101	40000060016161011000042401	42000070016162011000043601
33000010376611011874074901	33000220016162011000071101	40000070016161011000042401	42000080016161011000066101
33000011276611011825074901	33000530076611011016075901	40000070016162011000042401	42000090016161011000066101
33000010776611011880074901	33000540076620011000076101	40000080016161011000042401	42000090016162011000066101
33000010076611011000074101	33000550076620011000075901	40000080016162011000042401	42000100016161011000066101
33000010076611011895074901	33000560076620011000075501	40000100016161011000042701	42000100016162011000066101
33000010476611011820074901	33000570076620011000076201	40000100016162011000042701	42000110016161011000042101
33000011376611011884074901	33000580076620011000077101	40000110016161011000042701	42000110016162011000042101
33000010576611011821074901	33000590076620011000075601	40000110016162011000042701	45000010016161011000066101
33000011576611011827074901	33000600076620011000075901	40000120016161011000042701	45000010016162011000066101
33000010076611011000071101	33000610076620011000075901	40000120016162011000042701	45000020016161011000044401
33000010376611011911074901	33000620076620011000075401	40000130016161011000042401	45000030016161011000044401
33000010176611011872074901	33000630076611011000075901	40000130016162011000042401	45000040016161011000044401
33000010976611011881074901	33000640076611011000075901	40000140016161011000042401	45000050016161011000044401
33000010776611011813074901	33005010042710011000071102	40000140016162011000042401	45000190016161011000044401
33000011676611011838074901	33005020042710011000076101	40000150016161011000042401	45000200016161011000044401
33000010276611011902074102	33005040042710011000076101	40000150016162011000042401	45000210016161011000044401
33000010076611011804075601	33005350042710011000071101	40000160116161011000042401	45000220016161011000044401
33000010376611011819074901	35000010016116011000101901	40000160116162011000042401	45000230016161011000044401
33000011176611011845074901	35000010016126011000101901	40000170316161011000042401	45000240016161011000044401
33000010776611011879074901	35000010016161011000101901	40000180116161011000042401	74000010016161011000033901
33000011776611011891074901	35000010016162011000101901	40000180116162011000042401	74000010016162011000033901
33000010076611011894074901	35000010026255011000101902	40000190316161011000042401	01000010066721011000101301
33000010476611011818074901	35000010026312011000101902	40000190316162011000042401	05000010066721011000011101
33000011376611011883074901	35000010026315011000101901	40000200416161011000042401	06000010066721011000011101
33000010076611011898074901	35000010042121011000101903	40000200416162011000042401	07000010066721011000011401
33000010076611011000071105	35000010042121011000101901	40000210516161011000042401	19000030066721011000013101
33000010476611011877074901	35000010042145011000101903	40000210516162011000042401	33000010042148011000071101
33000010076620011000071101	35000010042145011000101902	40000220616161011000042401	33000010042122011000074901
33000010076620011000071102	35000010066728011000109101	40000220616162011000042401	33000010042122011907074901

**Annex II. Table 1. Burundi: List of Budget Lines Used for the Estimation of Social Spending
(Continued)**

33000010076662011000071103	35000010076611011000101904	40000230716161011000042401	33000010042122011000074908
33000010086734011000074901	35000010076611011000101910	40000230716162011000042401	11000230042143011000031101
33000010086734011000077101	35000010076611011000104203	40000240816161011000042401	32000010042123011000092201
33000010086735011000071101	35000010076611011882102201	40000240816162011000042401	32000010042125011000092101
33000020016116011000071101	35000010076611011000101913	40000250916161011000042401	32000410042122011000094201
33000020016126011000071101	35000010076611011000109103	40000250916162011000042401	32000420042122011000094101
33000020016161011000071101	35000010076611011807102201	40000261016161011000042801	33000650042145011000075201
33000020016162011000071101	35000010076611011806102201	40000261016162011000042801	40000010042121011000061101
33000030016116011000071101	35000010076611011000101911	40000271116161011000042401	42000010042137011000043404
33000030016126011000071101	35000010076611011000101905	40000271116162011000042401	
33000030016161011000071101	35000010076611011035109101	40000281216161011000042801	
33000030016162011000071101	35000010076611011882102202	40000281216162011000042801	
33000060016116011000071101	35000010076620011000101901	40000291316161011000042801	
33000060016161011000071101	35000010086735011000101902	40000291316162011000042801	
33000070016116011000071101	35000010086735011000102801	40000301416161011000042101	
33000070016126011000071101	35000010086735011000105106	40000301416162011000042401	
33000070016161011000071101	35000010086738011000101901	40000311516161011000042401	
33000070016162011000071101	35000020016116011000101901	40000311516162011000042401	
33000070026321011000071101	35000020016126011000101901	40000321616161011000042401	
33000070076611011000071101	35000020016161011000101901	40000321616162011000042401	
33000080016116011000071101	35000020016162011000101901	40000331716161011000066101	
33000080016126011000071101	35000020076611011000084101	40000331716162011000066101	
33000080016161011000071101	35000030016116011000101901	40000341816161011000042101	
33000080016162011000071101	35000030016126011000101901	40000350016161011000066101	
33000090016116011000071101	35000030016161011000101901	40000360016161011000066101	
33000090016126011000071101	35000030016162011000101901	40000370016161011000066101	
33000090016161011000071101	35000040016116011000101901	40000380016161011000066101	
33000090016162011000071101	35000040016126011000101901	40000390016161011000042401	
33000090026317011000071101	35000040016161011000101901	40000410016161011000042401	
33000090076620011000092201	35000040016162011000101901	40000430016161011000042101	
33000090086732011000071101	35000040076611011000101901	40000430016162011000042101	
33000100016116011000071101	35000050016161011000105101	40000440016161011000042101	
33000100016126011000071101	35000050016162011000105101	40000440016162011000042101	
33000100016161011000071101	35000060016161011000109101	40000450016161011000042101	
33000100016162011000071101	35000060016162011000109101	40000460016161011000042701	
33000100026321011000071101	35000070016161011000109101	40000460016162011000042701	
33000110016116011000071101	35000070016162011000109101	41000010016161011000047101	
33000110016126011000071101	35000080016161011000109101	41000010016162011000047101	
33000110016161011000071101	35000080016162011000109101	41000010076611011000047103	
33000110016162011000071101	35000090016161011000109101	41000020016161011000047101	
33000120016116011000071101	35000090016162011000109101	41000020016162011000047101	
33000120016126011000071101	35000090076611011000109101	41000030016161011000047101	
33000120016161011000071101	35000100016161011000109101	41000030016162011000047101	
33000120016162011000071101	35000100016162011000109101	41000040016161011000047201	
33000130016116011000071101	35000110016161011000109101	41000040016162011000047201	
33000130016126011000071101	35000110016162011000109101	41000050016161011000044101	
33000130016161011000071101	35000120016161011000109101	41000050016162011000044101	

**Annex II. Table 1. Burundi: List of Budget Lines Used for the Estimation of Social Spending
(Concluded)**

33000130016162011000071101	35000120016162011000109101	41000060016161011000044101	
33000140016116011000071101	35000130016161011000109101	41000060016162011000044101	
33000140016161011000071101	35000130016162011000109101	41000070016161011000044101	
33000150016126011000071101	35000130076611011000109101	41000070016162011000044101	
33000150016162011000071101	35000140016161011000109101	41000080016161011000047601	
33000170016116011000071101	35000140016162011000109101	41000080016162011000047601	
33000170016126011000071101	35000150016161011000109101	41000090016161011000046501	
33000170016161011000071101	35000150016162011000109101	41000090016162011000046501	
33000170016162011000071101	35000160016161011000109101	41000100016161011000047601	
33000180016116011000071101	35000160076611011000109101	41000100016162011000047601	
33000180016126011000071101	35000170016161011000109101	41000110016161011000045901	
33000180016161011000071101	35000180016161011000109101	41000110016162011000045901	
33000180016162011000071101	35005020042710011000109101	41000120016161011000045101	
33000200016116011000071101	35005090042710011000101901	41000120016162011000045101	
33000200016126011000071101	40000010016161011000042401	41000130016161011000045401	
33000200016161011000071101	40000010016162011000042401	41000130016162011000045401	
33000200016162011000071101	40000020016161011000042401	42000010016161011000043601	
33000210016116011000071101	40000020016162011000042401	42000010016162011000043601	



BURUNDI

REQUEST FOR A 38-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—SUPPLEMENTARY INFORMATION

July 14, 2023

Approved By
**Costas Christou (AFR) and
Eugenio Cerutti (SPR)**

Prepared by the African Department in
consultation with the Strategy, Policy, and
Review Department

- 1. This supplement provides information that has become available since the issuance of the Staff Report for the Request for an Arrangement under the Extended Credit Facility (EBS/23/78) issued on June 30, 2023.** The additional information does not alter the thrust of the staff appraisal.
- 2. All the three prior actions have been met.** The external audit of net international reserves (NIR) was validated by the Banque de la Republique du Burundi (BRB) on June 16, 2023, and the report has been transmitted to staff. Further, the 2023/24 budget law containing two articles (Articles 11 and 15) giving the BRB full authority on FX management-related regulations was promulgated on June 28, 2023. Finally, the BRB issued a communique on July 3, 2023 raising the 7-day refinancing rate to 10 percent.
- 3. The measure on the completion of a study by end-June 2023 on the annual budgetary impact of multi-year contracts signed by some line ministries is not met (See Table 1 on Structural Benchmarks of the Memorandum of Economic and Financial Policies).** The measure consisting in the completion of a study on the annual budgetary impact of multi-year contracts, signed prior to FY 2022/23, on current spending for the ministries of health, education, social protection, and defense was not completed by end-June 2023, as envisaged. However, the authorities accounted for the budgetary impact of multiyear contracts in the FY2023/24 budget that was approved by Parliament on June 12, 2023. The study could not be completed before end-June due to limited capacity within the Ministry of Finance and heavy work program around the 2023/24 draft budget preparation, compounded by the transition to program budgeting and novel transparency initiatives (the budget documents now include more information beyond the central government). The authorities plan to finalize the study on July 14, 2023, and an initial assessment shows that only one multi-year contract will have an impact beyond FY23/24.



BURUNDI

REQUEST FOR A 38-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

June 30, 2023

Approved By
**Costas Christou and
Boileau Loko (IMF) and
Manuela Francisco and
Asad Alam (IDA)**

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

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

The Debt Sustainability Analysis (DSA) assesses Burundi at high risk of external and overall debt distress, unchanged from the July 2022 DSA.¹ All four external debt burden indicators breach their thresholds under the baseline, signaling a high risk of external debt distress rating. The ratios of the PV of debt to GDP, PV of debt to exports and debt service to revenue under the baseline fall below their threshold in the medium term. The ratio of external debt service to exports under the baseline remains close to its threshold. As for the public debt, the PV of the public debt-to-GDP ratio under the baseline is above the benchmark in the near-to-medium term, implying that the risk of overall public debt distress is high. However, the indicator is on a declining trend and falls below its benchmark in the medium-to-long term. Stress tests show that the largest deterioration in external debt burden indicators result from shocks to the exports and a combination of shocks to growth, primary balance, exports, non-debt flows and the exchange rate. Similarly, the largest deterioration in the overall debt burden indicators results from shocks to combined

¹ Burundi's debt-carrying capacity is classified as weak just as in the last (July 2022) DSA. The country's composite indicator (CI) is 2.40, based on the April 2023 WEO data and 2021 CPIA scores.

contingent liabilities. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to reforms under the program including exchange rate reform, fiscal consolidation, and structural and governance reforms, as well as a positive macroeconomic outlook, including robust exports and GDP growth. There are several mitigating factors: (i) rebased GDP series (release planned for 2023) may result in an upward shift in nominal GDP; and (ii) higher exports and remittances under the impulse of the Exchange Rate (ER) realignment would alleviate external liquidity constraints. The modified sustainability indicators accounting for these mitigating factors converge towards their respective thresholds at the end of the horizon period. Given the country's good track record in servicing its external debt, there is a high likelihood that Burundi will be able to meet all its current and future financial obligations. Prospects of a more ambitious reform agenda, notably in promoting exports and private sector led growth, will also help alleviate key growth bottlenecks. This assessment is subject to significant risks. Delays in reforms, potential information gaps on arrears, and a prolonged Russia's war in Ukraine would further heighten debt vulnerabilities. Burundi's public debt is especially vulnerable to shocks to combined contingent liabilities, non-debt creating flows, commodity prices, exports, and GDP growth. Further availability of grants and concessional loans to finance high-return projects, as donor operations scale up in tune with the re-engagement with the international community, would be beneficial for the country's growth and debt outlook.

BACKGROUND

A. Public Debt Coverage

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

2. The authorities are gradually improving public debt coverage. Supported by performance and policy actions (PPA) under the World Bank's Sustainable Development Finance Policy (SDFP) the authorities are expanding the public debt coverage in recent Public Debt Management Reports. The latest report was published in May 2023. The report presents preliminary debt data at end-2022 of twenty-four (24) SOEs (BIF 1295.0 billion or 16.2 percent of GDP), as some SOEs had not finalized their financial statements at the time of issuance of the report.

The debt report also includes domestic arrears identified at end-2022 (BIF 103.9 billion or 1.3 percent of GDP).³ In May 2023, the authorities institutionalized recent improvements in debt transparency by introducing a formal requirement (through an ordinance⁴ signed by the Minister of Finance) to publish

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

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

² SOE debt that is guaranteed by the government and shared with staff (0.5 percent of GDP for external debt at end-2022 and 0.8 percent of GDP for domestic debt at end-2022) is included in the baseline stock of public debt and in staff's baseline projections. The authorities noted that challenges faced by SOEs include overstaffing and inability to pay dividends on time, with two SOEs no longer paying dividends at all. The debt of two SOEs in deficit in FY2021/22 amounted to 7.2 percent of GDP at end-2022. The total number of SOEs is not available to staff and some SOEs may be left outside the scope of the DSA for now.

³ Arrears to the social security fund (INSS) accounted for about 37 percent of the stock of identified arrears at end-2022, followed by arrears to the civil service mutual fund (MFP), which accounts for about 10 percent. Other entities account for less than 10 percent of the total stock of identified arrears at end-2022. The process of estimating budget arrears is ongoing and will be finalized by end-June 2023 and a plan to clear them will follow. Staff's fiscal projections envisage payments toward the reduction of arrears during FY2022-23 (1 percent of GDP), FY2023-24 (1.5 percent of GDP), FY2024/25 (1.2 percent of GDP) and FY2025/26 (0.4 percent of GDP). As per the LIC DSF guidance note, Burundi is not rated as "in debt distress" because the arrears already identified are not "outstanding arrears on domestic debt instruments" or "outstanding external arrears on debt".

⁴ See <https://finances.gov.bi/index.php/2023/05/>

debt reports annually, within six months of the end of the reporting period, that will include information on all SOE debt as well as domestic arrears.

3. The contingent liability stress test accounts for data coverage limitations (Text Table 2).

Potential domestic arrears that may have accumulated since 2022 or that are not yet identified are accounted for through a contingent liability assumed to amount to 3 percent of GDP at end-2022. In addition, accounting for data limitations, contingent liabilities on SOEs' debt are set at 17 percent of GDP to cover fiscal risks that may arise from SOEs' weak reporting and domestic arrears. Commercial banks' liabilities (about 77 percent of GDP at end-2022) likely account for most of financial sector liabilities, and commercial banks appear well capitalized with improving returns on assets and declining NPLs (about 1 percent of GDP at end-2022). Nonetheless, provisions allowing recurrent restructuring of loans to some of their customers may mask vulnerabilities. Assumed contingent liabilities from financial markets are hence set at their default value of 5 percent of GDP (about 7 percent of Burundi's commercial banks' liabilities) to account for potential support to the financial system. Overall, total contingent liabilities are assumed higher at 25 percent of GDP, up from 11.1 percent of GDP in the previous DSA.

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

1 The country's coverage of public debt	The central government, central bank		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	3.0	Arrears already identified amounted to 1.3 percent of GDP at end-2022. Contingent liabilities also include possible domestic arrears accumulated since 2022 or earlier and that have not yet been identified or securitized (3 percent of GDP).
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	17.0	SOE debt data available to staff is for 24 SOEs and stood at 16.2 percent of GDP at end-2022. The debt of two SOEs in deficit in FY2021/22 amounted to 7.2 percent of GDP at end-2022. The total number of SOEs is not available to staff and some SOEs may be left outside the scope of the DSA for now.
4 PPP	35 percent of PPP stock	0.0	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		25.0	

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

B. Debt Developments

4. **Public debt increased somewhat in 2022, as the increase in domestic debt⁵ more than offset the decline in external debt** (Text Tables 3 and 4). Domestic debt increased from 46.3 percent of GDP in 2021 to 48.4 percent of GDP at end 2022, mainly because of the strong increase in debt to the central bank, which more than offset the fall in debt to commercial banks and the non-bank sector. External debt moderately declined from 20.2 percent of GDP at end-2021 to 19.9 percent of GDP at end-2022 as the

⁵ Burundi received HIPC and MDRI debt relief in 2009, which lowered external debt from 134 percent of GDP at end-2008 to 27 percent of GDP at end-2009.

decline in multilateral loans was partly offset by the increase in bilateral loans. As a result, total public debt rose from 66.6 percent of GDP at end-2021 to 68.4 percent of GDP at end-2022.

Text Table 3. Burundi: Domestic Debt Stock by Creditor at End-2021 and End-2022

	2021		2022	
	Nominal (BIF billion)	Percent of GDP	Nominal (BIF billion)	Percent of GDP
Total Debt	3063.2	46.3	3859.2	48.4
BRB	901.5	13.6	1779.3	22.3
Ordinary advances	36.1	0.5	26.0	0.3
Bonds and treasury bills	0.0	0.0	0.0	0.0
Special credit	0.0	0.0	0.0	0.0
Restructured loans	691.0	10.4	1010.8	12.7
Loans for coffee sector	0.0	0.0	0.0	0.0
Loans for subsidized fertilizers	113.3	1.7	76.1	1.0
Loans for youth insertion programs	17.5	0.3	0.0	0.0
Others	43.6	0.7	666.5	8.4
Commercial banks	1914.0	28.9	1820.5	22.8
Assets in Postal Services Accounts	0.0	0.0	0.0	0.0
Bonds and treasury bills	1710.1	25.9	1650.9	20.7
Obligations sur titrisation	105.9	1.6	103.1	1.3
Others	98.0	1.5	66.4	0.8
Others	247.7	3.7	259.4	3.3

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

5. The continued increase in public debt reflects the economic difficulties that Burundi has been facing since 2015 and the impact of the COVID-19 pandemic. Donor aid used to contribute about half of the government's total revenue. Following the 2015 political and security crisis, donors withdrew budget support and suspended most project financing. Over 2014–16, aid fell from 8.9 percent of GDP to 2.4 percent of GDP. The economy initially contracted sharply and has been recovering only slowly since. Fiscal deficits rose sharply, averaging 6.5 percent of GDP a year during 2015–19, but were contained thanks to cuts to investment and social spending and progress in revenue mobilization. The COVID pandemic disrupted a mild economic recovery that was underway (growth stood at 1.8 percent in 2019) and contributed to maintaining large fiscal deficits (6 percent of GDP in FY 2019/20 (July–June) and 7.6 percent of GDP in FY2020/21). The deficits have been financed mainly by borrowing from the central bank and commercial banks, with occasional accumulation of domestic arrears to suppliers. Except for arrears to Libya (para 6), there are no identified external sovereign arrears to official or private creditors.

Text Table 4. Burundi: External Debt Stock by Creditor at End-2021 and End-2022

	2021		2022	
	Nominal (Millions of US dollars)	Percent of GDP	Nominal (Millions of US dollars)	Percent of GDP
Total Debt	667.3	20.2	769.7	19.9
Multilateral	477.5	14.5	468.2	12.1
World Bank (IDA)	132.2	4.0	121.7	3.2
OPEC Fund	86.8	2.6	93.9	2.4
Arab Bank for Ec. Dev. in Africa (BADEA)	54.8	1.7	61.2	1.6
Intl. Fund for Agric. Dev. (IFAD)	30.5	0.9	28.7	0.7
AfDB (incl. FAD)	30.2	0.9	28.6	0.7
IMF ^{1/}	94.9	2.9	81.6	2.1
EU	48.1	1.5	52.5	1.4
Bilateral	189.8	5.8	301.5	7.8
Paris club	0.0	0.0	0.0	0.0
Non-Paris club	189.8	5.8	301.5	7.8
Commercial	0.0	0.0	0.0	0.0

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

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

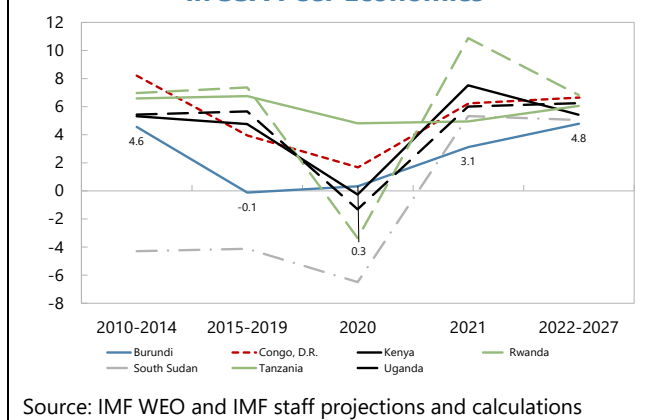
6. Burundi owes most of its external debt to multilateral and regional lenders (Text Table 5). The multilateral creditors are the IMF, World Bank, AfDB, and International Fund for Agricultural Development (IFAD). Regional lenders to the central government include the EU, Arab Bank for the

Economic Development of Africa (BADEA), and the OPEC Fund for Development. Bilateral creditors of the central government are China and India (through their Exim Banks), and Saudi Arabia, Kuwait, and Abu Dhabi (through their Funds for Development). Burundi owes arrears to Libya (US\$ 4.64 million at end-2022 or 0.12 percent of GDP) which continue to be deemed away under the policy on arrears to official bilateral creditors, as the underlying Paris Club agreement is adequately representative, and the authorities are making best efforts to resolve the arrears. Debt to the IMF (US\$ 81.6 million at end-2022 or 2.1 percent of GDP) is being serviced by the central bank for the portion contracted before 2021 and by the Ministry in charge of finance for the RCF loan contracted in 2021. Contribution arrears to international organizations (US\$ 90.1 million at end-2022 or 2.3 percent of GDP) have been added to the stock of external debt. The DSA assumes that there is no interest on this obligation, and that it will be paid down at a rate of US\$ 2 million per year, starting in 2024. An external loan of the telecommunication company ONATEL (US\$ 17.9 million at end-2022 or 0.5 percent of GDP) that is guaranteed by the government has also been added to the stock of external debt. Burundi has not accessed private external capital markets. Burundi received debt service relief from Exim Bank of China and the Kuwait Fund (US\$ 0.75 million at end-2021) under the G20 Debt Service Suspension Initiative (DSSI), which is considered in this analysis. Burundi's outstanding external debt at end-2022 retains a grant element of 9 percent.⁶

C. Macroeconomic Forecasts

7. The baseline underpinning the DSA assumes a rebound in growth in 2023, which will continue over the medium term, supported by public investment. Real GDP growth would reach 3.3 percent in 2023 under the impulse of recent measures taken in the agricultural sector, including the program of public lands allocation to cooperatives and private investors to boost the extension of farms as well as the program of improved quality seeds distribution to farmers conducted by the Burundi's agronomic research institute (ISABU). Moreover, the local fertilizer company FOMI is extending its production through the creation of two new factories in the country, which are expected to increase the supply of fertilizers in the second half of 2023, which will better satisfy demand for fertilizers. Growth would further rebound to 6 percent in 2024 as the full effects of ER reform are reaped, as well as other early reforms, including in the mining sector with the recent promulgation of the new mining code as well as the adoption of program budgeting. Growth is projected to stabilize around 5.7 percent in the medium term, driven by ongoing public and donor investment projects,⁷ mining production under a new

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



⁶ The grant element of a loan declines over time as the loan is repaid, even when the loan is initially concessional (i.e., with a grant element of 35 percent or above).

⁷ Several hydroelectric dams are in train, financed with European, Chinese and IDP funds and a World Bank solar project began in 2021 (combined cost of US\$600 million). Three of these projects should start production soon and (continued)

mining code and renegotiated contracts, buoyant service activities supported by the ER reform, stronger agricultural production resulting from ongoing measures, increased resilience to climate shocks, group lands to generate economies of scale, as well as improved financial inclusion. These growth drivers are consistent with the PND. In addition, programmed policy, governance, and structural reforms, the planned use of the SDR allocation to scale up public investment, and lower import restrictions will unlock growth and mitigate the effects of the projected fiscal consolidation. The outlook also assumes limited external financing flows.

8. Inflation is projected to gradually recede in the medium term. It is projected to remain high for 2023 (20.1 percent), a legacy of domestic and external shocks on food and fuel prices. Despite the potential inflationary impact of the ER reform of 2023, inflation is projected to recede in 2024 (16.1 percent on average) thanks to the authorities' initiatives, including targeted tax breaks and sales of cereal security stocks below market prices, and reduction of the monetary policy impulse of 2022. Inflation would remain contained in the medium term due to initiatives to boost agricultural production and import substitution policies.⁸

9. External imbalances are expected to ease slightly in 2023 and over the medium term. The ER reform and FX market liberalization⁹ and the resulting reduced external imbalances are expected to stimulate exports and remittance inflows. External capital flows – mainly from donors (project grants) and private investors (mainly trade credits)¹⁰ – are projected to continue to play an important role in the financing of the balance of payments. The cumulative effects of the reforms and external flows will support official reserves buildup to US\$ 239.7 million (1.9 months of imports) at end-2023 and to close to 3.5 months of imports in the medium term.

10. The main changes compared to the July 2022 DSA are as follows (Box 1 and Text Table 6):

- **Real sector.** Real GDP growth has been revised downward for 2023 (0.8 percentage points) and upward for 2024 (1.1 percentage points) as the negative impact of the war in Ukraine on prices and global demand offset in 2023 the positive impact of the ER reform and the prospective ECF loan. Starting in 2024, growth has been revised up as the prospective ECF loan with the associated policy, governance, and structural reforms, are expected to support

three others by 2025. Power line and road projects are funded by the AfDB (\$100 million). A new financing agreement was signed with the U.S. (US\$ 400 million over five years), following the lifting of U.S. sanctions.

⁸ Absent external shocks, inflation has been mostly driven by agricultural trends (3 percent during 2015–20). The government financed investment to boost local production of the main inputs such as fertilizers and quality seeds.

⁹ The authorities have adopted several measures liberalizing the FX market. They allowed withdrawal of remittances in foreign currency in October 2022 and transferred FX accounts of international organizations and embassies to commercial banks in March 2023. They also announced transfer of NGO's accounts to commercial banks starting in July 2023. Furthermore, they stopped allocating FX at the official rate except for fuel and, to a lesser extent, medical supplies. They also authorized FX bureaus to apply for license and reopen in October 2022 and allowed them to trade at freely determined rates in January 2023, though this last measure was subsequently revoked. To end, they operationalized the FX interbank market in May 2023 and announced several measures initiating the exchange rate unification.

¹⁰ Trade credits have been large historically, averaging 7.3 percent of GDP during 2017–22. They are projected at less than 5 percent of GDP per year on average during 2023–43.

increase in public investment and private sector activity, alleviate FX access limitations, and hence boost economic growth (Box 1).

Text Table 5. Burundi: Decomposition of Public Debt and Debt Service by Creditor, 2022–24^{1,2}

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(In US\$)	(Percent total debt)	(Percent GDP)	(In US\$)			(Percent GDP)		
Total	2640	100	68.4	483	328	330	14.4	9.8	8.4
External	770	29.2	19.9	32	73	86	0.9	2.2	2.2
Multilateral creditors ⁴	468	17.7	12.1	18	40	37	0.5	1.2	1.0
IMF	82	3.1	2.1	4	6	3	0.1	0.2	0.1
World Bank	122	4.6	3.2	5	7	7	0.2	0.2	0.2
ADB/AfDB/IADB	29	1.1	0.7	1	21	21	0.0	0.6	0.5
Other Multilaterals	236	9.0	6.1	8	6	6	0.2	0.2	0.2
o/w: OPEC Fund for International Development in Africa	94	3.6	2.4	4	2	2	0.1	0.1	0.1
o/w: Arab Bank for Economic Development in Africa	61	2.3	1.6	2	1	0	0.1	0.0	0.0
list of additional large creditors ³	53	2.0	1.4	0	0	0	0.0	0.0	0.0
Bilateral Creditors	194	7.3	5.0	8	7	13	0.3	0.2	0.3
Paris Club	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
list of additional large creditors ³	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Non-Paris Club	194	7.3	5.0	8	7	13	0.3	0.2	0.3
o/w: Saudi Arabia Debt Stock	55	2.1	1.4	0	0	1	0.0	0.0	0.0
o/w: India Debt Stock	61	2.3	1.6	3	1	2	0.1	0.0	0.0
o/w: China Debt Stock	43	1.6	1.1	0	1	1	0.0	0.0	0.0
Bonds	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Commercial creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
list of additional large creditors ³	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Other international creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
list of additional large creditors ³	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Domestic	1870	70.8	48.4	451	255	244	13.5	7.6	6.2
Held by residents, total	1870	70.8	48.4	451	255	244	13.5	7.6	6.2
Held by non-residents, total	0	0.0	0.0	0	0	0	0.0	0.0	0.0
T-Bills	946	35.8	24.5	322	140	87	9.6	4.2	2.2
Bonds	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Loans	924	35.0	23.9	130	115	158	3.9	3.4	4.0
Memo items:			0.0						
Collateralized debt ⁵	0	0.0	0.0						
o/w: Related	0	0.0	0.0						
o/w: Unrelated	0	0.0	0.0						
Contingent liabilities	0	0.0	0.0						
o/w: Public guarantees	0	0.0	0.0						
o/w: Other explicit contingent liabilities ⁶	0	0.0	0.0						
Nominal GDP	3918								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/Some public debt is not shown in the table due to confidentiality clauses/capacity constraints.

3/ Individual creditors accounting for more than 5 percent of total debt.

4/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)

5/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

6/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

- **Fiscal sector.** Revenue projections are slightly lower (about 3 percentage points of GDP per year for the 2023–28 period) than projections during the July 2022 DSA mainly because of the higher nominal GDP path (on average about 40 percent higher each year during the 2023–28

period) and despite the impact of revenue measures in the 2022/23 budget and additional reforms on revenue mobilization to be implemented under the ECF arrangement (Table 1). Project grants are higher in the medium term mainly because of the impact of the ER reform on the BIF value of these grants. Current spending is lower in the medium term mainly because of the increase in nominal GDP. Total public investment is higher mainly because of the impact of the ER reform on the BIF value of foreign-financed investment and higher domestically financed investment. As a result, the path of the projected fiscal deficit is marginally better than in the July 2022 DSA.¹¹ The projected fiscal adjustment and supporting reforms are expected to raise the primary fiscal balance from an annual average of -3 percent of GDP during 2020–25 to an annual average of -0.6 percent of GDP during 2026–42. The baseline assumes significant fiscal adjustment starting in FY2024 mainly because of the expected resumption of budget support and a strong decline in “other expense”, notably spending pressures related to COVID-19 and fertilizer subsidies. Spending on wages, goods and services and transfers are expected to remain contained to provide room for domestically financed public investment (Text Table 7).

Text Table 6. Burundi: Selected Macroeconomic Indicators, 2020–42

	Average 2020-25	Average 2026-42	2020	2021	2022	2023	2024	2025	2026	2027	2028
Real GDP growth (percent)											
July 2022 DSA	3.5	4.1	0.3	3.1	3.3	4.1	4.9	5.1	4.8	4.6	4.3
Current DSA	3.4	5.1	0.3	3.1	1.8	3.3	6.0	5.9	5.7	5.9	5.5
CPI (period average)											
July 2022 DSA	7.2	4.0	7.3	8.3	11.0	8.0	4.3	4.1	4.1	4.0	4.1
Current DSA	13.5	10.1	7.3	8.3	18.9	20.1	16.1	10.1	10.2	10.0	10.2
Primary fiscal balance (percent of GDP) 1/											
July 2022 DSA	-2.4	-0.2	-3.1	-5.0	-1.8	-4.1	-3.0	-0.6	0.4	0.5	-0.7
Current DSA	-3.0	-0.6	-3.1	-4.7	-4.2	-6.4	-1.8	-0.7	-0.6	-0.3	-0.3
Non-interest current account balance (in percent of GDP)											
July 2022 DSA	-12.6	-8.6	-10.0	-13.3	-14.1	-13.8	-13.1	-11.0	-10.3	-9.7	-9.4
Current DSA	-14.9	-14.8	-10.1	-12.3	-15.4	-16.9	-17.6	-17.4	-15.6	-13.1	-10.5
Exports growth (percent)											
July 2022 DSA	10.2	7.1	-15.9	-10.8	71.2	0.4	5.2	11.4	5.9	6.1	6.3
Current DSA	9.0	14.8	-15.9	-10.8	18.7	9.7	30.1	22.2	21.2	17.1	8.2
Imports growth (percent)											
July 2022 DSA	8.7	5.3	2.7	14.1	24.5	5.3	4.3	0.9	3.7	4.0	4.7
Current DSA	8.2	11.5	2.7	13.9	17.0	2.6	5.0	7.9	4.6	3.3	-1.5

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

- **External sector.** The path of the non-interest current account balance as a share of GDP in the current DSA is less favorable in the medium term than in the July 2022 DSA mainly because of the impact of the ER reform on the BIF value of external flows, especially imports in the context of increased public investment. In the long term, export-enhancing structural reforms, import substitution policies and higher transfers would help improve the path of the non-interest current account balance as a share of GDP.

¹¹ Given the program’s deficit targets, some current and investment spending initiatives envisaged in the 2023/24 budget may not be implemented if the authorities commit to the program. In the event of low revenue, the Minister in charge of Finance is legally empowered to block the commitment of “non-fixed” expenditure.

Table 1. Burundi: Recent Revenue Measures**Key measures of the 2021/22 Budget**

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

Key measures of the 2022/23 Budget

- The deduction or reimbursement of the Value Added Tax (VAT) is now conditional on the verification of the payment of the VAT collected by the supplier
- Exemptions from direct and indirect taxation, apart from laws, international conventions, ratified treaties and international contracts signed by Burundi are eliminated
- The delivery of buildings, or fractions of buildings whose use is not yet defined, made by legal persons, is subject to the VAT under the conditions defined by law
- There is an increase in annual flat-rate road charge for some vehicles and other machinery
- There is an increase in the fee for the cancellation or modification of a declaration and of any document at the expense of the customs agency author of the declaration, when the fault lies with it
- There is an increase in the fee for the reactivation of a customs agency deactivated due to fraud or a proven customs offense
- An ad valorem tax of 1.5 percent of the customs value is instituted on all imports, except for those exempted by other laws, international conventions, treaties ratified, and international contracts signed by Burundi
- An annual fee for the renewal of temporary admissions is instituted for vehicles, motorcycles or any other item subject to the temporary admission regime
- There is an increase in the fee related to national driving licenses
- A new special contribution of five percent (5 percent) of the customs value is introduced for some vehicles; and another special contribution of five percent (5 percent) of the acquisition value is introduced for buildings whose market value is equal to or greater than five hundred million Burundian francs
- A fifteen percent (15 percent) withholding is applied to some payments made by residents, including tax-exempt persons
- There is an increase in the levy paid for customs declaration with the exception of simplified declarations
- A flat-rate levy is instituted on the income earned by intermediaries in mobile money transfer operations
- A tax of ten percent (10 percent) is applied on the rates applied by notaries and lawyers on behalf of the Treasury
- There is an increase in ad valorem tax rate on vehicles (exception of ambulances, cellular cars and hearse cars); and there is an increase in specific tax rates on beer, liquors, wines of all categories, and lubricants
- A specific taxation system is operated on cigarettes containing tobacco to replace the ad-valorem taxation system for the calculation of the consumption tax

Key measures of the 2023/24 Budget

- There is further strengthening of VAT reimbursement controls. To be eligible for deduction or reimbursement, the VAT must appear on an electronic invoice sent to the database of the electronic billing management system of the OBR (Electronic Billing Management System "EBMS") at the time of its establishment.
- There is a new service consumption tax on hotels (5 percent), which is payable by their clients. It is payable monthly by the hotels, which must collect it.

Table 1. Burundi: Recent Revenue Measures (Concluded)

- There is a new tax (8 percent) on financial services. The tax base is made up of the gross amount of interest, agios, commissions and other remuneration. It is not an expense deductible from taxable income. The VAT on financial services is abolished. The specific 5 percent contribution payable by financial institutions is abolished.
- Natural persons who have businesses are now subject to a taxation system similar to that applied to companies. Those who realize a turnover less than or equal to BIF 25,000,000 annually are required to subscribe to the quarterly tax declaration. The tax rate is set at a single rate of 0.3 percent of quarterly turnover. Individuals with an annual turnover of more than twenty-five million (25,000,000) must file an annual income tax declaration.
- There is an increase in the discharge tax (*impôt libérateur*) for some businesses (butchers, trucks of more than 10 tons).
- Revenue from renting stands and shops belonging to the government must be transferred to OBR accounts, with the government giving 10 percent of the money back to local governments.
- There is an increase in the fee for canceling or modifying a customs declaration.
- A new annual fee (BIF 50,000) is instituted for obtaining an importer or exporter code.
- There are new fees for obtaining a license to operate beverage outlets of different categories.
- A new fee (BIF 10,000) is introduced for the printing of a duplicate of a payment receipt or a tax registration certificate, when the printing results from the initiative of the beneficiary.
- The specific tax on cigarettes has been increased.
- There are new building taxes on building permits, plane tickets, mobile messaging, internet protocol (IP) communication, mobile financial services, services in the electronic communication sector.
- A new wealth tax is introduced from the acquisition of the third building.
- There is a new fee on the registration, renewal or transfer of mortgage relating to an immovable or a registered immovable real right.
- The cost of the Health Assistance Cards (CAM) has been unified to BIF 3000.
- The cost of the tax stamp is set in BIF (instead of US\$) at an amount equivalent to BIF 576.

Text Table 7. Burundi: Decomposition of Fiscal Adjustment
(In percent of GDP)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42
	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	1.1	0.2	4.9	0.0	-2.2	-1.6	-2.0	-1.3	-0.9	-1.5	-1.2	-0.6	-0.2	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Tax revenue	-0.6	-1.9	-0.9	0.4	0.5	0.3	0.2	0.2	0.1	-0.1	-0.1	-0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Taxes on income, profits, and capital gains	0.3	-0.3	-0.5	0.5	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods & services	-0.2	-1.2	-0.4	-0.5	0.4	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Taxes on international trade & transactions	-0.6	-0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other revenue	0.9	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.8	2.2	5.8	-0.3	-2.7	-1.9	-2.2	-1.5	-1.0	-1.4	-1.0	-0.5	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Program grants	0.0	0.0	1.8	-0.4	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	1.0	2.4	4.0	0.1	-1.8	-1.9	-2.2	-1.5	-1.0	-1.4	-1.0	-0.5	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other grants and transfers	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure	0.5	2.1	0.6	-1.2	-2.5	-2.1	-2.1	-1.3	-0.8	-1.5	-1.3	-0.7	-0.5	-0.4	0.7	0.7	0.0	0.0	-0.1	-0.1	-0.1
Expense	-2.4	-1.0	-4.8	-0.3	-0.7	-0.7	-0.2	0.2	0.2	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Compensation of employees	-0.7	-1.2	0.9	-0.4	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases/use of goods & services	-0.5	-0.7	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies and Social benefits	-2.0	-0.6	-0.9	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.0	-0.4	0.3	-0.1	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Domestic	-0.1	-0.5	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.1	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other expense	0.9	1.9	-5.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Domestically financed	1.2	1.9	-5.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Covid spending	-0.6	-1.2	0.5	-0.4	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	2.9	3.0	5.3	-0.9	-1.8	-1.5	-2.0	-1.5	-1.0	-1.5	-1.2	-0.6	-0.3	-0.2	0.9	0.7	-0.1	-0.1	-0.1	-0.1	-0.1
Of which: Domestically financed	0.4	0.9	1.2	-1.5	0.2	0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.9	0.1	0.1	0.0	0.0	0.0
Net lending (+) / borrowing (-)	0.6	-1.9	4.4	1.2	0.3	0.5	0.1	0.0	-0.1	0.0	0.1	0.1	0.2	0.4	-0.7	-0.7	0.1	0.1	0.2	0.2	0.2

Sources: Burundi authorities and IMF staff estimates and projections.

11. Domestic borrowing is projected to finance most of the declining fiscal deficit going forward, though net external borrowing would remain and increase somewhat starting in 2027 (Text Table 8 and Table 2). Significant external disbursements, including from the IMF and World Bank, have financed COVID-related spending and the economic recovery. The fiscal consolidation that is expected to start in FY2024 is expected to reduce financing needs—fiscal deficits would gradually decline and limit the impact of domestic borrowing on private investment and macroeconomic stability. Most of the external borrowing in 2022 was from multilateral and regional lenders (60 percent). Their share is projected to further increase during the prospective ECF disbursements from the IMF, peaking at 87.9 percent in 2023 before declining to 48.6 percent in 2026, from where it will start rising again to about 88.6 percent starting in 2034 as the DSA assumes that Burundi is likely to maintain access to highly concessional financing. Projected Multilaterals' loan maturity varies between 20 and 38 years and grant elements vary between 27.5 percent to 53.7 percent. Non-Paris Club bilateral creditors are assumed to maintain lending to Burundi, with loan maturities varying from 20 to 30 years and grant elements varying between 29.8 and 49.4 percent.¹² Burundi is subject to a ceiling of zero non-concessional external borrowing (NCB), which is also a PPA under the SDFP for FY21-FY23. The new borrowing assumed in the DSA is consistent with the NCB, which will support Burundi in containing borrowing costs and mitigating external debt-related risks. However, despite Burundi's reengagement with the international community, staff's baseline projections of external disbursements are conservative and do not reflect the full potential of donor support (para. 15.

¹² Creditors that have projected disbursements with a grant element of less than 35 percent are OPEC Fund (27.5 percent) and Exim bank India (29.8 percent). The existing debt with OPEC and Exim bank India is supposed to disburse until 2027.

below). As a result, in the medium term, domestic sources are projected to finance most of the fiscal deficit and deposit accumulation until FY2028. Starting with FY2027, net external borrowing picks up but would remain modest, less than 1 percent of GDP. In the longer term, an improving fiscal balance would reduce financing needs and the need for domestic debt issuance. Domestic financing is assumed to be in the form of central bank lending (mainly the SDR allocation), treasury bills and bonds with maturities varying from less than one year to more than seven years and interest rates varying from 2 to about 13.5 percent.

Text Table 8. Burundi: Staff Projections of External Disbursements, 2023–33^{1/}
(In percent of GDP)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Loans (Projects)											
Projected disbursements (staff)	5.3	3.4	2.7	1.5	1.5	1.7	1.7	1.6	1.4	1.3	1.2
Multilateral	4.7	2.3	1.7	0.7	0.8	1.4	1.4	1.4	1.2	1.1	1.0
Of which : IMF	4.1	1.9	1.6	0.7	-	-	-	-	-	-	-
Of which : IDA	-	-	-	-	0.8	0.9	1.0	1.0	1.0	0.9	0.8
Of which : AfDB	-	-	-	-	-	-	-	-	-	-	-
Of which : Others	0.5	0.4	0.1	0.1	0.0	0.4	0.4	0.3	0.3	0.2	0.2
BADEA	0.3	0.2	0.0	0.0	-	0.2	0.2	0.2	0.1	0.1	0.1
OPEC Fund	0.3	0.2	0.1	0.1	0.0	0.2	0.2	0.2	0.1	0.1	0.1
Bilateral	0.6	1.2	1.0	0.8	0.7	0.3	0.3	0.2	0.2	0.2	0.1
Paris Club	-	-	-	-	-	-	-	-	-	-	-
Non Paris Club	0.6	1.2	1.0	0.8	0.7	0.3	0.3	0.2	0.2	0.2	0.1
India	0.4	0.9	0.8	0.7	0.6	0.2	0.2	0.1	0.1	0.1	0.1
EXIM Bank of Indian(EBI)	0.4	0.9	0.8	0.7	0.6	0.2	0.2	0.1	0.1	0.1	0.1
Saudi Arabia	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Fonds Saoudien	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Other	-	-	-	-	-	-	-	-	-	-	-
Grants (Projects and budget support)											
Projected disbursements (staff)	14.9	16.9	13.1	11.3	9.3	6.9	6.1	4.9	3.3	2.7	2.3
Of which : IDA	4.7	6.6	5.8	4.7	4.4	3.5	3.1	2.4	1.2	1.0	0.9
Of which : AfDB	1.0	1.2	1.1	1.1	1.1	1.0	1.0	0.9	0.8	0.7	0.6
Of which : Others (incl. US and EU)	9.2	9.1	6.1	5.5	3.9	2.4	2.0	1.6	1.3	1.0	0.9
Of which : Project grants	12.8	14.4	12.6	10.8	8.8	6.4	5.6	4.4	2.8	2.2	1.8
Memorandum items:											
GDP at current market prices											
In billions of US\$	3.2	3.1	3.4	3.8	4.2	4.7	5.1	6.0	7.5	9.3	10.9
Share of IMF disbmt in total loans (in percent)	77.8	54.7	58.9	43.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of IMF disbmt in total loans and grants (in percent)	20.4	9.3	9.9	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Authorities and IMF staff projections

^{1/} Staff projected disbursements are based on discussions between staff and the authorities and development partners and the absorption capacity.

Table 2. Burundi: Summary of Projected External Borrowing Program^{1/}

PPG external debt	Volume of new debt in 2023		PV of new debt in 2023 (program purposes)		PV of new debt in 2023 (including negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	168.8	100.0	112.3	100.0	112.3	100.0
Concessional debt, of which	17.3	10.3	8.8	7.9	8.8	7.9
Multilateral debt	8.9	5.3	4.5	4.0	4.5	4.0
Bilateral debt	8.5	5.0	4.3	3.9	4.3	3.9
Other	0.0	0.0	0.0	0.0	0.0	0.0
Non-concessional debt, of which	151.5	89.7	103.4	92.1	103.4	92.1
Multilateral debt	139.5	82.6	95.0	84.6	95.0	84.6
o/w IMF	131.3	77.8	89.1	79.4	89.1	79.4
Bilateral debt	12.0	7.1	8.4	7.5	8.4	7.5
Other	0.0	0.0	0.0	0.0	0.0	0.0
By Creditor Type	168.8	100.0	112.3	100.0	112.3	100.0
Multilateral debt	148.3	87.9	99.5	88.6	99.5	88.6
Bilateral debt	20.5	12.1	12.8	11.4	12.8	11.4
Other	0.0	0.0	0.0	0.0	0.0	0.0
Uses of debt financing	168.8	100.0	112.3	100.0	112.3	100.0
Infrastructure	37.5	22.2	23.2	20.6	23.2	20.6
Other	131.3	77.8	89.1	79.4	89.1	79.4
Memo Items						
Indicative projections						
Year 2	105.1		...		...
Year 3	90.6		...		...

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

1/ For program purposes, non-concessional external borrowing excludes: (i) the use of IMF resources; (ii) lending by the World Bank and the African Development Bank; (iii) any BIF-denominated treasury bill and government bond holdings by nonresidents; and (iv) disbursements under loan contracts signed before December 31, 2022.

Box 1. Medium-to-Long Term Macroeconomic Forecasts

Growth is expected to rise to around 5.7 percent in the medium term as delayed growth-enhancing projects are implemented. Growth is estimated to have slowed down to 1.8 percent in 2022, slightly dampened by the effects of the war in Ukraine and is projected to increase to around 6 percent by 2024. Growth would progressively stabilize around 5 percent over the long term, supported by public and donor investment projects (para. 10), mining production under a new mining code and renegotiated contracts, buoyant service activities supported by the ER reform, stronger agricultural production resulting from ongoing measures to improve seed and fertilizer availability, increased resilience to climate shocks, group lands to generate economies of scale, as well as improved financial inclusion. These growth drivers are consistent with the *National Development Plan 2018–2027* (NDP). In addition, programmed policy, governance, and structural reforms, the planned use of the BIF equivalent of the SDR allocation to scale up public investment, and lower import restrictions will unlock growth and mitigate the effects of the projected fiscal consolidation. The primary sector will continue to provide a stable basis for growth but will be overtaken by the tertiary and secondary sectors as the main drivers of expansion.¹

The baseline scenario for the medium and long-term growth assumes a successful implementation of the ECF arrangement. The ECF arrangement aims to reduce imbalances and strengthen inclusive economic growth and resilience. Given the potential of the ECF to create larger fiscal space, both directly and indirectly as it catalyzes funds from other partners, public investment is expected to pick up, leading to a growth of public capital per worker in the long run. The public capital accumulation would crowd in private investment, which would also be bolstered in a context of removal of forex-related distortions. These dynamics would translate into improvements in GDP growth. Burundi's projected long-term growth under the baseline scenario (5.1 percent) is close to the historical performance of 4.5 percent achieved during the pre-crisis period (2006-2014), which had been triggered by strong macroeconomic fundamentals and political stability.

Inflation is projected to decline to about 10 percent in the medium-to-long term and it will continue to be heavily determined by agriculture—food items represent 45 percent of the basket.

The baseline assumes a fiscal consolidation. There is a need to rein in (i) the increase of public debt beyond its already high level; and (ii) money growth while strengthening the domestic banking system's ability to provide credit to the private sector. Total revenue is expected to gradually rise from 16.8 percent of GDP in FY2022/23 to above 18 percent of GDP in the long term, mainly driven by better revenue collection from income taxes and taxes on goods and services, including VAT on imports. Grants are conservative as re-engagement with the international community and the lifting of US and EU sanctions is projected to significantly boost (project) grants only during 2023–28 (about 11.6 percent of GDP per year on average) from a level of 7.2 percent of GDP in FY2021/22. Grants are projected to fall to about 1 percent of GDP in the long term. Current spending is projected to drop significantly from 20.7 percent of GDP in FY2022/23 to about 14 percent of GDP in the long term. This reflects efforts to contain the wage bill, subsidies and transfers and unwinding of the COVID-related spending. Capital spending would reflect the decline in foreign project support, decreasing from about 14.4 percent of GDP in FY2022/23 to about 8 percent of GDP in the long term.² As a result, the fiscal balance will improve from a deficit of about 8.9 percent of GDP in FY2022/23 to smaller deficit of 2.3 percent of GDP in 2032/33 and further improve in the much longer term. Public debt would peak in 2023 at 72.7 percent of GDP and start declining thereafter.³

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

The current account deficit would remain large in the medium to long term despite the improvement in the trade balance in the context of transfers that strongly increase in the medium term but decline in the long term as a share of GDP. Exports would rise from 5 percent of GDP in 2022 to about 14 percent of GDP in the long term. With the mining code being adopted, the baseline assumes that foreign mining companies will resume their production and boost exports. Moreover, with lower distortions in the FX market following the ER reform, more exports (including from the agricultural and mining sectors and the food industry) will use official channels and illegal exports will recede as exporters benefit from higher BIF prices. Imports would rise from 26.5 percent of GDP in 2022 to about 30 percent of GDP in the long term. As a result, the trade deficit would improve from 21.5 percent of GDP in 2022 to about 16 percent of GDP in the long term. The balance in services will slightly worsen in the medium term because of higher outlays on freight but improve in the long term with declining freight associated with declining imports. The balance on the income account would remain insignificant. Transfers would decline from 11.8 percent of GDP in 2022 to about 4 percent of GDP in the long term, after peaking to 19.3 percent of GDP in 2024. As a result, the current account deficit will remain large in the medium and long term. It will be financed mainly with project grants, which will average about 11 percent of GDP per year in the medium term before falling to less than 1 percent of GDP per year in the long term, and public and private sector borrowing, including trade credits, which would average about 5 percent of GDP per year during 2023–43.

¹ Manufacturing production will be boosted by ongoing imports substitution policies (expansion of cement and fertilizer factories) and food and beverage production increases.

² Central bank lending to the government related to the 2021 SDR allocation amounted to BIF 94.7 billion in 2022H2 (1 percent of FY2023 GDP). The baseline assumes that the remainder of the BIF equivalent of the SDR allocation will be deposited by the central bank in government accounts in varying installments in 2023Q2, 2023Q4, 2024Q2 and 2024Q4 and will be used gradually to help finance public investment over time. These central bank advances are included in domestic debt and treated like other central bank advances, which are reimbursed over time with an interest rate varying between 2 and 12.7 percent.

³ Staff projections include the immediate impact of the agreement between Burundi and Tanzania signed on January 16, 2022, to build a \$900 Million (24.5 percent of Burundi 2022 GDP) railway to connect the two nations and boost trade. Staff assumed that the Burundi government will spend BIF 258 billion (2.8 percent of FY2023 GDP) in FY2023 and BIF 258 billion (2.3 percent of FY2024 GDP) in FY2024 on this project. The DSA does not assume further financing from Burundi tied to this project.

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

13. Realism tools also highlight the sensitivity of total public debt to the primary fiscal deficit and GDP growth (Figure 3). The path of public debt in the near term in this DSA is slightly worse than the one in the July 2022 DSA mainly because of the path of public external debt. It is better in the medium to long term as IMF loans get paid down. The July 2022 DSA projected public debt to decline to 48.5 percent

¹³ The large residuals for external debt in Table 3 and Figure 3 are mostly due to the fact that external debt is only central government external debt. The current account deficit is also financed with private borrowing, largely trade credits and unidentified private flows that are not captured in external debt.

of GDP by end-2033 after peaking to 67.7 percent of GDP at end-2023. Going forward, debt relative to GDP is expected to peak to 72.7 percent of GDP at end 2023 and start on a gradual downward path, reaching 29.9 percent of GDP by end-2033, with contributions from lower fiscal deficits and GDP growth over the next five years being more favorable than in recent years.

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

- **Realism of planned fiscal adjustment** (Figure 4 top left chart). The projected fiscal adjustment over the next three years is in the top quartile for low-income countries. It is supported by measures that the authorities committed to implement in the context of the ECF arrangement, which should lead to improvement in revenue collection and donor support, the anticipated winding down of current expenditure related to COVID-19 and fertilizers, and the scaling up of public investment.
- **Consistency between fiscal adjustment and growth** (Figure 4 top right chart). Fiscal multipliers suggest that the projected fiscal adjustment would have a larger impact on growth than currently assumed in the baseline. The tool is not well suited to take account of the impact of the pandemic and the quality of the fiscal adjustment and reforms on growth. The authorities are also expected to implement growth-enhancing structural reforms in the context of the ECF arrangement.
- **Consistency between public investment and growth** (Figure 4 bottom charts). The increase in public investment will clearly support projected growth, in way similar to the July 2022 DSA. Other factors, including private investment will have a positive contribution to projected growth, much higher than the contribution projected in the July 2022 DSA.

15. Risks to the outlook are tilted to the upside, although significant downside risks exist. *Upside risks.* A stronger resumption of mining projects would significantly strengthen the BOP, growth, and revenue collection. Higher yield of recent revenue measures announced in the FY2021/22, FY2022/23 and FY2023/24 budgets would increase fiscal space and improve debt dynamics (Table 1). Upside potential also includes potentially larger-than-projected external financing reflecting the lifting of U.S. and E.U. sanctions and the proposed ECF arrangement, which could catalyze other flows.¹⁴ Disbursements of grants and project loans could be larger than current staff projections, especially for the AfDB (Text Table 8) if project implementation accelerates. Highly concessional long-term external financing would substitute for more expensive domestic financing, reducing borrowing cost and debt vulnerabilities. It would likely be accompanied by an ambitious reform agenda supportive of stronger growth. Further flexibility in the

¹⁴ While project financing has been scaled up, a more ambitious reform agenda would catalyze additional flows, including in the form of budget support. Grants averaged 17.7 percent of GDP per year during 2010–14, before the 2015 political crisis, compared to about 11.6 percent assumed in the baseline medium-term projections. Budget support averaged 3 percent of GDP per year during 2010–14. The DSA assumes limited budget support (1.8 and 1.4 percent of GDP in FY2023/24 and FY2024/25 respectively and 0.5 percent of GDP after) starting in FY2024. Projected project grants are assumed to come mainly from the World Bank (until 2033), AfDB, EU and US.

exchange rate management¹⁵ and other reforms to support a structural change of the economy and enhance competitiveness would improve the outlook.

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

D. Country Classification and Determination of Scenario Stress Tests

16. Burundi's debt-carrying capacity is classified as weak, as in the July 2022 DSA. The country's composite indicator (CI) is 2.40, based on the April 2023 WEO data and 2021 CPIA scores (Text Table 9). Under weak debt carrying capacity, the thresholds applicable to the public and publicly guaranteed external debt are 30 percent for the PV of debt-to-GDP ratio, 140 percent for the PV of debt-to-exports ratio, 10 percent for the debt service-to-exports ratio, and 14 percent for the debt service-to-revenue ratio. The benchmark for the PV of total public debt is 35 percent of GDP.

17. Stress tests use standard settings, except the contingent liabilities stress tests. Both bound tests and tailored tests on commodity prices use the default settings. The contingent liabilities stress test accounts for potential domestic arrears that have not yet been identified or recognized (para. 2) and fiscal risks from SOE debt and the financial sector.

¹⁵ Burundi's de jure exchange rate arrangement is floating, and its de facto exchange rate arrangement is crawl-like.

Text Table 9. Burundi: Debt Carrying Capacity

Debt Carrying Capacity	Weak		
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak 2.40	Weak 2.09	Weak 2.06

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

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.926	1.13	47%
Real growth rate (in percent)	2.719	3.561	0.10	4%
Import coverage of reserves (in percent)	4.052	22.845	0.93	39%
Import coverage of reserves^2 (in percent)	-3.990	5.219	-0.21	-9%
Remittances (in percent)	2.022	3.403	0.07	3%
World economic growth (in percent)	13.520	2.856	0.39	16%
CI Score			2.396	100%
CI rating			Weak	

Applicable thresholds

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

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

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

DEBT SUSTAINABILITY

A. External Debt Sustainability: Signals from the Model

18. Burundi's risk of external debt distress is high. All four external debt burden indicators breach their thresholds under the baseline, signaling a high risk of external debt distress rating. The ratios of the PV of debt to GDP, PV of debt to exports and debt service to revenue under the baseline fall below their thresholds in the medium term. The PV of external debt to GDP only mildly breaches its threshold under the baseline. The ratio of external debt service to exports under the baseline remains close to its threshold

until the end of the horizon mainly because of the repayment of loans from the IMF (2021 RCF loans and prospective ECF loans).

19. The stress tests suggest that Burundi's external debt sustainability is particularly vulnerable to shocks to exports and a combination of shocks to growth, primary balance, exports, non-debt flows, including transfers and FDI and the exchange rate.¹⁶ A shock to exports would result in large and protracted breaches of the thresholds for one debt burden ratios. A combination of shocks to growth, primary balance, exports, non-debt flows, and the exchange rate would result in a large but temporary breach of the threshold for one debt burden ratio and a large and protracted breach for another debt burden ratio. This combination of shocks would increase the ratio of external debt service to revenue, which would nonetheless remain below its threshold in the medium term.

B. Public Debt Sustainability: Signals from the Model

20. Burundi's overall risk of debt distress is high. The PV of the public debt-to-GDP ratio breaches its threshold under the baseline scenario in the near to medium term.¹⁷ It decreases from 75 percent in 2023 to 29 percent in 2033 (below the 35 percent benchmark by 2032) under the assumption of the pursuit of prudent fiscal policy and steady growth. The ratio of public debt service-to-revenues and grants is elevated. It increases from an average of 37 percent per year during 2023-28 to an average of 46 percent during 2029-33.

21. The stress tests suggest that Burundi's public debt sustainability is particularly vulnerable to shocks to contingent liabilities, growth, and commodity prices. A standard shock to contingent liabilities, growth or to commodity prices would leave the PV of public debt-to-GDP ratio above the benchmark until the end of the DSA horizon.

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

RISK RATING AND VULNERABILITIES

23. This DSA finds that Burundi is at high risk of external and overall debt distress. This finding results from mechanical risk signals on external and overall public debt burden indicators, and staff sees no reason to override these signals using judgment. The most important vulnerabilities to the external debt stem from shocks to exports and a combination of shocks to growth, primary balance, exports, non-debt flows, including transfers and FDI, and the exchange rate. Overall, public debt is most vulnerable to shocks to contingent liabilities, growth, and commodity prices. These vulnerabilities could be addressed through reforms that would boost Burundi's resilience, exports, and growth performance, as well as through the

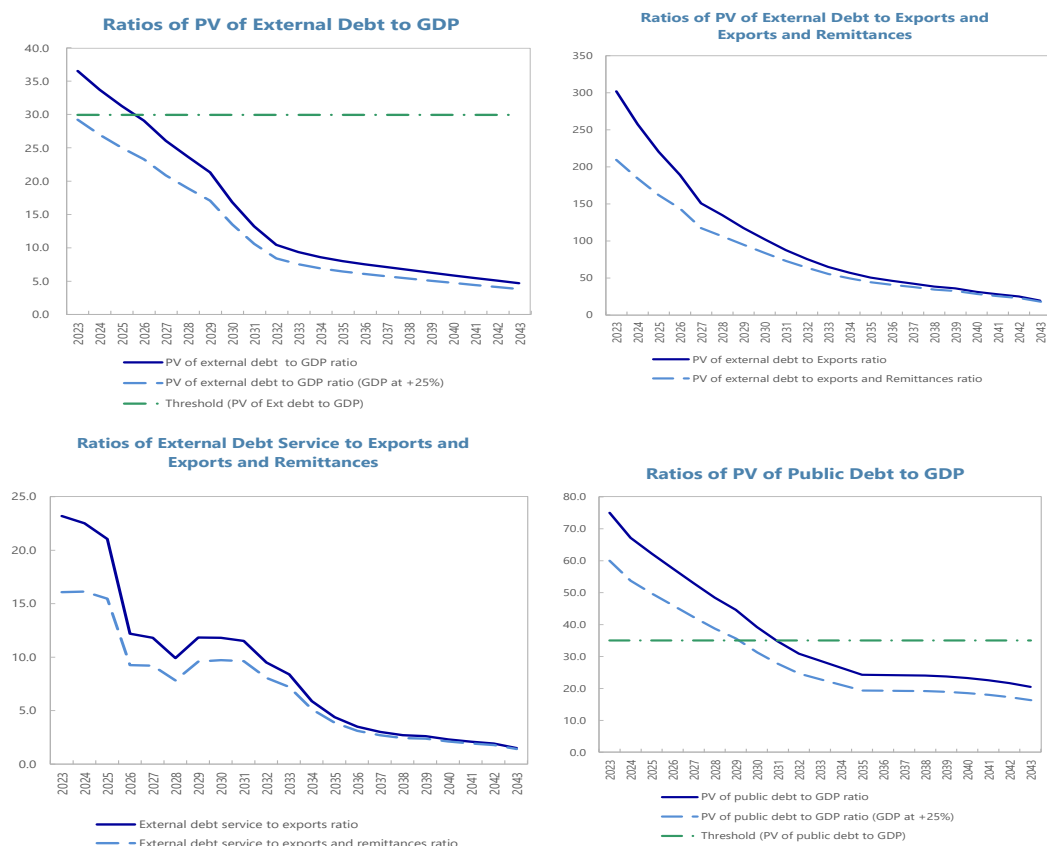
¹⁶ The most extreme stress test is defined as the test that yields the highest ratio on or before the tenth year of the projection period.

¹⁷ The authorities are rebasing GDP, which could lead to an upward shift of GDP and improve debt sustainability indicators based on GDP.

strengthening of relations with donors and associated increase in financial support. These measures would also reduce the need for, and facilitate, fiscal adjustment.

24. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to re-engagement with the international community, exchange rate reform, fiscal consolidation, expectations of donor financing, a positive macroeconomic outlook including robust exports and GDP growth, and the rebasing of GDP, which will likely raise GDP estimates and improve public debt ratios (Text Figure 2). Although the overall debt service to revenue ratio and gross financing needs remains high in the near term, given the large share of domestic debt, roll-over risks are limited. Solvency debt indicators are declining. Neither the realism tools nor the historical scenarios point to unrealistic macro assumptions (i.e., there is reasonable confidence in the baseline scenario). Given the country's good track record in servicing its external debt, there is a high likelihood that Burundi will be able to meet all its current and future financial obligations. Sustained remittance inflows serve to lower the effective risks associated with the external debt liquidity indicators. There are several mitigating factors: (i) rebased GDP series (release planned for 2023) may result in an upward shift in nominal GDP; and (ii) higher exports and remittances under the impulse of the ER realignment would alleviate external liquidity constraints. The modified sustainability indicators accounting for these mitigating factors converge towards their respective thresholds at the end of the DSA horizon.

Text Figure 2. Ratios of External Debt Service and PV of External Debt to Exports and to Exports Remittances 1/
(In Percent)



Sources: Country authorities; and staff estimates and projections.

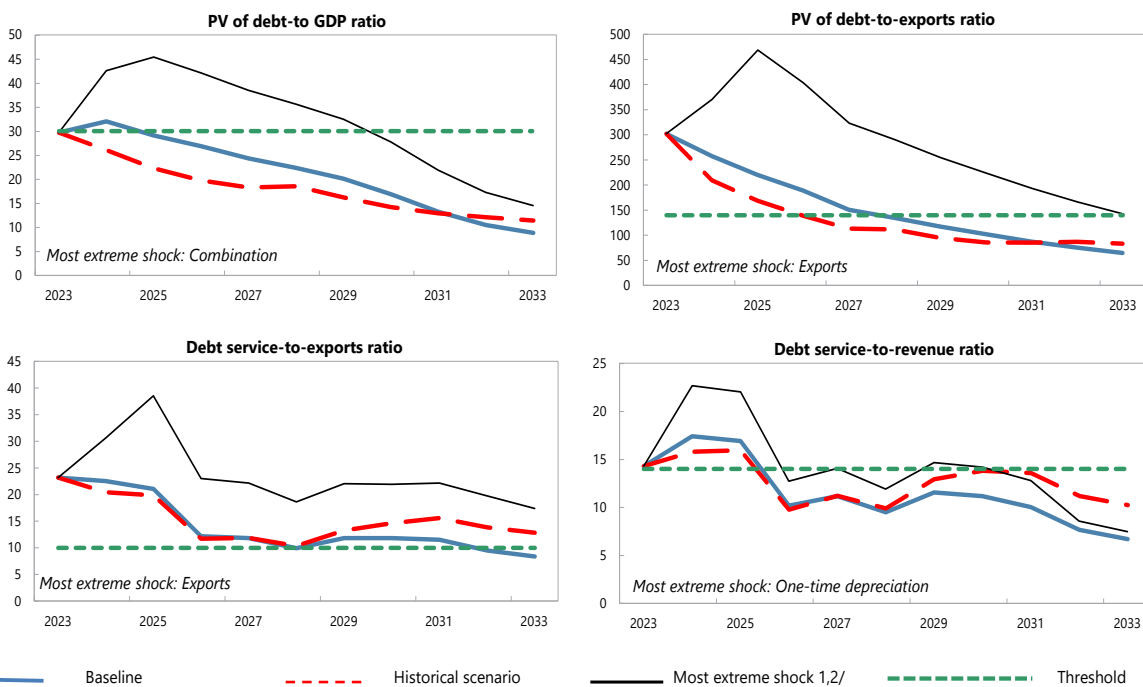
1/ The indicators using "GDP at +25%" are for illustrative purposes and simulate these indicators if the rebasing of GDP were to raise GDP by 25 percent.

25. Staff's assessment of debt sustainability is subject to risks, including from domestic policies and the external environment. In addition to risks to the baseline outlook (para. 16), delays in fiscal consolidation, slow implementation pace of structural reforms to enhance competitiveness and boost exports and growth, information gap on arrears, and heightened effects of the COVID-19 pandemic or war in Ukraine would also heighten debt vulnerabilities. Burundi's debt is vulnerable, especially to shocks to exports, a combination of shocks to growth, primary balance, exports, non-debt flows, including transfers and FDI, the exchange rate, and commodity prices. Stronger GDP growth supported by prospects of stronger donor financing and efficient use of the 2021 SDR allocation (SDR 147.6 million equivalent to 6.3 percent of 2021 GDP) would mitigate debt vulnerabilities.

AUTHORITIES' VIEWS

26. The authorities agreed with staff's DSA and reiterated their commitment to macroeconomic stability, including external and debt sustainability. Reforms envisaged in the NDP and the ECF arrangement would help achieved these objectives. The ER reform will unify the FX market and remove sources of macroeconomic imbalances. The planned growth-enhancing fiscal consolidation, better coordination between fiscal and monetary policies and structural reforms would not only strengthen the overall macroeconomic policy framework but would also boost donor and investor confidence, which would clearly put Burundi on a stronger, lasting, and inclusive growth path.

Figure 1. Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2023–33



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

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6

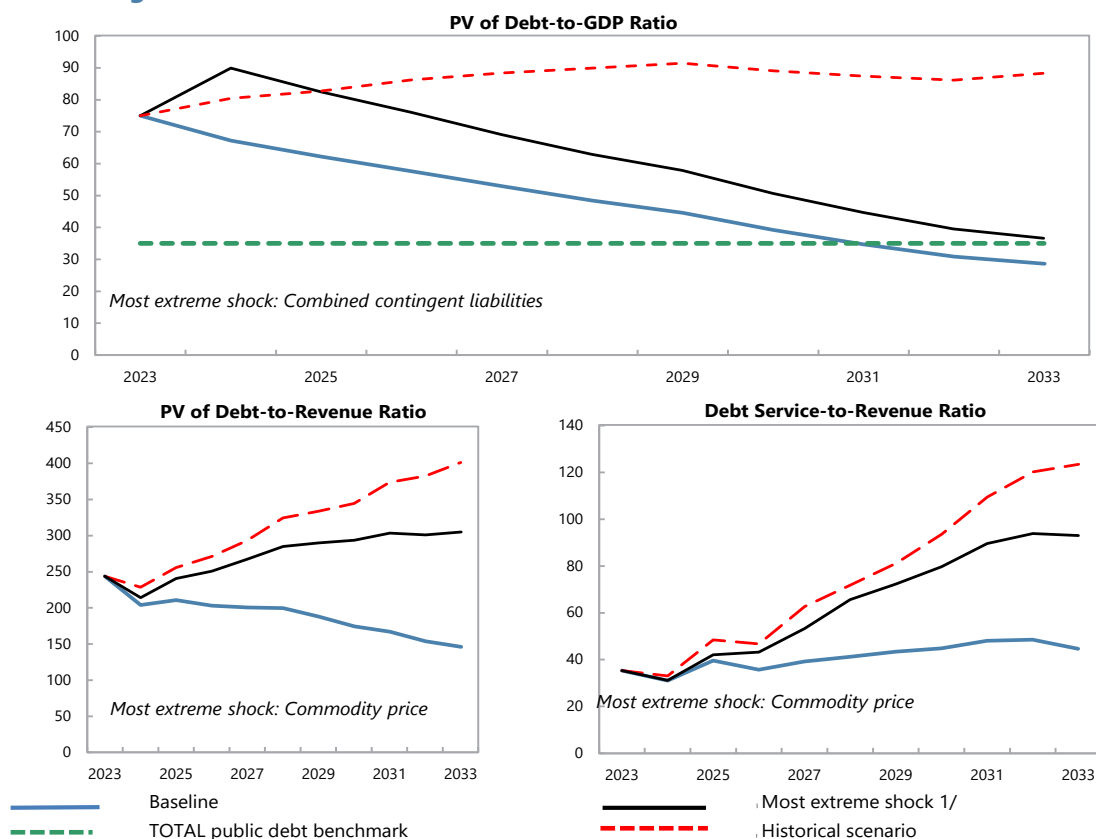
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Indicators of Public Debt under Alternative Scenarios, 2023–33



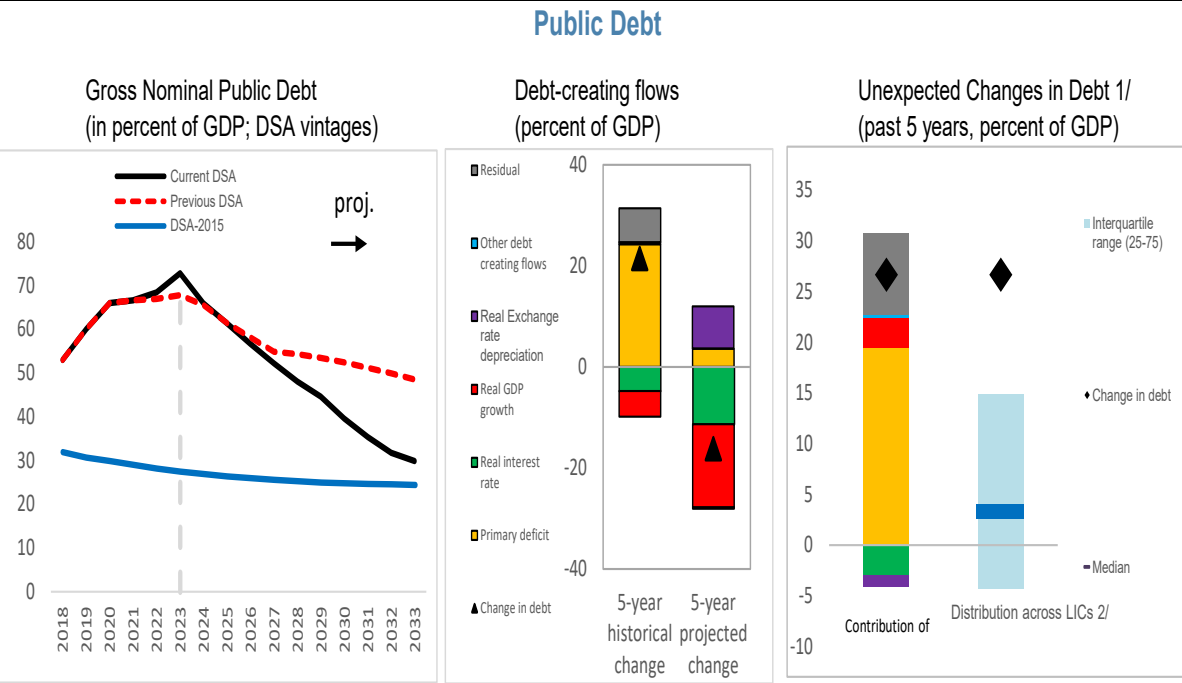
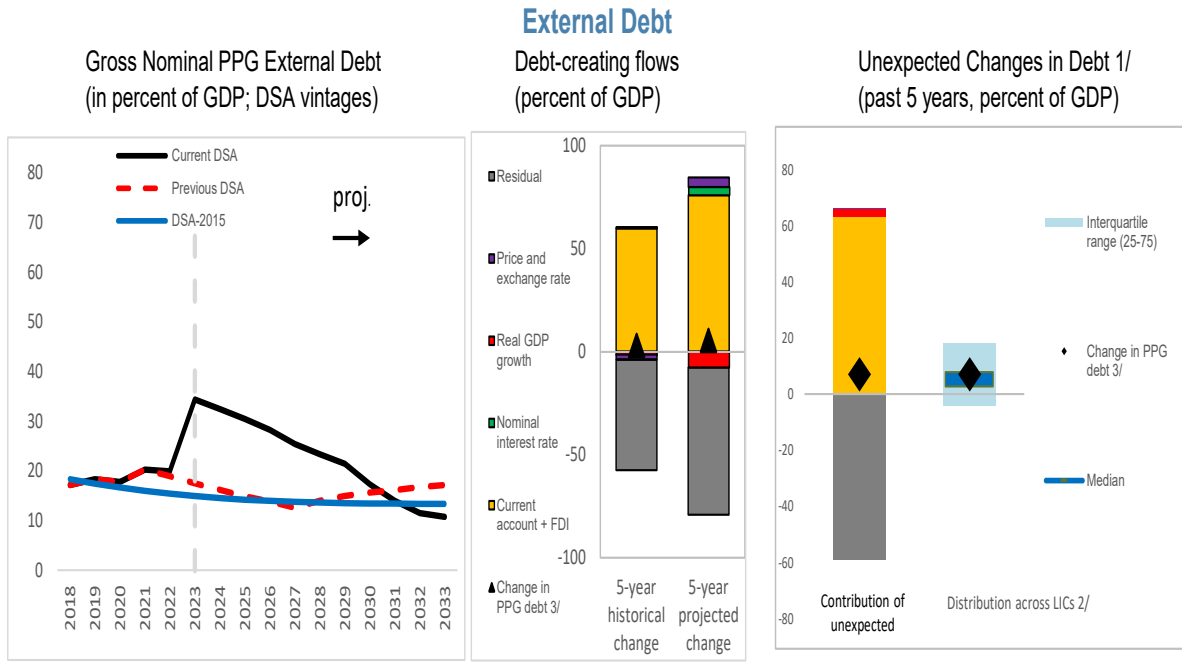
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	20%	20%
Domestic medium and long-term	56%	56%
Domestic short-term	25%	25%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	-3.2%	-3.2%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	-4.8%	-4.8%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Drivers of Debt Dynamics – Baseline Scenario



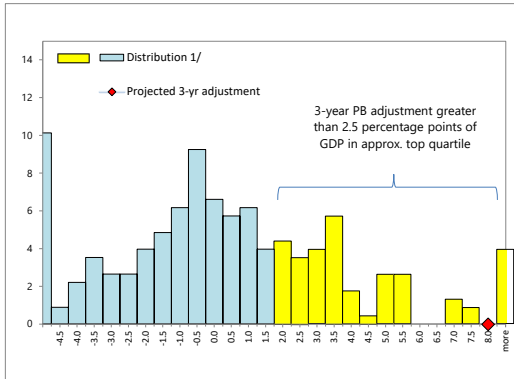
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

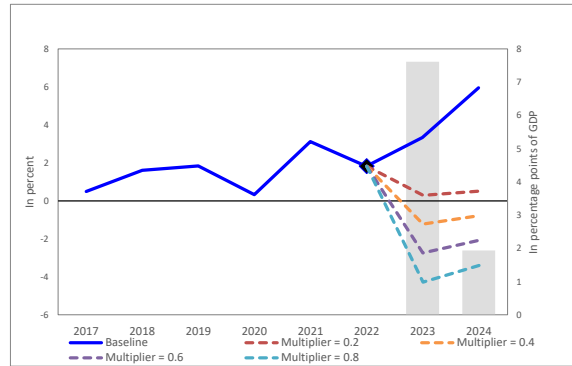
Figure 4. Realism Tools

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



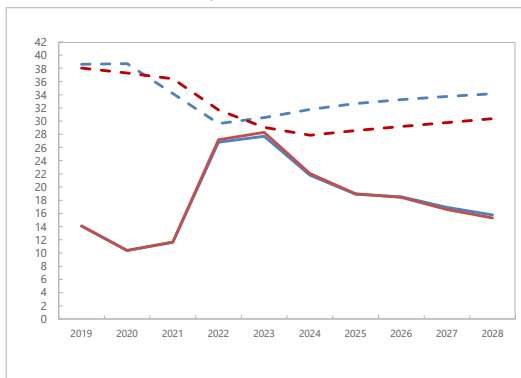
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



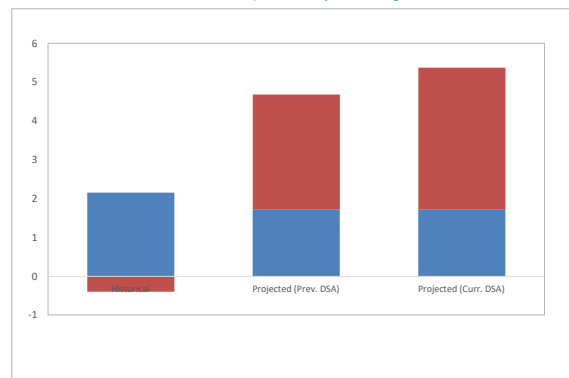
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



— Gov. Invest. - Prev. DSA — Gov. Invest. - Curr. DSA
- - Priv. Invest. - Prev. DSA - - Priv. Invest. - Curr. DSA

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



■ Contribution of other factors
■ Contribution of government capital

Table 3. Burundi: External Debt Sustainability Framework, Baseline Scenario, 2020–43
(In Percent of GDP, unless otherwise indicated)

	Actual			Projections							Average 8/ Historical Projections		
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/ of which: public and publicly guaranteed (PPG)	17.7	20.2	19.9	34.4	32.5	30.5	28.2	25.4	23.4	10.7	6.8	18.9	22.7
	17.7	20.2	19.9	34.4	32.5	30.5	28.2	25.4	23.4	10.7	6.8	18.9	22.7
Change in external debt	-0.6	2.5	-0.3	14.5	-1.9	-2.0	-2.2	-2.8	-2.1	-0.8	-0.5		
Identified net debt-creating flows	9.6	10.8	12.5	16.3	15.4	15.5	13.8	11.2	8.8	10.7	22.6	10.7	12.7
Non-interest current account deficit	10.1	12.3	15.4	16.9	17.6	17.4	15.6	13.1	10.5	11.9	23.8	13.0	14.2
Deficit in balance of goods and services	24.3	27.0	27.8	34.8	37.4	34.5	31.7	28.0	24.5	18.7	27.1	24.3	27.5
Exports	8.8	8.1	7.1	9.8	12.4	13.2	14.2	16.2	16.6	13.7	20.1		
Imports	33.1	35.1	35.0	44.6	49.8	47.7	45.9	44.2	41.1	32.4	47.2		
Net current transfers (negative = inflow)	-13.5	-14.3	-11.8	-17.4	-19.3	-16.7	-15.7	-14.7	-13.8	-6.9	-3.9		
of which: official	0.0	0.0	0.0	-2.0	-2.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5		
Other current account flows (negative = net inflow)	-0.7	-0.4	-0.6	-0.5	-0.5	-0.4	-0.3	-0.3	-0.2	0.1	0.7		
Net FDI (negative = inflow)	-0.2	-0.3	-0.3	-0.5	-1.1	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0		
Endogenous debt dynamics 2/	-0.3	-1.2	-2.7	-0.1	-1.1	-0.8	-0.9	-0.9	-0.7	-0.2	-0.2		
Contribution from nominal interest rate	0.2	0.2	0.2	0.8	1.0	0.9	0.7	0.6	0.6	0.3	0.1		
Contribution from real GDP growth	-0.1	-0.5	-0.3	-0.8	-2.1	-1.7	-1.6	-1.5	-1.3	-0.5	-0.3		
Contribution from price and exchange rate changes	-0.4	-0.9	-2.6	...	...	...	...	...	...	...	...
Residual 3/	-10.2	-8.3	-12.8	-1.9	-17.3	-17.5	-16.0	-14.0	-10.9	-11.5	-23.1	-11.1	-13.5
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	21.0	29.7	32.0	29.1	26.9	24.3	22.4	8.9	4.5		
PV of PPG external debt-to-exports ratio	...	...	294.4	302.1	257.5	220.3	189.0	150.5	134.6	64.6	22.1		
PPG debt service-to-exports ratio	8.5	7.5	11.4	23.2	22.5	21.0	12.2	11.8	9.9	8.4	1.7		
PPG debt service-to-revenue ratio	4.1	3.2	4.4	14.3	17.4	16.9	10.2	11.2	9.5	6.7	1.9		
Gross external financing need (Million of U.S. dollars)	327.5	423.3	626.1	595.3	590.6	653.9	619.8	587.3	519.3	1314.3	6682.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.3	3.1	1.8	3.3	6.0	5.9	5.7	5.9	5.5	5.0	5.0	1.4	5.2
GDP deflator in US dollar terms (change in percent)	2.1	5.3	14.8	-21.2	-9.5	5.4	4.9	4.8	4.8	11.5	5.5	4.2	4.9
Effective interest rate (percent) 4/	1.0	1.0	1.2	3.1	2.9	3.1	2.5	2.5	2.5	2.8	1.9	0.7	2.7
Growth of exports of G&S (US dollar terms, in percent)	-9.2	0.2	2.6	12.2	21.2	18.8	19.2	26.4	13.6	15.0	13.7	3.3	16.5
Growth of imports of G&S (US dollar terms, in percent)	0.5	15.3	16.4	3.9	7.0	6.9	6.8	6.9	2.7	11.6	18.0	3.0	9.1
Grant element of new public sector borrowing (in percent)	...	...	...	33.5	33.5	32.2	32.5	43.4	46.9	49.5	49.6	...	42.3
Government revenues (excluding grants, in percent of GDP)	18.2	19.0	18.6	16.0	16.1	16.5	17.0	17.1	17.4	17.2	18.6	15.8	17.0
Aid flows (in Million of US dollars) 5/	530.4	683.8	784.9	482.3	523.8	451.0	433.7	428.8	370.3	353.6	489.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	16.6	18.0	13.9	11.8	10.0	7.7	2.9	1.6	...	9.2
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	82.5	88.8	88.6	92.0	92.0	89.6	83.3	87.3	...	87.4
Nominal GDP (Million of US dollars)	3,086	3,351	3,918	3,190	3,058	3,415	3,787	4,206	4,651	10,890	28,806		
Nominal dollar GDP growth	2.5	8.6	16.9	-18.6	-4.1	11.7	10.9	11.1	10.6	17.1	10.8	5.6	10.4
Memorandum items:													
PV of external debt 7/	...	...	21.0	29.7	32.0	29.1	26.9	24.3	22.4	8.9	4.5		
In percent of exports	...	...	294.4	302.1	257.5	220.3	189.0	150.5	134.6	64.6	22.1		
Total external debt service-to-exports ratio	8.5	7.5	11.4	23.2	22.5	21.0	12.2	11.8	9.9	8.4	1.7		
PV of PPG external debt (in Million of US dollars)	...	...	822.6	946.9	978.6	994.0	1016.9	1023.9	1040.0	965.2	1284.4		
(Pvt-Pvt-1)/GDPT-1 (in percent)	...	...	...	3.2	1.0	0.5	0.7	0.2	0.4	-0.1	0.1		
Non-interest current account deficit that stabilizes debt ratio	10.7	9.8	15.7	2.4	19.5	19.4	17.9	15.9	12.6	12.7	24.3		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $(r - g - p(1+g) + \epsilon\alpha(1+r)/(1+g+p+gp))$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate; p = growth rate of GDP deflator in U.S. dollar terms; ϵ = nominal appreciation of the local currency, and α = share of local currency-denominated external debt in total external debt.

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

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

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

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

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

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

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

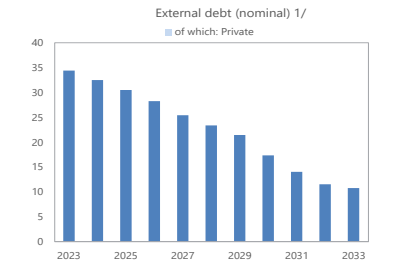
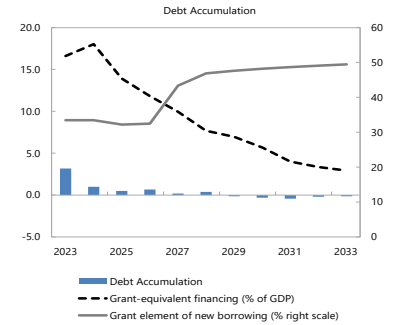


Table 4. Burundi: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–43
(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	66.0	66.6	68.4	72.7	65.8	61.3	56.6	52.2	48.0	29.9	22.5	50.7	48.9
of which: external debt	17.7	20.2	19.9	34.4	32.5	30.5	28.2	25.4	23.4	10.7	6.8	18.9	22.7
Change in public sector debt	6.0	0.6	1.8	4.4	-6.9	-4.5	-4.7	-4.4	-4.2	-1.9	-1.2		
Identified debt-creating flows	3.3	-1.3	1.2	-7.0	-6.9	-3.1	-4.0	-3.3	-3.0	-1.2	-1.0	2.5	-3.2
Primary deficit	3.4	2.3	9.5	1.9	-0.1	1.3	0.0	0.5	0.2	0.2	0.3	4.7	0.5
Revenue and grants	23.1	25.1	26.7	30.8	33.0	29.5	28.4	26.4	24.3	19.6	19.9	22.4	25.4
of which: grants	4.9	6.2	8.1	14.9	16.9	13.1	11.3	9.3	6.9	2.3	1.3		
Primary (noninterest) expenditure	26.5	27.4	36.2	32.7	32.9	30.8	28.4	26.9	24.4	19.8	20.2	27.1	25.9
Automatic debt dynamics	-0.1	-3.6	-8.3	-8.9	-6.8	-4.4	-4.0	-3.7	-3.2	-1.5	-1.2		
Contribution from interest rate/growth differential	0.1	-3.5	-7.0	-8.9	-6.8	-4.4	-4.0	-3.7	-3.2	-1.5	-1.2		
of which: contribution from average real interest rate	0.3	-1.5	-5.8	-6.7	-2.7	-0.7	-0.7	-0.6	-0.5	0.0	-0.1		
of which: contribution from real GDP growth	-0.2	-2.0	-1.2	-2.2	-4.1	-3.7	-3.3	-3.2	-2.7	-1.5	-1.1		
Contribution from real exchange rate depreciation	-0.2	-0.1	-1.3	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.7	1.9	0.6	11.4	0.0	-1.4	-0.7	-1.2	-1.1	-0.6	-0.3	1.9	-0.3
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	69.7	74.9	67.1	62.2	57.5	52.9	48.4	28.6	20.4		
PV of public debt-to-revenue and grants ratio	...	...	261.3	243.2	203.6	210.5	202.8	200.3	199.3	145.9	102.5		
Debt service-to-revenue and grants ratio 3/	58.3	48.5	45.8	35.2	31.0	39.5	35.6	39.2	41.2	44.5	35.0		
Gross financing need 4/	16.9	14.5	21.7	12.5	9.9	12.7	9.9	10.6	10.0	8.9	7.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.3	3.1	1.8	3.3	6.0	5.9	5.7	5.9	5.5	5.0	5.0	1.4	5.2
Average nominal interest rate on external debt (in percent)	1.0	1.0	1.2	3.2	3.6	3.2	2.7	2.7	2.7	2.8	2.0	0.8	2.9
Average real interest rate on domestic debt (in percent)	0.8	-2.0	-10.4	-14.0	-8.7	-3.6	-3.3	-3.0	-2.7	-0.2	-0.7	-4.4	-3.6
Real exchange rate depreciation (in percent, + indicates depreciation)	-1.1	-0.7	-7.0	...	...	...	...	...	...	...	...	-1.8	...
Inflation rate (GDP deflator, in percent)	6.0	8.5	18.4	24.0	17.0	10.9	11.0	10.7	10.9	10.7	12.0	7.8	12.5
Growth of real primary spending (deflated by GDP deflator, in percent)	0.6	6.7	34.4	-6.6	6.7	-0.7	-2.7	0.3	-4.1	2.4	4.2	2.2	-0.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.6	1.7	7.7	-2.5	6.8	5.8	4.7	4.9	4.3	2.1	1.5	2.3	4.0
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Sources: Country authorities; and staff estimates and projections.

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

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

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

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

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

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

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

Public sector debt 1/

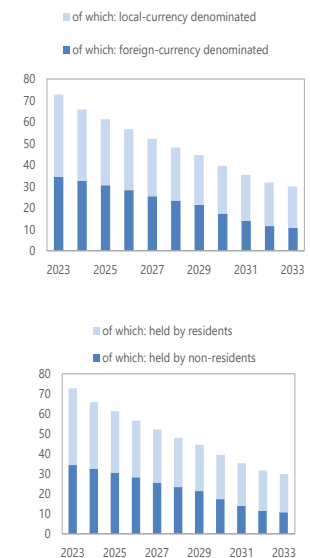


Table 5. Burundi: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–33
(In Percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of debt-to-GDP ratio											
Baseline	30	32	29	27	24	22	20	17	13	11	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	30	26	22	20	18	19	16	14	13	12	11
B. Bound Tests											
B1. Real GDP growth	30	36	37	34	31	28	25	21	17	13	11
B2. Primary balance	30	33	31	29	27	25	23	20	16	13	11
B3. Exports	30	34	35	32	29	27	24	21	16	13	11
B4. Other flows 3/	30	39	41	38	35	33	30	25	20	16	13
B5. Depreciation	30	42	32	29	26	24	21	18	14	11	9
B6. Combination of B1-B5	30	43	45	42	38	36	32	28	22	17	14
C. Tailored Tests											
C1. Combined contingent liabilities	30	35	32	30	29	27	25	22	18	14	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	30	32	29	27	24	22	20	17	13	11	9
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	302	258	220	189	151	135	117	102	87	75	65
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	302	210	168	139	113	112	94	86	85	87	83
B. Bound Tests											
B1. Real GDP growth	302	258	220	189	151	135	117	102	87	75	65
B2. Primary balance	302	264	233	202	164	150	133	118	103	91	80
B3. Exports	302	371	469	403	323	290	254	224	193	166	142
B4. Other flows 3/	302	315	313	270	217	196	173	154	133	114	97
B5. Depreciation	302	258	184	157	124	110	95	81	69	59	51
B6. Combination of B1-B5	302	403	293	393	316	284	251	222	191	164	140
C. Tailored Tests											
C1. Combined contingent liabilities	302	280	246	213	178	163	145	131	116	104	92
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	302	258	220	189	151	135	117	102	87	75	65
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	23	23	21	12	12	10	12	12	12	9	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	23	20	20	12	12	10	13	15	16	14	13
B. Bound Tests											
B1. Real GDP growth	23	23	21	12	12	10	12	12	12	9	8
B2. Primary balance	23	23	21	12	12	10	12	12	12	10	9
B3. Exports	23	31	39	23	22	19	22	22	22	20	17
B4. Other flows 3/	23	23	22	13	13	11	13	12	14	13	11
B5. Depreciation	23	23	21	12	11	10	12	12	11	8	7
B6. Combination of B1-B5	23	28	34	20	20	16	19	19	22	19	17
C. Tailored Tests											
C1. Combined contingent liabilities	23	23	21	13	12	10	12	12	12	10	9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	23	23	21	12	12	10	12	12	12	9	8
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	14	17	17	10	11	9	12	11	10	8	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	14	16	16	10	11	10	13	14	14	11	10
B. Bound Tests											
B1. Real GDP growth	14	20	21	13	14	12	14	14	13	10	8
B2. Primary balance	14	17	17	10	11	10	12	11	10	8	7
B3. Exports	14	18	17	11	12	10	12	12	11	9	8
B4. Other flows 3/	14	17	18	11	12	10	12	12	12	10	9
B5. Depreciation	14	23	22	13	14	12	15	14	13	9	7
B6. Combination of B1-B5	14	19	21	13	14	12	14	14	14	11	10
C. Tailored Tests											
C1. Combined contingent liabilities	14	17	17	10	11	10	12	11	10	8	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	14	17	17	10	11	9	12	11	10	8	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

Table 6. Burundi: Sensitivity Analysis for Key Indicators of Public Debt, 2023–33

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	75	67	62	58	53	48	45	39	35	31	29
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	75	80	83	86	88	90	91	89	87	86	88
B. Bound Tests											
B1. Real GDP growth	75	76	82	80	77	74	72	67	63	59	58
B2. Primary balance	75	74	73	68	62	57	52	46	40	36	33
B3. Exports	75	69	68	63	58	53	49	43	38	33	31
B4. Other flows 3/	75	75	75	70	64	59	55	48	42	36	33
B5. Depreciation	75	71	64	59	53	48	43	37	31	27	24
B6. Combination of B1-B5	75	74	71	62	58	54	51	46	42	38	36
C. Tailored Tests											
C1. Combined contingent liabilities	75	90	82	76	69	63	58	51	45	40	37
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	75	70	70	69	68	67	66	64	62	59	59
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	243	204	210	203	200	199	188	174	167	153	146
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	243	228	255	270	293	324	333	344	373	381	400
B. Bound Tests											
B1. Real GDP growth	243	219	252	256	268	285	284	282	292	287	290
B2. Primary balance	243	223	248	239	235	233	219	203	194	178	169
B3. Exports	243	210	229	221	218	218	205	190	181	165	156
B4. Other flows 3/	243	226	255	247	244	244	231	212	200	181	170
B5. Depreciation	243	222	225	214	207	201	185	166	153	135	125
B6. Combination of B1-B5	243	223	232	213	215	220	212	202	199	188	183
C. Tailored Tests											
C1. Combined contingent liabilities	243	272	279	268	261	259	243	225	215	197	187
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	243	214	240	250	267	284	289	293	303	300	304
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	35	31	40	36	39	41	43	45	48	48	45
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	35	33	48	47	63	72	81	93	109	120	123
B. Bound Tests											
B1. Real GDP growth	35	33	46	45	54	62	69	75	85	89	88
B2. Primary balance	35	31	46	45	54	59	53	55	60	57	53
B3. Exports	35	31	40	36	39	41	44	45	49	49	45
B4. Other flows 3/	35	31	40	36	40	42	44	45	50	51	47
B5. Depreciation	35	31	41	36	40	41	44	45	48	47	43
B6. Combination of B1-B5	35	31	41	38	43	46	51	54	59	61	59
C. Tailored Tests											
C1. Combined contingent liabilities	35	31	62	45	78	64	56	67	66	60	59
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	35	31	42	43	53	66	72	80	89	94	93
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

Statement by Mr. Nakunyada, Executive Director for Burundi, Mr. Cham, Senior Advisor to Executive Director, and Ms. Kwizera, Advisor to Executive Director

July 17, 2023

Burundi has suffered from lack of donor support, which worsened following the political and security crisis of 2015. The withdrawal of donor support weighed on the country's growth prospects with severe socio-economic effects on the general populace. Consequently, significant capital outflows were realized, with further pressure on international reserves, the exchange rate, and inflation, while creating protracted balance of payments needs. Nevertheless, the new administration elected three years ago, leveraged the COVID-19 pandemic to reengage the international community including the Fund. The authorities are grateful for Fund support provided through the SDR allocation, Catastrophe Containment and Relief Trust, and Rapid Credit Facility. In addition, they kept the reform momentum and embraced difficult measures within the context of their re-engagement strategy, which they view as critical to unleash the country's enormous growth potential. The authorities seek Fund support aimed at unlocking growth potential, contain inflation, implement exchange rate reforms, strengthen governance, and enhance transparency in line with the objectives of the National Development Plan (2018-27).

Introduction

1. Our Burundian authorities appreciate the candid engagement with staff during the program negotiations. They broadly agree with staff's assessment and appreciate the support from Fund Management and Staff during the challenging times.
2. The recovery of the Burundian economy from the political and security crisis of 2015, was disrupted by the outbreak of the COVID-19 pandemic. More recently, growth has further weakened in the context of spillovers from the war in Ukraine, mounting inflationary pressures coupled with domestic shocks including delayed rains, and outbreaks of livestock diseases. This notwithstanding, the economy remains resilient, and growth has remained positive. That said, high inflation levels and the widening current account deficit exerted pressure external reserve buffers, which remain low. Concurrently, the fiscal space was constrained on the back of the large resource requirements for critical imports, and social programs, and the negative effects of the widening parallel market premium. **Against this backdrop, the authorities are requesting a 38-month arrangement under the Extended Credit Facility (ECF), with access of 130 percent of quota (SDR 200.2 million).** They consider Fund support as essential to address protracted balance of payments (BOP) challenges, help rebuild external buffers, reduce public debt vulnerabilities, and support implementation of reforms outlined in the 2018-27 National Development Plan (*Plan National de Development, PND*), and catalyze additional donor support.

Recent Economic Developments

3. Real GDP growth declined from 3.1 percent in 2021 to 1.8 percent in 2022 owing to domestic and external shocks including the COVID-19 pandemic, spillovers from the war in Ukraine, adverse weather conditions, the outbreak of the rift valley and porcine fevers, and inadequate fertilizer supplies. This notwithstanding, growth is expected to rebound to 3.3 percent in 2023 supported by agriculture reforms and investments in fertilizer production. Further growth impetus is expected to stem from the revitalization of the mining sector that has seen the re-opening of previously

closed mines, as well as supportive fiscal and monetary reforms including exchange rate reforms which are expected to stimulate exports and enhance trade. Going forward, medium term growth is projected to rise to 6.0 percent from 2024, reflecting adoption of a market-based exchange rate and the effects of the new mining code on sectoral activity as well as infrastructure investment projects. Nevertheless, the outlook is dominated by downside risks from external uncertainties related to the duration and impact of external shocks, rising global energy and food prices, weak global demand, deterioration of the regional security situation, climate shocks, and larger effects of livestock diseases.

4. Inflation increased from 18.9 percent in December 2022 to 28.9 percent in May 2023 on the back of persistently high food inflation and the depreciation of the exchange rate to market levels. While inflation is projected to remain elevated in double digits at 20.1 percent on average in 2023, to the authorities are optimistic that inflation will gradually decelerate in the medium term given their current drive to boost agricultural production. Moreover, the expected decline in global commodity prices, and the effects of tight macroeconomic policies in the context of the ECF program, are expected to help intensify the disinflation efforts.
5. Meanwhile, the current account deficit widened from 12.4 percent of GDP in 2021 to 15.6 percent of GDP in 2022 due to higher import prices, declining remittances, and a weakened service balance that offset the effect of higher exports prices for tea and coffee. The decline in remittances in 2022 could be attributed to subdued growth in major source markets as well as previous foreign exchange restrictions on international transfers. That said, remittances are projected to increase in 2023 and beyond with the implementation of exchange rate reforms. Gross international reserves have declined from 3.0 months of imports at end-December 2021 to 1.5 months of imports at end-December 2022 despite the boost from SDR allocations and the Rapid Credit Facility disbursement. That said, ECF disbursements are expected to boost reserves.

Fiscal Policy and Debt Sustainability

6. Our authorities are advancing growth-friendly fiscal consolidation measures to create fiscal space for priority social spending. In this vein, they remain committed to a gradual fiscal consolidation path supported by intensified revenue mobilization efforts and prudent fiscal policy management. The fiscal deficit for 2022/23 is expected to widen due to the revenue shortfalls relative to the FY22/23 budget target and large spending overruns in the first half of FY2022/23. To address the fiscal deficit, the authorities will contain spending in the second half of 2023 by delaying new investment projects to compensate for the large fuel subsidy prepayment. Consequently, over the medium term, the fiscal balance is expected to improve by more than 5.9 percent of GDP to levels below the regional convergence target of 3 percent of GDP.
7. Our authorities continue efforts to enhance revenue collections through a sustainable revenue mobilization policy. While they registered solid revenue performance relative to regional peers, they remain committed to meeting the minimum revenue collection floors. To this effect, the authorities aim to streamline tax exemptions, while addressing tax and customs fraud. Further, they plan to implement measures including digitalization of the entire public revenue collection system and procedures; modernization of the tax administration; implementing the updated strategic plan of the National Revenue Authority (OBR); and introduction of new tax measures. Further, the OBR is implementing a customs electronic IT system (ASYCUDA) and rolling out an Electronic Billing System nationwide to enhance efficiency and increase collections.

8. To entrench fiscal discipline, the authorities will control spending by focusing on priority expenditures while preserving capital expenditures to strengthen the economy's productive capacity. To this end, the authorities are transitioning to program budgeting to facilitate public expenditure formulation, execution, monitoring and effectiveness. To address social vulnerabilities, the authorities are deploying budget resources towards education, health, and social protection to help build the human capital base. They have also adopted a fair wage policy to reduce wage disparities in the public sector and stabilize the wage bill. Further, the authorities will strengthen public financial management including by improving cash management with cash flow forecasts to gradually roll out the Treasury Single Account (TSA) to local entities. The authorities will also strengthen the public investment management framework; end extrabudgetary commitments without prior authorization; produce and submit quarterly budget implementation reports to Parliament for review and strengthen the management of state-owned enterprises (SOEs) to increase transparency and enhance spending efficiency.
9. Our authorities are committed to placing public debt on a sustainable downward path. In this regard, while public debt is assessed as sustainable, the authorities will continue re-engaging the international community to rely more on grants and concessional loans. They are also strengthening debt coverage and monitoring public fiscal arrears and will develop a short-and medium public sector debt management strategy which will be updated regularly. They are also developing capital markets to enhance the effectiveness of debt instruments.

Monetary, Exchange Rate and Financial Sector Policies

10. The Banque de la Republique du Burundi (BRB) has been tightening monetary policy since July 2022 to curb inflationary pressures. To reduce liquidity in the system and dampen inflationary pressures, the BRB closed the refinancing window accessed by commercial banks to support priority sectors except the agro-pastoral sector. Further, the BRB, in May 2023 increased the reserve requirements ratio from 3 to 5 percent and increased the 7-day refinancing rate to 10 percent on July 3, 2023. Going forward, the BRB will aggressively mop up excess liquidity to contain inflation pressures, while supporting monetary policy transmission to support unification of the exchange rate. Importantly, the BRB will continue to improve its communication strategy to boost its credibility and anchor inflation expectations.
11. To support the modernization of monetary policy, the authorities plan to adopt an inflation targeting monetary framework and efforts are underway to set the BRB policy rate. Further, since 2019, the BRB has launched a quarterly projection model (QPM) used to perform inflation forecasts, which will guide the data driven policy rate adjustments while enhancing monetary policy effectiveness. The operationalization of the FPAS system requires institutional reforms and the authorities will establish a monetary and fiscal policy coordination committee to help explore options to finance the fiscal deficit that bode well for their disinflation objectives.
12. Our authorities plan to fully adopt a floating ER regime in line with the objectives of the East African Community Monetary Union (EAMU). In this regard, they are taking steps towards exchange rate unification and foreign exchange market liberalization to reduce external imbalances. The BRB has also taken measures to gradually eliminate FX market restrictions. Further, the authorities are committed to the steadfast implementation of reforms to allow a market determined exchange rate. Accordingly, the official rate will adjust to reflect transactions between all market intermediaries and clients which will boost investor confidence, stimulate capital flows,

and improve reserves. At the same time, the BRB will introduce a FX market intervention strategy that will be implemented through auctions aimed to smoothen volatile market conditions. Relatedly, the authorities are liberalizing the foreign exchange market through the operations of the FX interbank market, the efficient allocation of foreign currency, and the removal of surrender requirements at the BRB for certain foreign currency accounts.

13. The financial sector remains solid with ample liquidity and low non-performing loans (NPLs), but the authorities remain attentive to potential financial stability risks. Despite the decline in capital ratio from 27.1 percent at end-March 2022 to 19.0 percent at end-December 2022, the capital levels remain above the Basel-III norm. The authorities are cognizant of large exposures and net open FX positions risks and remain committed to ensuring financial sector stability. To this end, they are strengthening supervision to detect FX liabilities and identify vulnerabilities from corporates' foreign exchange risks. That said, the authorities remain committed to implementing recommendations from the 2022 safeguards assessment.
14. To ensure financial integrity and preserve correspondent banking relationships, the authorities are strengthening the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) framework, alongside capacity development initiatives. Importantly, they plan to operationalize the Financial Intelligence Unit (FIU) and are working to meet the requirement for membership to the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).

Structural Reforms

15. The authorities are making steadfast efforts to promote private sector development to accelerate growth and improve living standards as articulated in their National Development Plan. In this regard, they are enhancing the business environment, strengthening the public private partnerships (PPPs), improving infrastructure, revamping the vocational training centers, and enhancing governance. Further, they adopted a national tourism policy designed to increase foreign exchange inflows, enhance fiscal revenues, create jobs and employment opportunities. The authorities are also rehabilitating the hydro-electric centers, developing the telecommunication infrastructure, and creating local industries for the extraction and transformation of mining products.
16. To promote sustained and inclusive growth, the authorities are implementing several structural reform measures. Specifically, they are revitalizing the mining sector to optimize its contribution to growth and socio-economic development. Further, they are enhancing the agriculture sector to ensure food self-sufficiency through enhanced mechanization. Given the significant contribution of agro-pastoral sector to economic activity, the authorities are facilitating farmers' access to inputs through targeted fertilizer subsidies. Further, they are developing wetlands, enhancing mechanization, and embarking on large-scale agricultural irrigation to boost production. They are also in the process of regionalization of crops and improving the fertility of land and natural resources management to intensify agricultural and animal production and increase food supplies.
17. The authorities are enhancing governance and intensifying the fight against corruption. To this end, they will prepare and publish a comprehensive governance diagnostic report including recommendations with a time-bound action plan for implementation. Further, they are committed to adhere to transparency practices in the use of COVID-19 related spending. In this vein, the *Cour des Comptes* completed the audits of the first and second execution report on COVID-19 expenditures which were published in January 2023 and June 2023 respectively. Further, the

authorities are modifying the questionnaire related to bidding of contracts to capture information related beneficial ownership on companies awarded COVID-19 related contracts. Meanwhile, they have implemented one of the IMF's recommendations in enhancing data transparency, by adopting the Enhanced General Data Dissemination System (e-GDDS).

Conclusion

18. The Burundian authorities remain committed to reforms agreed under the ECF arrangement, despite the challenges occasioned by overlapping domestic and external shocks. They view Fund support as instrumental to anchor macroeconomic stabilization measures and lay the groundwork for international re-engagement, while contributing to the development of capacity and effective implementation of their homegrown reform agenda. They look forward to Executive Directors' support in their request for Fund support under the ECF arrangement.