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The World Bank

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Report 91614-BI

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A

PROPOSED GRANT

IN THE AMOUNT OF SDR 17.1 MILLION
(US$25 MILLION EQUIVALENT)

TO

THE REPUBLIC OF BURUNDI

FOR THE

EIGHTH ECONOMIC REFORM SUPPORT GRANT (ERSG VIII)

December 11, 2014

Macroeconomics and Fiscal Management
Global Practice - GMFDR
Country Management Unit - AFCE1
Africa Region

REPUBLIC OF BURUNDI

Government Fiscal Year
January 1–December 31

Currency Equivalents
Exchange Rate Effective as of November 30, 2014

Currency Unit	**Burundi Franc**
US$1.00	FBu 1564.84
US$1.00	SDR 0.682948

ABBREVIATION AND ACRONYMS

AfDB	African Development Bank
API	*Agence de Promotion de l'Investissement* (Investment Promotion Agency)
ARFIC	*Autorité de Régulation de la Filière Café* (Coffee Regulatory Authority)
BOP	Balance of Payments
BRB	*Banque de La République du Burundi* (Central Bank of Burundi)
CAS	Country Assistance Strategy
CASA	Conflict -Affected States in Africa
CEM	Country Economic Memorandum
CIP	*Comité Interministériel de Privatisation* (Interministerial Privatization Committee)
CNAC	*Confédération Nationale des Associations de Caféiculteurs (*National Confederation of Coffee Growers Associations*)*
CFAA	Country Financial Accountability Assessment
COMESA	Common Market of Eastern and Southern Africa
CP	(HIPC) Completion Point
CWSs	Coffee Washing Stations
CWIQ	Core Welfare Indicator Questionnaire
DBC	*Direction du Budget et du Contrôle* (Directorate of Budget and Control)
DC	*Direction de la Comptabilité* (Directorate of Accounting)
DeMPA	Debt Management Performance Assessment
DGP	*Direction Générale du Plan* (Planning Directorate)
DFID	Department for International Development (UK)
DP	Development Partner
DPO	Development Policy Operation
DRC	Democratic Republic of the Congo
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EC	European Commission
ECF	Extended Credit Facility
EERC	Emergency Economic Recovery Credit
EITI	Extractive Industries Transparency Initiative
EMSP	Economic Management Support Project
ERSG	Economic Reform Support Grant
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FPSDP	Finance and Private Sector Development Project
GDP	Gross Domestic Product
GER	Gross Enrollment Ratio
GIZ	German International Cooperation
GoB	Government of Burundi
HIPC	Heavily Indebted Poor Countries (Initiative)
HIV/AIDS	Human Immuno-deficiency Virus/Acquired Immune Deficiency Syndrome

HRMIS	Human Resource Management Information System
ICA	Investment Climate Assessment
ICRR	Implementation Completion and Results Report
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
IFRS	International Financial Reporting Standards
HRMIS	Human Resource Management Information System
IFRS	International Financial Reporting Standards *(Normes Comptables du Secteur Privé)*
IMF	International Monetary Fund
LDP	Letter of Development Policy
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MFEDP	Ministry of Finance and Economic Development Planning
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
CNPS	National Social Protection Commission
NSPP	National Social Protection Policy
NIF	*Numéro d'Identification Fiscale* (Tax Identification Number)
NGO	Non-Governmental Organization
NPV	Net Present Value
OBR	*Office Burundais des Recettes* (Burundi Revenue Authority)
PAGE	*Projet d'Appui à la Gestion Economique* (Economic Management Support Project)
PEMFAR	Public Expenditure Management and Financial Accountability Review
PER	Public Expenditure Review
PFM	Public Finance Management
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
REGIDESO	*Régie des Eaux* (National Water and Electricity Authority)
RTFP	Regional Trade Facilitation Project
SCEP	*Service Chargé des Entreprises Publiques* (Service in charge of Public Entreprises)
SDR	Special Drawing Rights
SIGEFI	*Système d'Information de Gestion Financière* (Financial Management Information System)
SOE	State Owned Enterprise
SOGESTAL	*Société de Gestion des Stations de Lavage de Café* (Coffee Washing Stations Management Corporation)
SODECO	*Société de Déparchage et Conditionnement* (Coffee Milling and Processing Company)
SME	Small and Medium Enterprises
SSA	Sub-Saharan Africa
TF	Trust Fund
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency for International Development
VAT	Value Added Tax
WFP	World Food Program
WHO	World Health Organization

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REPUBLIC OF BURUNDI

EIGHTH ECONOMIC REFORM SUPPORT GRANT (ERSG VIII)

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The Burundi ERSG VIII was prepared by a IDA team consisting of : Mamadou Ndione (TTL, Sr. Country Economist, GMFDR), Jacques Morisset (Lead Economist/Sector Leader, GMFDR), Marco Larizza (Public Sector and Governance Specialist, GGODR), Chiara Bronchi (Lead Public Sector and Governance, GGODR), Nadia Belhaj Hassine Belghith (Senior Economist, GPVDR), Aurelien Serge Beko (Consultant, GMFDR) Nneoma Nwogu (Counsel, LEGAM), Gerard Joseph Mataban Jumamil (Associate Counsel, LEGAM), Chakib Jenane (Senior Agribusiness Specialist, GAGDR), Kaliza Karuretwa (Operations Officer, GTCDR), Michaela J. Weber (Private Sector Development Specialist, GTCDR), Bella Lelouma Diallo (Senior Financial Management Specialist, GGODR), Melance Ndikumasabo (Procurement Specialist, GGODR), Faly Diallo (Financial Officer, CTRLA), Benedicte Leroy De La Briere (Senior Economist, GSPDR), Alain-Desire Karibwami (Health Specialist, GHNDR), Moulay Driss Zine Eddine El Idrissi (Senior Economist, GHNDR) Rachel Bernice Perks (Mining Specialist, GEEDR), Karima Laouali Ladjo (Program Assistant, GMFDR), Maude Valembrun (Language Program Assistant, GMFDR), Lydie Ahodehou (Program Assistant, GMFDR), Pacifique Ndoricimpa (Team Assistant, AFMBI). The team also received overall guidance from Albert Zeufack (Practice Manager, GMFDR), Philippe Dongier (Country Director, AFCE1), and Rachidi B. Radji (Country Manager, AFMBI). The core team was coordinated, and the Program Document produced, by Mamadou Ndione. The team also worked closely with the IMF team headed by Jaroslaw Wieczorek.

GRANT AND PROGRAM SUMMARY

REPUBLIC OF BURUNDI

EIGHTH ECONOMIC REFORM SUPPORT GRANT (ERSG VIII)

<table>
<tr><td>Borrower</td><td>Republic of Burundi</td></tr>
<tr><td>Implementing Agency</td><td>Ministry of Finance and Economic Development Planning</td></tr>
<tr><td>Financing Data</td><td>IDA Grant
Terms: IDA standard grant
Amount: SDR 17.1 million (US$25 million equivalent).</td></tr>
<tr><td>Operation type</td><td>The third and last in a series of three programmatic Development Policy Operations.</td></tr>
<tr><td>Pillars of the Operation and Program Development Objectives</td><td>The program aims to contribute to the Government of Burundi’s objective of protecting and consolidating the country’s transition from a post-conflict to a more stable economy through: (i) strengthening Public Finance Management and Budget Transparency; (ii) promoting private sector development and economic diversification; and (iii) strengthening safety nets systems.

The ERSG series is structured around three pillars, namely: (i) Public finance management; (ii) Private sector development; and (iii) Social protection.</td></tr>
<tr><td>Results indicators</td><td>
<table>
<tr><th>Indicators</th><th>Baseline (year)</th><th>End program target (2015)</th></tr>
<tr><td>Gap between MTEF and budget in education, health, and agriculture (in percentage of budget)</td><td>31.9% (2012)</td><td><10%</td></tr>
<tr><td>Delay (legal months) in budget presentation to Parliament</td><td>2 (2012)</td><td>0</td></tr>
<tr><td>Estimated value of tax exemptions as a share of total tax revenues.</td><td>23.8% (2011)</td><td><15%</td></tr>
<tr><td>Share of communes where budget information tables are available</td><td>0% (2012)</td><td>100%</td></tr>
<tr><td>PEFA indicator PI19- iii on public access to public procurement Information</td><td>D (2012)</td><td>B</td></tr>
<tr><td>Share of civil servants managed within HRMIS with biometric information</td><td>0% (2013)</td><td>100%</td></tr>
<tr><td>Number of days to obtain a construction permit at the new “Guichet Unique” (one stop shop).</td><td>137 (2012)</td><td>100</td></tr>
<tr><td>Number of days to create a business at the “Guichet Unique” (one stop shop).</td><td>11</td><td>5</td></tr>
<tr><td>Percentage of budget allocated to the construction/maintenance of feeder roads and small scale irrigation.</td><td>2.2% (2012)</td><td>3%</td></tr>
<tr><td>Quantity of fertilizer distributed (in 1000 tons)</td><td>10.2</td><td>15</td></tr>
<tr><td>Share of the coffee growers in the ownership of the Coffee Washing Stations</td><td>7% (2013)</td><td>>25%</td></tr>
<tr><td>The number of EITI pre-candidacy steps completed.</td><td>0 (2013)</td><td>4</td></tr>
<tr><td>Percentage of provinces with social protection committees established and functional</td><td>0 (2013)</td><td>100%</td></tr>
<tr><td>Percentage of provinces with a woman appointed as responsible of the local social protection committee</td><td>0 (2013)</td><td>>50%</td></tr>
</table>
</td></tr>
<tr><td>Overall risk rating</td><td>Substantial</td></tr>
<tr><td>Operation ID Number</td><td>P150941</td></tr>
</table>

IDA PROGRAM DOCUMENT FOR THE PROPOSED

EIGHTH ECONOMIC REFORM SUPPORT GRANT

TO THE REPUBLIC OF BURUNDI

I. INTRODUCTION AND COUNTRY CONTEXT

1.1 **This program document proposes a single tranche Eighth Economic Reform Support Grant (ERSG[1] VIII) for the Republic of Burundi in the amount of SDR 17.1 million (US$25 million equivalent)**. This operation is the third and last of a programmatic series of three ERSGs, which supports the implementation of the country's second Poverty Reduction Strategy. The aim of this series is to contribute to the Government's objective of consolidating the country's transition from a post-conflict to a stable and growing economy through: (i) strengthening Public Finance Management and Budget Transparency; (ii) promoting private sector development and economic diversification; and (iii) strengthening safety nets systems.

1.2 **Over the past decade, economic growth has been stable and moderately positive, averaging 4.4 percent, leading to an increase in per capita income from US$130 in 2005 to US$280 in 2013**. However, Burundi remains one of the poorest countries in the world, with approximately 60 percent of the population deprived of basic food needs (down by 6 percentage points between 2006 and 2012). Inequalities between the capital Bujumbura and the rest of the country are still high as the share of the population with consumption below the basic needs stood at 61.5 percent in rural areas versus 41 percent in Bujumbura. However, high rural-urban migration has led to a smaller gap between Bujumbura and rural Burundi (35 percent difference in 2006 against 20 percent difference in 2012). Burundi's score on the UNDP's Human Development Index improved by 2.7 percent per year between 2005 and 2013 thanks to improved education and health outcomes (even though Burundi is still ranked 180th out of 187 countries in 2013.

1.3 **These improvements reflect the country's very low starting point and its weakened capacity following years of conflict[2]**. The decade-long conflict damaged key economic and social infrastructure, and weakened the country's institutions and the Government's capability to address the huge development challenges. Reduced fiscal space and large debt to export ratio have added to the country's vulnerability. Fiscal space has been limited because of: (i) low level of fiscal revenue further weakened by setbacks in tax revenue mobilization; (ii) very low export base leading to high risk of debt distress that limits borrowing capacity; (iii) declining level of aid as a share of GDP; (iv) the very small domestic banking and financial sector, which limits

[1] The World Bank has provided budget support to Burundi through the ERSG series since 2005. The first ERSG grant was disbursed in 2006 to support the peace process and rebuild the country's institutions.

[2] The Burundian armed conflict lasted from 1993 to 2005. The conflict started following the assassination of the democratically elected President Melchor Ndadaye and officially ended with the 2005 elections and the swearing in of Pierre Nkurunziza in August 2005. The estimated death toll exceeded 300,000 during the conflict.

domestic borrowing; and (v) the high level of non-discretionary spending which absorbs almost all domestic revenue, with salaries representing 60 percent of the tax revenues. The proposed operation will help to close the fiscal gap by providing financial assistance equivalent to 0.9 percent of GDP or 7 percent of gross international reserves, and by supporting the Government's effort to mobilize further domestic revenues as well as improve the allocative and financial efficiency of its expenditures.

1.4 The proposed operation supports critical reforms in the areas of fiscal policy and management, private sector development, and social protection. The operation supports ongoing reforms in the following areas: streamlining tax exemption, spending planning and control, and strengthening procurement. Concurrently, it encourages private sector development by supporting reforms in the coffee and mining sectors, which are critical for economic transformation and development. While coffee represents about 90 percent of Burundi's exports, mining is expected to become a key sector in the future thanks to significant nickel deposits, including in the Musongati region.[3] By supporting transparency in the mining sector, the proposed operation helps to lay the ground for improved governance. Finally, the focus on social protection, with the support for a comprehensive safety nets strategy and systems, notably at the community level, will help the bottom 40 percent of the population and thus promote shared prosperity.

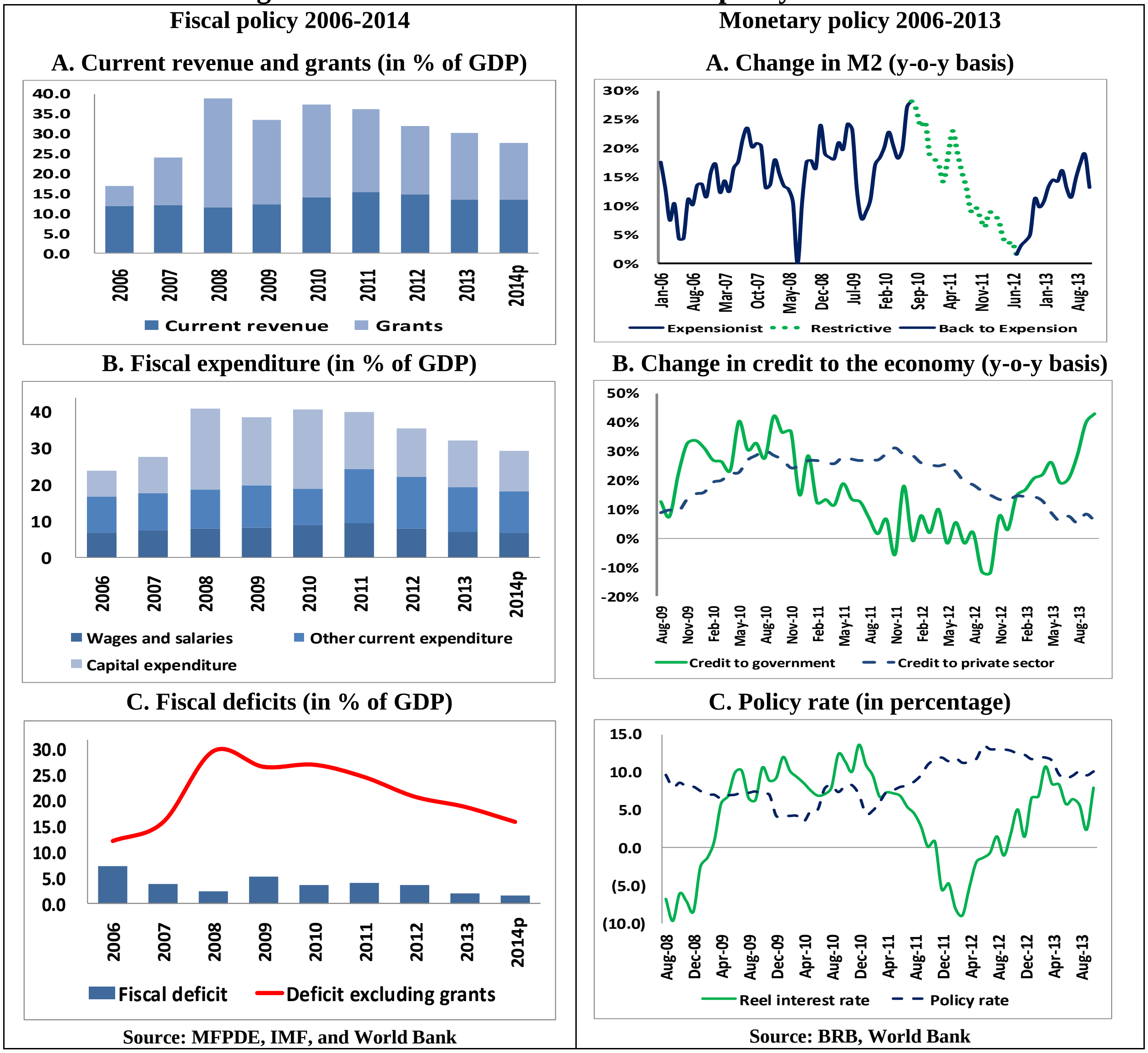
II. MACROECONOMIC POLICY FRAMEWORK

A. Recent Economic Development

2.1 Over the past decade, Burundi's GDP growth has been stable and moderately positive, but poverty remains prevalent. The Government of Burundi has managed to stabilize the country's economy in a fragile environment with output growth averaging 4.4 percent between 2006 and 2013. This performance led to a 1.4 percent increase in real GDP per capita per annum during this period. The breakthrough in the peace process and reduction in violence triggered the rebound in economic performance, which was also accompanied by better macroeconomic management. However, economic growth has remained insufficient to generate a sustained improvement in the living conditions of most Burundians. The percentage of the population deprived of basic food needs declined by 6 percentage points between 2006 and 2012 but at 60 percent remains one of the highest in the world.

[3] The value of the minerals in the Musongati mine is estimated at around US$100 billion with annual revenue exceeding US$2 billion per year, or about 70 percent of GDP. If managed well, the mining sector could generate enough revenues and exports for the country's transformation.

Figure 1: Evolution of Macroeconomic policy 2006 to 2014



2.2 In 2014, Burundi's economic growth is expected to slightly accelerate thanks to better macroeconomic management and favorable external prices. Real GDP growth is projected to reach 4.7 percent up from 4.5 percent in 2013 and 4 percent in 2012. This slight acceleration is driven by the rebound in coffee production together with the boom in the construction and tertiary sectors. Coffee production is returning to its historical level after the slowdown in 2013 (up from 14,200 tons in 2013 to 27,000 tons in 2014), while the push in the construction sector is due to residential construction and Government public works. The tertiary sector continues its expansion (transport, telecommunication, banking, and tourism) but at a slower pace than in recent years, partly due to the tighter control in public spending. On the demand side, private consumption and domestically financed investments (public and private) are still the main drivers of the economic growth in 2014. Gross fixed capital, though growing in terms of percentage of nominal GDP is still low, while contribution of exports will remain limited despite uptick in coffee export.

Table 1: Selected Economic Indicators (2007-2017)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
							Est.	Proj.	Proj.	Proj.	Proj.
National Accounts (growth rates, %)											
Agriculture	-8.8	-2.1	3.0	3.9	4.4	5.5	0.8	3.3	3.1	3.2	3.2
Industry	8.2	-1.4	4.9	4.9	5.9	4.1	11.2	8.0	8.5	8.7	9.5
Services	20.1	13.3	3.5	3.6	3.6	2.7	4.7	4.4	4.3	4.5	4.7
GDP at market prices	4.8	5.0	3.5	3.8	4.2	4.0	4.5	4.7	4.8	5.0	5.2
Real per capita GDP	1.8	2.0	0.5	0.8	1.2	1.0	1.5	1.7	1.8	2.0	2.2
Annual average inflation (%)	8.3	24.1	11.0	6.4	9.7	18.0	7.9	5.6	6.0	5.5	5.5
National Accounts (% GDP at current market prices)											
Agriculture	44.3	37.3	40.6	40.5	40.4	40.3	40.6	39.8	39.3	39.0	38.3
Industry	16.7	18.0	16.0	16.6	16.7	16.9	16.9	17.7	18.3	19.1	19.5
Services	38.9	44.6	43.4	42.8	42.8	42.8	42.5	42.4	42.4	41.9	42.1
Gross domestic investment	23.6	26.7	23.2	30.5	27.6	28.4	28.7	27.8	28.3	28.4	28.4
Public investment	10.1	22.4	18.9	22.1	15.6	13.4	12.8	11.0	12.2	13.1	13.1
Private investment	13.5	4.2	4.4	8.5	12.0	15.0	16.0	16.8	16.1	15.3	15.3
Increental Capital Output Ration (ICOR)	4.9	5.3	6.7	8.0	6.5	7.0	6.4	6.0	5.9	5.7	5.4
Gross domestic savings	-3.4	-1.8	-13.1	0.3	-0.7	-0.1	1.9	2.0	0.3	-0.2	0.1
Gross national savings	9.4	2.5	-2.9	12.7	12.1	17.4	21.2	18.1	15.7	16.1	15.9
Balance of Payments (% GDP at current market prices)											
Current account balance (including current official transfers)	-12.8	-4.3	-10.2	-12.5	-12.8	-17.5	-19.3	-16.1	-15.4	-16.3	-15.8
Current account balance (excluding current official transfers)	-25.8	-19.3	-20.6	-29.5	-27.6	-30.6	-33.3	-23.7	-23.3	-23.8	-23.5
Debt Indicators (end of period)											
Total Public Debt to GDP	120.8	96.3	43.3	38.4	32.9	35.1	31.5	30.8	28.5	26.8	25.0
External Public Debt to GDP	104.3	82.1	26.2	21.2	17.8	20.5	18.4	17.4	16.5	15.2	13.5
Internal Public Debt	16.4	14.3	17.1	17.2	15.1	14.6	13.1	13.4	12.0	11.6	11.5
Gross Official Reserves in months of imports	4.9	6.0	7.5	4.5	3.6	3.3	3.0	3.7	3.8	3.9	4.1
Government finance (% GDP at current market prices)											
Current revenues	11.9	11.4	12.1	13.9	15.4	14.8	13.3	13.7	14.3	14.4	14.6
Current expenditures	17.7	18.7	19.9	18.9	24.4	22.2	18.6	18.2	19.1	17.8	17.9
o/w wages and salaries	7.6	8.1	8.4	9.0	9.4	8.1	7.0	6.7	6.6	6.5	6.4
Capital expenditures	10.1	22.4	18.9	22.1	15.6	13.4	12.8	11.0	12.2	13.1	13.1
Overall fiscal balance excluding grants (commit. basis)	-15.9	-29.7	-26.6	-27.1	-24.7	-20.8	-18.1	-15.5	-17.1	-16.5	-16.5
Overall fiscal balance including grants (commitment basis)	-3.9	-2.3	-5.3	-3.6	-4.0	-3.7	-1.7	-1.9	-2.3	-2.0	-1.7
External borrowing (net)					1.0	1.6	0.2	0.7	0.7	0.5	0.6
Domestic borrowing (net)					1.7	2.1	1.1	2.4	0.6	0.8	0.8
Monetary indicators											
Broad money (M2) (% annual growth)	10.1	34.2	19.8	19.4	6.1	10.3	12.5	13.2	11.7	10.8	11.1
Credit to the economy (% annual growth)	4.3	26.0	29.1	16.2	33.7	16.4	7.9	10.0	15.1	10.5	13.6
Credit to the economy (in % of GDP)	14.7	14.2	16.4	16.3	18.3	17.8	16.2	15.7	16.2	16.2	16.5
Velocity (GDP/M2; end of period)	4.4	4.3	4.0	3.9	4.4	4.8	5.1	5.1	5.1	5.1	5.1
Memo:											
GDP at current market prices (Fbu billion)	1,467.1	1,910.9	2,140.2	2,494.6	2,970.7	3,566.4	4,221.3	4,784.9	5,349.3	5,925.9	6,584.0
GDP at current market prices (USD million)	1,356.1	1,611.6	1,739.8	2,026.9	2,355.7	2,472.4	2,675.6	2,869.5	3,035.2	3,181.3	3,344.3
Nominal average exchange rate (Fbu per US$)	1,081.9	1,185.7	1,230.2	1,230.7	1,261.1	1,442.5	1,577.7	1,667.5	1,762.4	1,862.7	1,968.7

Source: Ministry of Finance, IMF, and World Bank

2.3 With the moderated economic growth over the past few years, unemployment, underemployment, and poverty patterns have only slightly changed. The Government completed a new household survey in 2013 and the results will be available soon. Data from earlier and less representative surveys shows that household consumption increased from 2006 to 2012 but deprivation remains widespread reaching six Burundians out of ten, with higher rates in rural areas compared to urban areas. The quasi-stagnation of the agricultural sector (1.3 percent in 2005-2013) contrasts with the momentum in non-agricultural sectors (mainly urban), explaining high inequalities between rural and urban areas. Access to education, health, and water has improved recently. While the gross primary enrollment rate remains above 130 percent, the primary achievement rate increased from 51 percent in 2010 to 68 percent in 2013. At the same time, the share of children fully vaccinated rose from 83 percent in 2010 to 99 percent in 2013, while access to clean water in rural areas improved by 10 percentage points to reach 65 percent in 2013.

2.4 The current account deficit is expected to narrow to 16.1 percent of GDP in 2014 as the terms of trade improved and coffee exports recovered. Despite a decline in tea and gold prices, overall export prices increased by 14.2 percent in the first nine months of 2014, reflecting an uptick in coffee prices. Prices of Arabica coffee increased steadily in the last six months, the first time since 2010, and were 50 percent higher in October 2014 compared to September 2013. At the same time, the overall prices of imported goods decreased by 0.4 percent, reflecting mainly lower fuel prices. The balance of services should slightly improve as exports of services are gradually picking up, driven by new investments in the tourism, telecommunication, and banking sectors. The net current transfers are still positive but lower as official aid inflows are declining over time. External assistance is provided mainly by the African Development Bank (AfDB), the European Commission (EC), IDA, and bilateral donors (Belgium, France, Netherlands, Norway, and the United States). The financing of the current account deficit is largely ensured by concessional loans, while foreign direct investments remain modest, though prospects are good for the mining sector in the medium term. Official reserves are projected to increase to 3.7 months of imports at the end of 2014.

2.5 Monetary policy continues to curb inflation. Better coordination between monetary and fiscal policies combined with the stabilizing food and fuel prices contributed to reduce inflation. From a peak of 25 percent (y-o-y basis) in March 2012[4], headline inflation fell to 5.5 percent in September 2014 (y-o-y basis). As inflation pressures eased, the Central Bank of Burundi (BRB) lowered its policy rate by about 200 basis points in December 2013 to 10.5 percent. Broad money (M2) increased by 10.5 percent in the first six months, and is expected to reach 20 percent of GDP at end-2014. However, expansion in credit to the private sector remained modest, growing at only 4.1 percent in the first semester of 2014 compared to 13 percent in the same period of 2013. This slow expansion is partially explained by relatively high real interest rates and by reduced private sector flows crowded out by public borrowing (as the Government increased its issuance of bonds and obligations in the first semester of 2014).

2.6 Greater exchange rate flexibility allowed the economy to adjust to a series of external shocks. Exchange rate policy remained flexible. The daily reference for the exchange rate continued to be based on the weighted average rate of foreign currency as set on the preceding day by commercial banks. In March 2013, the BRB decided that the margins applicable to foreign currency transactions had to be contained within a one percent bracket around the reference rate published by the Central Bank. The authorities also lifted the withdrawal limits on residents' dollar-denominated accounts. As a result, the nominal exchange rate remained broadly stable in 2013 and the first three quarters of 2014 at around 1,550 BIF per US dollar and the real effective exchange rate (REER) appreciated by only 2.8 percent in the first eight months of 2014.

[4] Inflation reached record levels in June 2008 (28 percent) and March 2012 (25 percent) reflecting the 2008 and 2010/2011 increases in oil prices. The impact of the 2010/2011 fuel prices increase has been delayed by the government fiscal response.

2.7 On the fiscal front, revenue mobilization remains challenging in the context of declining aid[5]. The Government's tax policy and administration continue to be marked by competing objectives of medium term growth through tax incentives and revenue mobilization. Revenue mobilization weakened in the first half of 2014 (7.6 percent below target), partly as the result of the effort to streamline tax payments and align the country to the East African Community (EAC) corporate tax rate. The Government abolished the 4 percent advance for imported products, suppressed the one percent minimum turnover tax for enterprises presenting losses, and reduced the corporate tax rate from 35 percent to 30 percent. While these measures are expected to enhance private activities in the medium term, they have produced short term losses which were only partially compensated by the award of the new telecommunication license, generating approximately 0.3 percent of GDP in additional revenue for the Government. As a result of lower-than-targeted revenues, public spending was strictly controlled in the first semester as the execution rate of the overall budget was only 35 percent by end June. This was however, insufficient and the Government opted to borrow from the domestic banking system, up to one percent of GDP as of end June, through Central Bank advance and Treasury bills and obligations.

2.8 Corrective fiscal measures were implemented in early August with the adoption of the 2014 revised budget. These measures included: (i) reintroduction of the one percent minimum turnover tax on telecom, petroleum products and beverages; and (ii) elimination of VAT exemptions on imports and tax credit, and mobilization of dividends. By end October 2014, 81 percent of the revised targets were achieved, confirming that the corrective measures have produced positive effects on revenue collection. Non tax revenues have been boosted by the sale of the new communication license to reach 1.7 percent of GDP, up from 0.9 percent in 2013. As a result, Government's overall revenue is forecasted to reach 13.7 percent of GDP in 2014, up from 13.3 percent in 2013, even though the tax to GDP ratio will decrease to 12 percent in 2014 from 12.4 percent in 2013. With the corrective measures successfully implemented and with controlled expenditures, the overall fiscal deficit is expected to slightly increase to 1.9 percent of GDP in 2014.

2.9 The IMF approved the Fifth Review of the Extended Credit Facility (ECF) program on August 25, 2014 and recommended the drawing of SDR 5 million to manage any negative impacts. The proposed operation-- also aims to stabilize the macroeconomic situation and help create the enabling environment for strong and sustained economic growth.

B. Macroeconomic Outlook and Debt Sustainability

2.10 Burundi's medium term macroeconomic outlook reflects the need to balance fiscal sustainability and accelerated economic growth. In the short to medium term, the economy is expected to grow at five percent per year. This positive trajectory will be supported by better macroeconomic management and structural reforms, including in the coffee and mining sectors, as well as new investments in the energy sector. Output growth is expected to be driven by small

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[5] Aid is on a declining trend since 2010, but still represents half of the national budget. Aid is expected at 14.7 percent of GDP in 2014, down from 23.4 percent of GDP in 2010. In 2014, budget support will only reach 1.3 percent of GDP against an original target of 2.6 percent.

scale mining and the construction and services sectors (banking, tourism, transport, and telecommunication). The recovery in the agriculture sector is expected to contribute to the economic expansion in the medium to long term. On the demand side, private consumption and government spending will continue to be the main drivers of the economy. Foreign direct investment and export earnings are expected to increase as well (though still below potential) because of improvement in the business environment, and reforms in the coffee and mining sectors.

2.11 The country's ability to increase further its per capita GDP will largely depend on the Government's capacity to expand its fiscal space and improve the efficiency of its public spending as well as to diversify the economy and stimulate productivity. It will also depend on its ability to manage natural resources, ranging from tourism attractions in the western part of the country (From Bubanza to Nyanza-Lac), particularly along the Lake Tanganyika, to mining areas (gold, nickel, coltan, cassiterite, and wolframite, copper, platinum, iron, etc.) in the eastern part of the country (From Makamba to Muyinga, via Musongati). The country's economic performance will also depend on its ability to improve the productivity of its agricultural sector, which employs almost 90 percent of the population. The Burundian agricultural sector exhibits extremely low productivity and remains highly vulnerable to climatic conditions. Moreover, the sector is isolated from markets, even from the thin domestic urban market, with the exception of the coffee and tea sub-sectors that have access to the international markets.

2.12 Accelerating growth will also require deepening international trade, particularly boosting and diversifying exports. Burundi, like other landlocked countries, faces a severe disadvantage to access overseas and regional markets. The country relies on neighboring countries (Tanzania and Kenya) for transit routes but distances to seaports are long, limiting international trade. Despite the launch of the nickel project[6] in October 2014, exports of goods and services will increase only gradually over time and but will remain dominated by coffee, gold, and tourism. Imports will increase due to higher demand for construction material. The current account deficit is projected to remain in the range of 15 percent of GDP until 2017. The financing of the current account deficit will be ensured by the combination of external aid and FDI[7]. As a result, Burundi's national reserves should remain slightly below four months of imports in the medium term.

2.13 Monetary policy will remain focused on reducing inflation and stabilizing the impact of external shocks. Inflation is expected to remain in single digits in the medium term, provided that global fuel and food prices remain stable. The authorities are committed to keeping the exchange rate flexibility as the instrument to manage adjustments in case of external shocks.

2.14 The overall fiscal deficit is expected to remain below two percent of GDP as the authorities continue to commit to fiscal prudence and fiscal as well as debt sustainability. Tax revenue is expected to increase gradually to 13.5 percent of GDP, up from 12 percent in 2014, as the government streamlines tax exemptions and expands the fiscal base. Tax

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[6] The nickel project will be exploited by the Burundi Musongati Mining (BMM) jointly held by the Government and BMM international (75 percent).

[7] The FDI content of the nickel project is expected to exceed US$2 billion per year. The potential impact of this project is not integrated in the projections.

exemptions were very high (2.6 percent of GDP in 2013) and their impact on investment is not obvious. The Government intends to limit tax exemptions within a ceiling and has already eliminated VAT exemptions on imported products and tax credit (in the context of the 2014 revised budget). These measures will be repeated into the 2015 finance law and reflected in the new investment code which is under preparation. Current expenditure is expected to temporarily increase to 19 percent of GDP in 2015 due to election-related spending, before stabilizing around 18 percent of GDP. After the elections, a shift in the composition of public spending toward capital expenditures is expected. Critical policy areas for better control of spending are the wage bill and procurement, both of which are included in the proposed operation. More generally, the efficiency of public spending and the quality of services can be improved by reforms in public finance management and procurement, stronger sector policies, and a new focus on social protection and safety nets. The authorities' effort to develop medium-term budgeting tools for selected key sectors has and will continue to upgrade their capacity to deliver and reach out to citizens.

2.15 There are significant uncertainties, which could affect the medium term macroeconomic and fiscal outlook. First, the risk of an uneven commitment to reforms, including expenditure control, tax exemption streamlining, and mining sector transparency is increasing as the country moves towards the next presidential elections currently scheduled in mid-2015. Although fiscal policy remained prudent in past electoral cycles, spending pressures could lead to a deterioration of the fiscal position, while governance slippages and slow implementation of PFM reforms could impact donor support. Influx of refugees from Eastern Congo and the repatriation of refugees from Tanzania can also add social and political pressure on a fragile environment. Second, aid inflows could fall short of projections, particularly if development partners perceive a weaker Government commitment to reforms. Third, deterioration in the terms of trade, particularly an increase in fuel prices in the medium term, could lead to higher inflation and, possibly, to social unrest. However, since July 2014, oil prices have fallen on international markets, down to US$80 per barrel in November 2014. Fourth, a protracted or deepening macroeconomic downturn in main trade partners, mainly in Europe[8], still represents a significant risk. Fifth, while the outbreak of the Ebola virus to Burundi appears limited, the worsening of the situation in West Africa and/or in DRC could directly and indirectly affect Burundi, particularly its emerging tourism sector.

2.16 Burundi will also remain at high risk of debt distress over the medium term even though its debt indicators have improved in recent years. Total public debt to GDP ratio stood at 30.8 percent in 2013, down from 42 percent in 2009. Under the baseline scenario of the Debt Sustainability Analysis (DSA) produced jointly by the World Bank and the IMF in January 2014, the present value of debt-to-exports ratio temporarily and marginally breaches the policy threshold. However, other indicators remain below the respective policy thresholds. This is linked mainly to the country's narrow export base and the low policy thresholds resulting from the CPIA scores (3.2 in 2013). However, Burundi has been able to service its public and publicly-guaranteed debt and avoid the accumulation of external arrears. Concurrently, the authorities are pursuing their efforts to strengthen debt management capacity in line with the recommendations of the World Bank. The legal framework governing debt management is being revised and a fiscal and monetary policy coordinating committee is being established. In view of

[8] Europe remains Burundi's main trade partner and the destination of 60 percent of its exports.

the central role of debt management in the budgeting process, the Government prepared and published a quarterly report on debt management.

Table 2: Government fiscal 2007-2017 (in % of GDP)[9]

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
							Est.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	**23.9**	**38.8**	**33.5**	**37.3**	**36.1**	**31.9**	**29.7**	**27.3**	**29.0**	**29.0**	**29.3**
Current Revenue	**11.9**	**11.4**	**12.1**	**13.9**	**15.4**	**14.8**	**13.3**	**13.7**	**14.3**	**14.4**	**14.6**
Tax revenue	11.6	11.4	12.1	13.9	14.3	13.8	12.4	12.0	13.1	13.4	13.5
Direct Taxes	3.6	3.5	3.9	4.6	4.4	4.4	3.5	2.7	3.4	3.7	3.6
Indirect Taxes	8.0	7.9	8.3	9.3	9.9	9.4	8.9	9.3	9.7	9.7	9.8
On domestic goods & services	6.3	6.1	6.9	7.8	8.4	8.0	7.7	7.9	8.2	8.2	8.2
On international trade	1.7	1.8	1.4	1.5	1.5	1.4	1.2	1.4	1.5	1.5	1.7
Nontax revenue	0.3	0.0	0.0	0.0	1.1	1.0	0.9	1.7	1.1	1.1	1.1
Grants	**12.0**	**27.4**	**21.4**	**23.4**	**20.7**	**17.1**	**16.4**	**13.5**	**14.8**	**14.5**	**14.8**
Program support	2.4	5.5	4.3	4.7	3.9	2.1	2.9	1.3	2.7	2.1	2.0
Project support					11.0	9.0	10.2	8.1	8.6	8.9	9.1
Others					5.9	6.0	3.4	4.1	3.4	3.5	3.6
Total expenditure and net lending	27.8	41.1	38.8	40.9	40.0	35.6	31.4	29.2	31.4	31.0	31.0
Current Expenditures	**17.7**	**18.7**	**19.9**	**18.9**	**24.4**	**22.2**	**18.6**	**18.2**	**19.1**	**17.8**	**17.9**
Wages and Salaries	7.6	8.1	8.4	9.0	9.4	8.1	7.0	6.7	6.6	6.5	6.4
Interest payment	2.0	1.4	1.2	1.1	0.9	0.7	0.7	0.8	0.8	0.8	0.9
On external debt	0.8	0.7	0.4	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.1
On domestic debt	1.2	0.8	0.8	0.6	0.7	0.7	0.6	0.7	0.7	0.7	0.8
Other Current expenditures	8.0	9.1	10.3	8.8	14.2	13.4	10.9	10.6	11.7	10.5	10.6
Subsidies, transfers and others	3.2	3.7	5.4	5.0	10.9	10.5	8.1	8.2	9.3	8.0	8.1
Consumption	4.9	5.4	4.9	3.8	3.3	2.9	2.8	2.4	2.4	2.4	2.5
Capital expenditures and net lending	**10.1**	**22.4**	**18.9**	**22.1**	**15.6**	**13.4**	**12.8**	**11.0**	**12.2**	**13.1**	**13.1**
On domestic resources					3.5	2.6	2.2	2.1	2.6	3.3	3.6
On external resources					12.1	10.8	10.5	8.9	9.7	9.9	9.5
Overall Surplus/Deficit	**-3.9**	**-2.3**	**-5.3**	**-3.6**	**-4.0**	**-3.7**	**-1.7**	**-1.9**	**-2.3**	**-2.0**	**-1.7**
Overall Surplus/Deficit, excl. current Grants	**-15.9**	**-29.7**	**-26.6**	**-27.1**	**-24.7**	**-20.8**	**-18.1**	**-15.5**	**-17.1**	**-16.5**	**-16.5**
Primary Surplus/Deficit, excluding interest	**-1.9**	**-0.9**	**-4.0**	**-2.5**	**-3.1**	**-3.0**	**-1.0**	**-1.1**	**-1.5**	**-1.2**	**-0.8**
Total Government Debt	**120.8**	**96.3**	**43.3**	**38.4**	**32.9**	**35.1**	**31.5**	**30.8**	**28.5**	**26.8**	**25.0**
External Debt	**104.3**	**82.1**	**26.2**	**21.2**	**17.8**	**20.5**	**18.4**	**17.4**	**16.5**	**15.2**	**13.5**
Domestic Debt	**16.4**	**14.3**	**17.1**	**17.2**	**15.1**	**14.6**	**13.1**	**13.4**	**12.0**	**11.6**	**11.5**

Source: Ministry of Finance, IMF, and World Bank

2.17 Overall, Burundi's macroeconomic framework for 2014 and the medium term outlook provide an adequate basis for the proposed operation. The medium term macroeconomic outlook (2014-2017) is consistent with the framework of the IMF's ECF program. By focusing on the critical areas (streamlining fiscal exemptions, improving the management of the wage bill, and increasing transparency in procurement), the proposed operation will help the country's effort to stabilize macroeconomic conditions and pave the way toward accelerated and sustained economic growth. The operation also supports economic

[9] The surge in subsidies, transfers and other spending since 2011, reflect the classification of the reimbursement of the Africa Mission to Somalia (AMISOM) in the other grants and the counterpart in the transfers and subsidies. The increase in 2015 reflects election related spending.

diversification by supporting reforms in the coffee and the mining sectors. The mining sector in particular has huge transformative potential.

C. IMF Relations

2.18 On July 2012, the IMF Executive Board approved the three-year arrangement under the Extended Credit Facility (ECF) of SDR 30 million. The first four reviews were completed as scheduled with minor slippages. The Fifth Review was concluded on August 25, 2014, with all performance criteria observed, with the exception of the fiscal revenues target. Satisfactory progress has been made on structural reforms, albeit with some delays. Policy discussions have focused on measures to strengthen fiscal performance which have been reflected in a revised 2014 budget, bolstering public financial and debt management. The Fund also provided technical assistance to the Ministry of Finance on tax administration, debt management, and statistics.

III. GOVERNMENT'S PROGRAM

3.1 The Government's priorities are presented in the second Poverty Reduction Strategy Paper (PRSP II) adopted on January 24, 2012. The new strategy builds on the first PRSP (PRSP I), while introducing new pillars on sustainable spatial and environmental management (Table 3). PRSP II aims at: (i) transforming the economy for rapid job-creating growth and food security; (ii) making growth more inclusive and sensitive to vulnerable groups; (iii) realizing the potential of the population with a thriving private sector by increasing trade with neighbors; and (iv) developing institutions to improve governance and the quality of services. The PRSP's envisioned approach is broken down into: (i) strengthening the legal and judiciary system, (ii) tackling corruption and institutional performance, (iii) improving public financial management, and (iv) promoting gender equality.

Table 3: Comparison of the PRSP I and II Pillars

PRSP I Pillars	PRSP II Pillars
Governance and security	Rule of law, governance and gender equality
Equitable and sustained growth	Equitable and sustained growth for job creation
Developing human capital	Access to quality services and national solidarity
Controlling HIV/AIDS	Sustainable spatial and environmental management

3.2 Promoting growth remains a priority of the PRSP II, with added emphasis on job creation. Without growth, the goals of providing basic social services and protection for the weak and vulnerable are not sustainable beyond the medium term. To promote growth, the government's strategy relies essentially on: (i) developing priority sectors including agriculture (with an emphasis on export crops and agribusiness), mining and tourism; (ii) tackling underlying bottlenecks, particularly energy, transport and ICT; and (iii) deepening regional integration. The underlying theme is the promotion of private sector participation in the economy to support job creation.

3.3 The focus on increasing access to essential social services remains central, together with new attention to social protection. The Government's strategy includes: (i) increasing the capacity of the education system to accommodate higher secondary and tertiary intake and enhancing quality at all levels; (ii) strengthening performance in health service delivery and access to water; (iii) controlling population growth; and (iv) consolidating the good progress made on HIV/AIDS prevention. PRSP II also targets social protection with short term actions (through community-based interventions and livelihoods promotion in rural and informal environments) and longer term initiatives (formal social insurance and social protection institutions and access).

3.4 The last objective of the PRSP is to enhance spatial and environmental management. This pillar covers: (i) urban management and planning and land management/titling, (ii) environmental protection and climate change mitigation, (iii) water resources management, and (iv) mainstreaming the environment dimension in sector programs.

IV. THE PROPOSED OPERATION

4.1 The ERSG series covers three key areas, namely: (i) Strengthening Public Finance Management and Budget Transparency; (ii) Promoting Private Sector Investment Promotion and Economic Diversification; and (iii) Strengthening Safety Nets Systems. These areas are consistent with the Government's PRSP II and the Bank's CAS. The design of the series has also incorporated lessons from previous operations. The overall framework of this series and the rationale for supporting the three areas included in the program are provided in the sixth ERSG program document (Report No. 70931-BI). However, the proposed operation includes a few adjustments to reflect the Government's stronger commitment in the areas of PFM and fiscal policy as well as in the governance of the mining sector and for social protection. It also incorporates a change to the support for the coffee sector, with stronger emphasis on promoting a more participatory and inclusive approach.

A. Link to the Government Program and Operation Description

4.2 The proposed series of operations, including this one, has been aligned to the Government program, especially in the areas of fiscal/PFM reforms, private sector development, and social protection. The promotion of MTEF, budget transparency, and better wage bill management, the first area of support under the proposed operation supports the first pillar of the PRSP II: *Rule of law, governance and gender equality*. The second area supported under the operation, which promotes private sector development and economic diversification, is aligned with the second pillar of PRSP II: *Equitable and sustained growth for job*. The third area focuses on social protection and vulnerability mitigation, which is also the third pillar of the PRSP II: *Access to quality services and national solidarity*.

4.3 The proposed operation builds on the previous development policy operations and from similar operations in fragile countries[10]. The proposed operation incorporates lessons from the previous programmatic series (ERSG I ERSG II-III and ERSG IV-V) and pursues the reforms started in the first and second operations (ERSG VI and VII) of this series. Main lessons derived from these experiences include the following:

i. **In fragile states, sustained budget support engagement is essential to close the fiscal gap, promote the policy dialogue, and sustain domestic reform efforts.** Burundi remains at a crossroad: it may continue on the path of economic consolidation and

[10] The Emergency Economic Recovery Credit (EERC) was approved in 2000, the Economic Recovery Credit (ERC) in 2002, the first Economic Reform Support Grant (ERSG I) in 2006, and the second and third (ERSG II and III) in 2008 and 2009, ERSG IV and V in 2010 and 2011.

political stabilization but may also return to fragility. While the trajectory will ultimately depend on Government actions, donor support, including through budget support operations will be vital, notably given its importance in budget financing.

ii. **Define objectives commensurate with local capacity:** Prior actions and triggers in the last ERSG series were well specified and phased but unequal gains were made toward achieving some of the envisaged development objectives. Such variability was linked to the low implementation capacity including in coordination, given the large number of agencies and departments in charge of implementing the reforms.

iii. **Adjust expectations to reality and socio-economic context*:*** Experience suggests that it may be unrealistic to expect rapid change to economic and social conditions in small, poor, landlocked, and fragile countries. It is therefore, good to be cautious on the extent and pace with which: (a) economic transformation can take place; (b) policy inputs translate into outcomes; and (c) behavioral patterns of bureaucratic inertia can be altered. Therefore, development goals must be well-targeted, with modest expectations reflecting the realities of national capacity.

iv. **Provide for close monitoring while maintaining flexibility.** At the current juncture of Burundi's socioeconomic development and recovery efforts, continued budget support is important to enable the Government to strengthen and consolidate PFM, private sector development, and export promotion reforms. Progress must be monitored closely, with each phase of the programmatic series implemented incrementally, allowing flexibility and mid-course corrections.

v. **Using budget support in tandem with investment lending and technical assistance may be more effective than each instrument alone.** Previous development policy operations benefited from the Economic Management Support Project (EMSP) which provided needed technical assistance to complement the existing weak capacity within the Government. Such linkages with the DPO series have been continued under the ongoing Financial and Private Sector Development Project (FPSD). The implementation framework of this investment project has enabled the Government to move quickly on activities to support the broader policy objectives of the DPO series.

B. Link to the CAS and other Partners' Operations

4.4 The proposed operation is aligned with the main objectives the CAS for FY13-FY16, discussed by the Board on October 24, 2012 (Report No. 72334-BI). The proposed program supports: (i) Pillar I of the new CAS (Competitiveness) by promoting improvements in the business environment and greater participation of the private sector in strategic export oriented and employment-creating activities; and (ii) Pillar II (Resilience) by supporting short term measures to mitigate the impact of food price hikes on the poor and the formulation of a comprehensive social protection policy for the medium term as well as measures to enhance productivity and diversification in agriculture. It also supports the broad objective to improve governance, which is the foundation of the CAS, through measures aimed at improving the realism and transparency of public finance management, including the budget process and public procurement. Burundi's progress toward the achievement of the CAS outcomes is largely positive, though important challenges remain. A Performance and Learning review of the FY13-FY16 CAS is under preparation.

4.5 The proposed policy reform package is supported by IFC and development partners operating in Burundi, including the African Development Bank and the European Commission who are both providing general budget support. The Bank team, as in the past, has collaborated closely with the IMF and the donor community through joint missions, including the monitoring of the Fund's ECF program and the Article IV consultations missions. The Bank has worked very closely with UNICEF, ILO, and other UN agencies on social protection. On the Bank's side, coffee sector reform and private sector promotion is at the core of the Financial and Private Sector Development Project and well-coordinated with IFC. The development of agriculture is supported by the Agro-Pastoral Modernization Project. The proposed support on the mining sector is closely aligned with the assistance provided by other technical partners to the Ministry of Energy and Minerals (such as the work of GIZ, BGR, UNDP and the Belgian Cooperation). Other partners such as EU, AfDB, USAID, France, Switzerland, and Belgium, are also involved in the areas of PFM, investment climate, education, health, social protection, and agriculture. The proposed operation benefited from interactions and dialogue with civil society and private sector, notably in the areas of coffee and mining.

C. Prior Actions, Results, and Analytical Underpinnings

4.6 To achieve the development objective of the current series, the proposed ERSG-VIII supports 10 prior actions (Table 4). These prior actions were identified, in close coordination with the authorities, and based on analytical work agreed during the preparation of ERSG-VII (see Table 5).

4.7 The Government has implemented all 10 prior actions and is on track to achieve the program development objective of the series set for end 2015. The program has been strengthened in tax expenditure streamlining, coffee, and mining to ensure that expected outcomes will be achieved in these critical areas. Stronger measures have been implemented by the Government to limit tax exemptions, in addition to improving transparency, to broaden the support in favor of reforms in the coffee sector[11] and to increase transparency in the mining sector (decision to comply with EITI). The Bank is also supporting the preparation of a new program focusing on coffee sector productivity using investment project financing. To strengthen the proposed operation two new prior actions (compared to initial triggers) have been added in budget transparency and mining and other policy actions have been reinforced, including in the areas of tax exemptions and safety nets. As a result of strong Government commitment, 5 outcome indicators out of 14 have been already met; significant progress has been recorded in the case of six other indicators, while the achievement of the remaining will be triggered by the implementation of the corresponding prior actions. The program is on track, as all the indicators are expected to be met by end-2015 (see Annex 4). Furthermore, the program has helped in the stabilization of the economy, notably by providing additional fiscal space to the Government, even though areas of vulnerability remain both in the fiscal and macroeconomic framework.

[11] Following the recommendations of the coffee PSIA, the government has decided to improve the third phase of the privatization process to ensure increased participation of the coffee growers, including the implementation of the agreements in the first and second phases. This new consideration has necessitated greater consultation with the coffee growers' organizations that delayed the publication of bidding documents.

Table 4: Summary of Proposed Prior Actions for ERSG VIII

Trigger for ERSG VIII as in ERSG VII Program Document	Proposed prior action under ERSG VIII
Component 1: Strengthening Public Finance Management and Budget Transparency	
1. The Recipient has disclosed to the public the full itemized list of tax exemptions granted over the past year and published the budget document that clearly specifies the estimated amount of tax exemptions as a share of tax revenues.	**Reinforced.** The Recipient has published, on the official government website, the itemized list of tax exemptions granted in 2013 and the first semester of 2014, and has eliminated, under the 2014 revised budget law, the value added tax exemptions on imports and tax credits. ***Prior action 1***
2. The Recipient has prepared sectoral MTEF in agriculture, education, and health consistent with budget envelop in the central MTEF for the preparation of the 2015 budget law.	**Confirmed.** The Recipient has issued medium-term expenditure frameworks for the agriculture, education, and health sectors that do not exceed by approximately one percent the projected budget for the respective sectors as detailed in the central medium-term expenditure framework for the preparation of the 2015 budget law. ***Prior action 2***
	Added. The Recipient has published, on the official government website, detailed budget information and actual expenditure for 2013 in downloadable excel format. ***Prior action 3***
3. The Recipient has published an independent audit of the public procurement contracts awarded in 2011-2012 and prepared an action plan to address the identified weaknesses.	**Confirmed.** The Recipient has published, on the official government website, the independent audit reports of the public procurement contracts awarded in 2011-2012, and has prepared an action plan to address the identified weaknesses. ***Prior action 4***
4. The Recipient has cleaned and validated the HRMIS database using the updated biometric civil servant census database.	**Confirmed with slight revision.** The Recipient has identified the civil servants with no biometric information, adopted an action plan for completion of the biometric census, and designated a unit for permanent collection of biometric information. ***Prior action 5***
Component 2: Promoting Private Sector and Economic Diversification	
5. The Recipient has launched the privatization process for the remaining coffee washing stations and initiated the evaluation of the offers.	**Revised**. The Recipient has adopted a revised coffee privatization strategy that aims to be more inclusive and that is acceptable to the farmers' organizations. ***Prior action 6***
6. The Recipient has designed and validated a program to improve the productivity of the coffee sector.	**Dropped but supported through another instrument.** The preparation of the productivity program has started with support from the Bank through a new IDA project. The PCN of that project was held on September 5 and give the overall direction of the Bank intervention to support the government productivity reinforcement program.
7. The Recipient has completed an EITI scoping study with an action plan to complete the necessary requirements for pre-candidacy for the EITI membership.	**Revised**. The Recipient's Council of Ministers has adopted the decision to comply with the EITI. ***Prior action 7***
	Added. The Recipient has published, on the official government website, mining contracts awarded since the adoption of the mining code in October 2013. ***Prior action 8***
Component 3: Strengthening Safety Nets Systems	
8. The Recipient has adopted a comprehensive strategy of safety nets, which includes an action plan and proposed financing.	**Revised.** The recipient has operationalized the provincial committees to improve the targeting of the Social Safety Nets programs. ***Prior action 9***
9. The Recipient has carried out and disclosed an updated National Vulnerability	**Revised**. The Recipient has increased the allocation for social protection in the 2014 revised budget law from its previous

Trigger for ERSG VIII as in ERSG VII Program Document	Proposed prior action under ERSG VIII
Assessment.	allocation in the 2013 budget law. ***Prior action 10***

Table 5: Analytical Underpinning

Proposed Prior Actions	**Analytical Underpinning**
Component 1: Strengthening Public Finance Management and Budget Transparency	
The Recipient has published, on the official government website, the itemized list of tax exemptions granted in 2013 and the first semester of 2014, and has eliminated, under the 2014 revised budget law, the value added tax exemptions on imports and tax credits.	• Policy Notes Series (2011-12) • Burundi: Analysis and Proposals for Reforming the Regime for Investment Incentives (IFC 2012) • PER (2013); • First Burundi Economic Update (2014)
The Recipient has issued medium-term expenditure frameworks for the agriculture, education, and health sectors that do not exceed by approximately one percent the projected budget for the respective sectors as detailed in the central medium-term expenditure framework for the preparation of the 2015 budget law.	• PEMFAR (2008) • Policy Note Series (2011-12) • PEFA (2009; 2012) • PER (2013) • Burundi Health Financing Study (2014)
The Recipient has published, on the official government website, detailed budget information and actual expenditure for 2013 in downloadable excel format.	• PEFA (2009; 2012) • PER (2013)
The Recipient has published, on the official government website, the independent audit reports of the public procurement contracts awarded in 2011-2012, and has prepared an action plan to address the identified weaknesses.	• PEMFAR (2008) • PEFA (2009; 2012) • Policy Note Series (2011-12)
The Recipient has identified the civil servants with no biometric information, adopted an action plan for completion of the biometric census, and designated a unit for permanent collection of biometric information.	• PEMFAR (2008) • Study on the options for pay reform (2009/2010) • Policy Note Series (2011-12) • PER (2013)
Component 2: Promoting Private Sector and Economic Diversification	
The Recipient has adopted a revised coffee privatization strategy that aims to be more inclusive and that is acceptable to the farmers' organizations.	• Sources of Rural Growth (2007) • CEM (2011) • Policy Note Series (2011-12) • RSEA (2011) • Burundi Skills Development Study (2014) • Burundi Coffee PSIA (2014)
The Recipient's Council of Ministers has adopted the decision to comply with the EITI.	• CEM (2011) • Policy Note Series (2011-12) • Burundi Mining Sector Review (2014) • EITI Scoping Study (2014)
The Recipient has published, on the official government website, mining contracts awarded since the adoption of the mining code in October 2013.	• CEM (2011) • Policy Note Series (2011-12) • Burundi Mining Sector Review (2014) • EITI Scoping Study (2014)

Proposed Prior Actions	Analytical Underpinning
Component 3: Strengthening Safety Nets Systems	
The recipient has operationalized the provincial committees to improve the targeting of the Social Safety Nets programs.	• CEM (2011) • Policy Note Series (2011-12) • Burundi Social Safety Net Assessment (2014) • Burundi Vulnerability Assessment (2014) • Burundi Sustainable Health Financing (2014)
The Recipient has increased the allocation for social protection in the 2014 revised budget law from its previous allocation in the 2013 budget law.	• CEM (2011) • Policy Note Series (2011-12) • Burundi Social Safety Net Assessment (2014) • Burundi Vulnerability Assessment (2014) • Burundi Sustainable Health Financing (2014)

Component 1: Strengthening Public Finance Management and Budget Transparency

4.8 In Burundi, one of the highest priorities for the Government is to create fiscal space for the provision of public goods to support economic growth and consolidate peace. As a post-conflict country, Burundi faces huge economic and social infrastructure gaps. Access to electricity and transport services is uneven and concentrated mainly on urban areas. With a population density exceeding 350 inhabitants per square kilometer and a demographic growth at three percent per annum, there is a growing pressure on both current and capital public spending. At the same time, domestic revenue mobilization is relatively weak with tax to GDP ratio at 12 percent while aid is declining as a share of GDP. In this context, revenue mobilization, as well as expenditure management and efficiency are important, not only to cope with these challenges, but also to contain inflation, maintain fiscal sustainability, and guarantee the delivery of social and infrastructure services to citizens. Thus, more efficient allocation and use of public resources are necessary to support the Government's developmental expenditures.

4.9 Since 2009, the Government has started a set of reforms, through the first PFM reinforcement strategy to improve public finance management. More than a decade of political and civil unrest had devastated public finance management capacity. At the end of the conflict, the tools and procedures for revenue administration and expenditure management were absent or completely obsolete. The budget preparation process was purely mechanical and medium-term expenditure forecasts were non-existent. Budget execution was weakened because financial monitoring practically disappeared as well as the capacity to conduct internal and external audits. The lack of a reliable civil service information system hampered the proper management of the public labor force leading to inefficiency and to a significant increase of the wage bill. Since 2009, with the adoption of the first PFM reinforcement strategy, Burundi has made significant progress toward sound PFM systems and practices, both in terms of revenue mobilization and expenditure management. Key milestones have been the adoption of the new organic law of finance (LOLF), the creation of the *Office Burundais des Recettes* (OBR), the adoption of the new procurement code, and the installation of the IT management systems: SIGEFI and OpenPRH. These improvements helped to improve the two PEFA ratings in 2009 and 2011. In 2007, 19 out of 28 PEFA indicators were rated D or D+, and 6 were rated C or C+ while in 2011, only 8 out of 26 PEFA indicators were rated D+, 9 were rated C or C+, and two indicators were not rated.

4.10 In view of the remaining challenges, the Government has continued to modernize its public finance management system. Significant improvements have been achieved over the last three years but the fiscal balance remains highly fragile as illustrated by the high dependence on external aid. Although the share of the current expenditure covered by domestic revenue increased from 63 percent in 2011 to 71.4 percent in 2013, this remains low by regional and international standards. For this reason, the operation supports the Government's efforts in the following four sub-components: (a) streamlining tax expenditure; (b) strengthening strategic and budget planning processes; (c) reinforcing transparency of PFM and procurement; and (d) managing the public wage bill.

a. Streamlining Tax expenditure

4.11 Despite recent slippages, the Government remains committed to improving revenue mobilization. The lack of coordination between tax policy and tax administration and increasing difficulties to control tax exemptions have led to a decrease in the tax to GDP ratio from 14.3 percent in 2011 to 12.4 percent in 2013. While projected at around US$11 million in the finance law, tax exemptions exceeded US$70 million (around 3 percent of GDP) in 2012 and 2013. Most exemptions are granted in existing laws, including incentives provided under the investment code, but many are discretionary and more generous than allowed in the current regulation. In addition, the effectiveness and potential impact of fiscal incentives are not monitored, while more than 75 percent of investors do not consider them as a major factor in their decision to invest in Burundi. Equally important is that the implementation of current exemptions is not transparent, and opens space for abuse and distorts the competitive environment. Several stakeholders, including parliamentarians and CSOs have been demanding greater transparency in the management of fiscal incentives.

4.12 The Government has taken two set of important measures to increase tax revenues supported by the operation (ERSG VIII prior action 1). First, in an effort to increase transparency of tax exemptions, the Government has disclosed the full itemized list of tax exemptions granted in 2013 and in the first semester of 2014. The itemized list of exemptions is now integrated in the Government quarterly budget execution report. Second, it eliminated VAT exemptions on imported products and tax credits in the context of the revised 2014 budget. The implementation of these measures has resulted in a significant decrease (by 32 percent) in the tax exemptions granted by the Government between the second and third quarters of 2014.

b. Strengthening Government Strategic planning

4.13 In addition to revenue mobilization, the Government continues to improve expenditure planning. Following the adoption of a central MTEF[12], the strengthened medium-term expenditure framework is expected to consolidate the link between strategic policy objectives and budget allocations through three main measures: (i) improving the reliability of macroeconomic and revenue projections in order to set credible spending caps, (ii) validation by the Council of Ministers of multi-year inter-sector allocations reflecting the objectives of the second PRSP, and (iii) empowering line ministries to propose intra-sector allocations based on their own strategies and priorities.

[12] A central MTEF (in contrast to sectoral MTEF) is a tool developed by the Ministry of Finance, which indicates the global envelope of resources expected based on macroeconomic projections and provides expenditure ceilings for each institution financed through the budget.

4.14 The development of a three-year rolling MTEF in key sectors has helped address long-standing weaknesses in the link between recurrent and investment spending, and will improve the prioritization of intra-sector expenditures. Unlike other post-conflict countries where progress was limited, Burundi succeeded in improving budget planning through the development of the MTEF, leading to an improvement in the country's PEFA from "D" to "B" between 2009 and 2012. However, budget preparation remains essentially a top-down affair. Indeed, the capacity to prepare a realistic and efficient budget remains weak in most line ministries, with few exceptions[13]. ERSG VI and VII reinforced the role of the central MTEF by supporting its adoption by the Council of Ministers and a timely transmission to Parliament along with the budget framework letter (*lettre de cadrage*) and the Budget Orientation Document (BOD). These measures improved the consistency between the macroeconomic framework, the central MTEF and the budget; but huge gaps remained between the sectoral MTEF and the budget. For example, the overall gap[14] in education, health, and agriculture was estimated at 31.9 percent in 2012, before decreasing to 18.6 percent in 2013. The sectoral MTEF was based only on the needs and did not take into account the budget constraints fixed in central METEF.

4.15 This operation strengthens the bottom-up approach by ensuring the consistency between sectoral MTEF in agriculture, education, and health and the central MTEF for the preparation of the 2015 budget law (**ERSG VIII prior action 2**). At the same time, full authority is given by the Ministry of Finance to the line ministries for the intra-sectoral allocation of their budgets, which was not the case before. The Government has also submitted the draft 2015 budget to the Parliament in mid-November, which is faster than last year when the 2014 budget was submitted in late November 2013. The financing gap between the sectoral MTEFs and the budget allocated to sectors has been significantly reduced from 31.9 percent in the 2013 budget to 10.3 percent in the draft 2015 budget.

c. Reinforcing Transparency of Public Finance Management and Procurement

4.16 Transparency and public access to budgetary information has improved recently. Public access to comprehensive and timely information on the Government's budget and financial activities is a first step toward the participation of citizen in decision making. Increasingly, civil society organizations in Burundi have put pressure for greater access to information regarding the management of public affairs and the Government has responded. Previous Bank operations played a major role in the development of a computerized Integrated Financial Management Information System (IFMIS), which was essential to improve budget execution and monitoring as well as the timely availability of information. Overall, from 2007 to 2011, the PEFA indicator on public access to budgetary information improved from C to B.

4.17 Access to information has been further improved under ERSG VI and VII, with the publication of the 2014 draft budget law before its discussion by the Parliament, the publication in the communes of the 2013 and 2014 Citizen Budget in French and Kirundi, the regular publication of the quarterly budget execution report, and the timely publication of the budget execution law (*loi de règlement*). However, this information remained at a high level of aggregation and necessitated substantial additional work for the final users, particularly

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14 The gap is measured as the sum of the absolute value of the difference between the sectoral budget and the sectoral MTEF divided by the sum of the sectoral budget.

the research institutions and civil society organizations. For this reason, the Government has published on an official website the detailed budget execution information, in an interactive format, downloadable in Excel and other user platforms (**ERSG VIII prior action 3**). Budget information and actual data for 2013 are now available in different classifications, including the geographical breakdown for key ministries such as health and agriculture, and different steps of the expenditure chain, from commitment to payment.

4.18 Overall, public access to procurement information remains limited. A well-functioning procurement system ensures that money is used effectively for achieving efficiency and value for money in the delivery of public goods and services by the Government. Public access to information through appropriate means (e.g., Government or agency level websites) on procurement processes and its outcomes are key elements of transparency and accountability). Since the adoption of the new procurement framework in 2008, the internal control unit (DNCMP) has been responsible for preparing and publishing regular activity reports. The 2013 report estimates the share of procurement contracts awarded on a sole basis at 6 percent, below the 10 percent regulatory ceiling. However, no external audit report has been prepared by the regulatory authority since the adoption of the procurement code in 2008.

4.19 To fill this gap and further reinforce the transparency of the procurement system, the Government has prepared and published the first procurement audit report since the adoption of the code and has prepared an action plan to correct identified weaknesses (ERSG VIII prior action 4). The report covers several key ministries and agencies for 2011 and 2012, including major SOEs. The report has identified several weaknesses of the procurement system in Burundi including: (i) weak ownership of the legal framework by the contracting bodies; (ii) lack of systematic review of the public contracts awarded by methods other than competitive bidding, including those under the legal threshold; (iii) lack of appropriated filing and classification system; (iv) weak information system for public procurement; (v) lack of performance measurement; and (vi) repeated mistakes in the bidding document controlled by DNCMP, the internal control body. The Government has prepared an action plan to correct these weaknesses, including the revision of the procurement code to align it better to international standards. The Government is committed to conducting the procurement audit on a regular basis as required in the law. It has already mobilized resources to finance the procurement audits for the years 2013 to 2017.

d. Improving the Management of the Public Wage Bill

4.20 The rapid expansion of the public wage bill remains an important fiscal and PFM issue for Burundi. Since 2005, the share of the government wage bill as a percentage of the tax revenue steadily increased to reach a peak of 70 percent in 2008, mainly because of the country's demobilization and reintegration program as well as the Government's ambition to generalize education and prenatal health care. Since 2011, the Government has taken strong actions to control the wage bill. It has frozen new recruitment except in the education and health sectors and modernized the information system to better control the number of civil servants, leading to a decline in the wage bill by 2.4 percentage points from 2011 to 2013. However, salaries still account for 60 percent of the domestic tax revenue leaving little room for other discretionary spending.

4.21 The previous programmatic series helped to implement a new Human Resources Management Information System (HRMIS) interfaced with IFMIS (SIGEFI) and created a

single center for processing payroll and for career management. In 2008, the Government conducted a civil service census to collect the biometric information (photographs and digital fingerprints) to control the unicity of the identification number in the HR database and eliminate ghost entries and duplications.

4.22 However, there was still a need to integrate this information collected from the census into the new HRMIS. The action was implemented in September 2014 (**ERSG VIII prior action 5**). It was identified that 48,407 civil servants in the HRMIS have no biometric information. The Government is committed to fix the problem and has already adopted an action plan to complete the census of remaining civil servants before end June 2015. Furthermore, the Government has identified the unit that will be in charge of the permanent collection of the biometric information of the newly-recruited civil servants.

Table 6: Indicators for PFM Reforms (ERSG VI-VIII Series)

Sub-Objective	Indicator
1. Tax expenditure streamlining	(i) Estimated value of tax exemptions as a share of total tax revenues.
2. Strengthening government strategic planning	(ii) Gap[15] between MTEF and budget in education, health, and agriculture (in percentage of budget). (iii) Delay (in legal months) in budget presentation to Parliament.
3. Reinforcing Transparency of Public Finance Management and Procurement and controls	(iv) PEFA indicator PI19-iii on public access to public procurement information. (v) Share of communes where budget information tables are available.
4. Improving the Management of the Public Wage Bill	(vi) Share of civil servants managed within HRMIS with biometric information.

Component 2: Promoting Private Sector Investment Promotion and Economic Diversification

4.23 Burundi's economy is entirely dependent on imports for most essential goods. Energy products account for about one-fifth of total imports, inputs for the industrial sector account for about 18 percent of total imports, all capital goods such as machinery and equipment represent a quarter of total imports, and the bulk of pharmaceutical products account for about 6.3 percent. On average, imports represent around 40 percent of GDP. This high ratio of import to GDP is understandable given the fact that most of the imported goods are necessary for economic growth. The issue is rather the weakness of the exports sector. Burundi is one of the countries with the lowest exports in the world. As share of GDP, exports of goods and services are less than 15 percent, reflecting the dramatically low competitiveness of the economy. Not only exports are low but foreign sales are concentrated around a single product (coffee) until

[15] The gap is measured as the sum of the absolute value of the difference between the sectoral budget and the sectoral MTEF, divided by the sum of the sectoral budget. The indicator for year N is calculated using the initial budget for year N+1 and the sectoral MTEF N-N+2.

recently. Export potential exists in agriculture (coffee and tea), mining (gold and nickel), and tourism but they are underdeveloped, except for the coffee sector.

4.24 Burundi made substantial progress in improving its business climate in the period 2009-2013. Opening a business is now faster, more efficient and cost effective. In 2012, Burundi eliminated the requirements to have company documents notarized, to publish information on new companies in a journal and to register new companies with the Ministry of Trade and Industry. In 2013, Burundi made starting a business easier by allowing registration with the Ministry of Labor at a one-stop shop and by speeding up the process of obtaining the registration certificate. As a result, Burundi ranks 18th globally on the starting a business indicator of the 2015 Doing Business and was listed among the top 10 investment climate reformers in the 2011, 2012, and 2013 Doing Business reports. [16] Many other key laws governing private sector activity, including obtaining construction permit and transferring property, have also been recently modernized. Investor protection was greatly strengthened with the adoption by Burundi of the "New York Convention" in May 2014 and enhanced investor rights.

4.25 These recent improvements have signaled the Government's commitment to promote private sector development, but much remains to be done. Burundi still ranks at the bottom of the overall Doing Business indicator (152 out of 189 economies). While the benefits of the improved business environment are real and led to an increase in the number of registered enterprises, this series of operations has supported the Government's effort to improve the competitiveness of the agricultural (mainly coffee) and mining sectors due to their actual and potential contributions to the economy.

a. Improving Agriculture Productivity while Restructuring Export

4.26 The Government is committed to completing the reform of the coffee sector with the objective of increasing production and improving productivity. One of the most significant reforms promoted by the authorities has been the privatization of state owned coffee washing stations (CWSs) and processing mills. In 2009 and 2011, the Government completed two phases of privatization involving 41 CWSs out of a total of 118 and one processing mill. This process saw the participation of international coffee operators that acquired 13 CWSs. However, while the privatization strategy reserved 25 percent of the share of the CWSs sold for the coffee farmers, the coffee growers (who are organized into associations) did not accept the proposal, due to their insufficient involvement in the design of the privatization strategy and most importantly, their lack of financial resources and legal basis for an effective transfer of the shares. The World Bank's Poverty and Social Impact Analysis (PSIA), conducted in 2014, confirmed that the coffee growers should be consulted in the design and implementation of the privatization process. Nevertheless, the PSIA concluded that the first two waves of privatization did not produce short-term negative social impact on the sector, and were expected to improve the incomes and welfare of coffee producers in the longer term.

4.27 Building on lessons learnt, the Government has revised the third phase of its privatization strategy by making it more inclusive. With support from the World Bank and other development partners (USAID, UN, and the EU) the Government initiated extensive

[16] Significant improvements in the "protecting investors" indicator largely explain the change in Burundi ranking.

consultations with all coffee chain actors to discuss solutions that will allow the reforms and the privatization strategy to proceed in a way that supports the common interests of all the players involved. Such consultation process was viewed as a crucial step toward the prevention of any future conflicts that could arise from vested interest in this strategic sector for the country. These consultations were concluded with success by mid-2014 leading to **the adoption by the Ministers Council of a revised privatization strategy (ERSG VIII prior action 6).** This new strategy empowers coffee growers by: (i) giving them access to the 25 percent reserved shares in the 1st and 2nd privatization phases; (ii) acquiring 30 CWSs to be offered as part of the 3rd privatization phase; and (iii) acquiring up to 30 percent of the remaining 47 CWSs.

4.28 The Government is currently in the process of implementing the adopted inclusive privatization strategy, including the 3rd phase privatization of washing stations and mills. This process is supported by IFC (which is helping to identify and present practical options for financing coffee growers' shares) and by a new investment operation under preparation to be supported by the World Bank. This new operation aims at enhancing the productivity and competitiveness of the coffee sector along the entire value chain. In addition, the Government has continued to promote an open dialogue with all stakeholders involved in the coffee sector, with the support of the World Bank Group and USAID. The Government has also continued to give preference to promoting the agricultural sector in the allocation of capital expenditure financed by domestic resources, through the MTEF framework. This helped to increase the quantity of fertilizers distributed from 10,000 tons in 2012 to 13,000 tons in 2013. The budget allocation for irrigation and feeder road increased from 2.2 percent of the total budget in 2012 to 2.9 percent in 2013.

Box 1: Coffee Sector Reforms in Burundi

The coffee sector plays an important economic and social role in Burundi. About 600,000 rural households are producing coffee, with an average of 250-300 coffee trees per household of which only one third is productive. As a result, coffee washing, drying, grading, storage, and other processing activities represent for rural households, a significant source of employment and income generation. Until recently, coffee represented more than 60 percent of the country's export receipts.

Since 1993 the production and productivity of the coffee sector have been declining. The production of green coffee decreased from 300-500 kilograms per hectare in the 1990s to 100-300 kilograms per hectare in recent years. The current level is only equivalent to two third (2/3) of the world average (550 kgs/ha) and one quarter (1/4) of the average yield reached in Brazil and Vietnam (1,400 kgs/ha). In 2013, the production of coffee in Burundi was below 11,000 tons, the lowest level since 2008 (highest registered figure was in 1994/95 - 40,985 tons).

In recent years, the Government implemented a series of reforms to address the bottlenecks faced by the coffee sector, but those have been insufficient so far. The pricing mechanism was modified with the suppression of the stabilization fund in 2007, and the establishment of a pass-through mechanism between world and local prices. The first two waves of the CWSs privatization were completed in 2009 and 2011. However, these reforms, albeit useful, were insufficient to boost productivity across the full value chain. One reason, as emphasized by the recent national dialogue in this sector, has been the lack of participation of growers' associations in the process. Another reason was the lack of coherence in the reforms that only focused on one or two segments of the value chain. It was recognized that the privatization agenda alone was not sufficient to stop and reverse the declining trend in production and productivity. New investments are needed to enhance production at the farm level due to aging and unproductive coffee trees (28 percent are more than 30 years old and 62 percent are between 9 and 30 years). Poor maintenance and degradation of the orchards, the low use of modern inputs as well as pest and disease problems have to be addressed with a sense of urgency. On the other side of the value chain, there is a need to design and implement clear marketing strategies and build closer links with international buyers in potential markets.

The Government is developing a new strategy for revitalizing the coffee sector, which will be supported by the WBG through a combination of several instruments. The objective of this new strategy is to produce a minimum of 30.000 tons of green coffee per year (including 75 percent fully-washed) by 2021. This strategy, led by the Ministry of Agriculture and Livestock in close consultation with ARFIC, INTERCAFE and CNAC, is expected to be endorsed by the authorities in early 2015. This effort is fully supported by the World Bank Group, including IFC, which has already provided technical assistance to the authorities in their effort to understand better problems faced by this sector and to develop recommendations. To reinforce WBG support to this critical sector for the Burundi's economy, a new investment operation is under preparation that will help address some specific bottlenecks along the value chain as well as enhancing skills and local capacity. This operation is expected to be delivered in FY15 and should complement the next budget support operation series that will continue to support efficiency-enhancing reforms in the coffee sector

b. Promoting the development and transparency of the mining sector

4.29 Following the adoption of the mining code in 2013, under ERSG VII, the Government is pursuing reforms with an emphasis on improving transparency in the mining sector. Future natural resources wealth could be an important engine for sustainable economic growth and contribute to sustainable development and poverty reduction in Burundi. However, this will only happen if the process and the revenues are managed prudently and transparently.

4.30 As a step forward, the recent adherence to new international mineral trade norms should help boost exports. [17]In April 2014 the Government finally launched the chain of custody requirements (prepared with World Bank support), which are expected to re-open the export market. Compliance with the new trade norms will also generate real-time data on the sector's production in active mine sites for base metals.

4.31 To ensure transparency, the Government has been moving toward meeting the requirements of EITI, which will send a strong positive signal to investors and technical partners. The Government has completed the following steps: (i) completion of the EITI Scoping Study[18]; (ii) dialogue with civil society in open debate; and (iii) visits to a country that has successfully implemented EITI as well as another country that opted not to participate in the initiative. This operation **has supported the above steps and the adoption by the Council of Ministers of the decision to comply with the EITI** (**ERSG VIII prior action 7**). The Government has adopted an action plan that will help the country to complete the necessary requirements for EITI membership.

4.32 In addition to the adoption of an EITI action plan, the proposed operation supports the publication of the mining contracts awarded since the adoption of the mining code (**ERSG VIII prior action 8**) as a concrete action to promote transparency. In May 2014, the Government signed its first industrial mining contract after months of negotiations. In October 2014, the Government decided to disclose the contract to the public through an official launch of

[17] Burundi's main commodity exports—base metals—have suffered from the adoption of the new international trade norms applied to the mineral export economies in the Great Lakes Region (GLR[17]). The delay for Burundi to put in place the required chain of custody systems required by the international markets led to a dramatic decline in exports as of 2011.

[18] The Scoping Study provides the Government with the short and medium term steps required to complete candidacy and begin EITI implementation.

the project with the participation of the media and civil society in activity in the country. The contract was also posted in an official government website.

Table 7: Indicators for Reforms in PSD (ERSG VI-VIII Series)

Sub-Objective	Indicator
1. Agriculture Productivity while Restructuring Export and Services Sectors	(i) Quantity of fertilizer distributed to farmers. (ii) Share of the coffee growers in the ownership of the Coffee Washing Stations
2. Promoting the development and transparency of the mining sector	(iii) The number of EITI pre-candidacy steps completed.

Component 3: Strengthening Safety Nets Systems

4.33 Burundi's economic performance improved over the last decade but poverty and vulnerability remain widespread. About 60 percent of the population is food deprived, with a large proportion of them in rural areas. Child stunting is high at 58 percent of children under 5 with 27 percent in a severe situation according to DHS 2010. Stunting is even worse in some districts reaching 71 percent in Ngozi in northern Burundi. Moreover, during the period of conflict and till today, over one million Burundians have lived as refugees or internally displaced, losing valuable assets as land for production and exposed to diseases. With the very high density of population, close to 30 percent of the farm households have less than one hectare of land, which reduces the scope for productivity gains and raises concerns about potential land conflicts. Gender equality is also an issue, though Burundi does relatively better than the average African country on gender. This structural vulnerability of the population has been exacerbated by the cumulative effect of successive adverse shocks like droughts and high food prices. Inequalities measured by the Gini index increased at national level (from 43.5 percent in 2006 to 46.3 percent in 2012) and even in rural areas, confirming that economic growth might not be sufficient by itself to pull people out of poverty and needs to be complemented by targeted interventions to support the most vulnerable.

4.34 The prioritization of social protection programs is central given the limited fiscal space. Despite the extensive nature of various types of deprivation and the weak differentiation across the poorer deciles of the population, social assistance interventions should concentrate on improving the resilience of the poorest. Today, most social safety nets programs in Burundi have been designed and implemented in an ad hoc, short-term and uncoordinated way, with the main financing provided by donors. Many of the existing programs and projects are geographically limited in scope and not sustainable.

4.35 To address these challenges, the Government adopted the National Social Protection Policy in April 2011. Because the NSPP needs to rely on a strong institutional framework, the National Social Protection Commission (CNPS) was set up by a Presidential decree no 100/237 of 22 August 2012 and was formally inaugurated in April 2013. Chaired by the President of the Republic and with 11 ministers, the Commission has political-level responsibility for promoting and overseeing the implementation of the National Social Protection Policy. As such, it has given social protection much greater visibility than in the past while also improving the overall coherence of social protection programs.

4.36 The Commission needs to be supported by a technically strong secretariat and effective mechanisms for coordination, which were put in place during 2014. The decree establishing the CNPS provides for a permanent executive secretariat and for a technical committee chaired by the Minister of the Civil Service, Labor and Social Security and including senior civil servants from the member ministries and donors. The Technical Committee has four thematic groups (responsible for social and mutual insurance, social assistance, access to incomes, and financing of social protection). Decree 100/237 provides also for the establishment of provincial committees chaired by the provincial governors and communal committees chaired by the communal administrators, including in both cases nominated representatives of decentralized and de-concentrated public institutions and civil society organizations. **In 2014, the Government implemented this institutional setting at the local level, with the effectiveness of the provincial committees and the appointment of the provincial representatives of the permanent secretariat of the CNPS** (**ERSG VIII prior action 9**). To encourage gender diversity in the social safety nets programs, 10 out of the 17 provincial representatives appointed by the Government are women. The gender balance is also respected in the composition of the communal committees. The decree no 100/237 also envisages the creation of a Social Protection Support Fund (FAPS) to finance programs set up under the Policy.

4.37 The Government has increased by more than 50 percent the budget allocation for the social protection of vulnerable groups, including those affected by the flooding in Bujumbura in early 2014, between the 2013 and 2014 budgets (**ERSG VIII prior action 10**).

Table 8: Indicators for Social protection measures (ERSG VI-VIII Series)

Sub-Objective	Indicator
1. Strategy for improving safety nets system	(i) Percentage of province with social protection committees established and functional (ii) Percentage of provinces with a woman appointed as responsible of the local social protection committee

V. GOVERNMENT PROGRAM FOR FUTURE POLICY REFORMS

5.1 **The Government will continue the implementation of the second Poverty Reduction Strategy Paper (PRSP II) which covers the period 2012-2016.** The 2013 PRSP II Annual Progress Report highlighted the progress made since 2012 and identified areas of weaknesses. It emphasized the need to reinforce the implementation of the programs supporting the second pillar which is to transform the economy for rapid job-creating growth. To promote growth, the Government's strategy relies essentially on: (i) developing priority sectors including agriculture (with an emphasis on export crops and agribusiness), mining and tourism; (ii) tackling underlying bottlenecks, particularly energy, transport and ICT; and (iii) deepening regional integration. The underlying theme is the promotion of private sector participation in the economy to support job creation.

5.2 **Building on lessons emerging from recent experience and new analytical work, the Government will continue to support PFM reforms but with greater emphasis on revenue mobilization.** Recent analytical work has highlighted the critical role of revenue mobilization in Burundi, from both macroeconomic stability and provision of basic public goods and services. The Government is preparing a new PEFA assessment to evaluate its PFM system and update its PFM strategy. Preliminary discussions indicate that strengthening tax policy will be an important area of focus to complement the envisioned modernization of the tax administration. The Government has initiated the revision of the investment code that would help rationalize the country's tax incentive regime. A new IDA-funded project under preparation would provide the technical assistance to the tax policy department and funding for the modernization of the domestic tax administration. Mobilization of revenue from artisanal mining could also be an area of focus, following the adoption of the mining code and the implementation of the custody chain. On the expenditure side, the Government intends to complete the reform of the HR management and introduce gradually performance measurement. The substantial progress achieved in terms of access to budget information will be consolidated with the institutionalization of the publication of the budget documents. In addition to the measure aiming at improving transparency, accountability will be reinforced by an increased focus on external control by the Audit Court (Cour des Comptes) and the Procurement Regulatory Authority (ARMP), and State Owned Enterprises (SOEs) management. The latter will be a shift from the 'classical' privatization agenda and focus on the efficiency and effectiveness of the SOEs. The strategic orientation would help sustain the reform agenda supported by the current series of development policy operations and should help inform the design of the next series.

5.3 **The Government's future reforms will continue to support private sector development with greater emphasis on export development and diversification.** The critical role of export development and diversification in consolidating macroeconomic stability, accelerating growth, and job creation has been demonstrated in several analytical studies, in particular the World Bank's Economic Update launched a few months ago. The Government has recently adjusted its strategic approach in the coffee sector to foster participation and inclusiveness across the value-chain. A new strategy is under preparation with support from donors, including the Bank. A new investment project is under preparation to support the Government strategy, which focuses on enhancing the productivity in the sector. Mining and tourism sectors are also identified as areas with substantial export and economic transformation potential. For the mining sector, the Government is pursuing two important activities: completion of a national mining policy and new mining regulations. The former was subject to a consultative process in July 2014 with validation by stakeholders in September 2014. The regulation is under a second round of consultation and is expected to be submitted for Government adoption in early 2015. Accompanying the regulations are two important institutional decrees which lay out the governance framework for the mining sector, and the roles and responsibilities of various institutions including the proposed regulatory agency. The adoption of a national mining policy, alongside the completion of the regulations, represents important advances towards international best practice in mineral governance in Burundi. In addition to the mining sector, the Government is organizing the tourism sector. The National Tourism Office has been recently reorganized and strengthened with new staff. The Government strategy in the sector was discussed in July 2013 during the sectoral conference, and concrete projects have been identified.

5.4 **The reform of the electricity sector is one of the Government's top priorities.** The Government has articulated the principles of an energy sector reform program, which aims at improving the financial viability of this sector, accelerate access to electricity, facilitate private investment in power generation, allow private or cooperative participation in electricity distribution and encourage regional energy integration. The reform of REGIDESO, the state owned electricity company, is at the center of this agenda as it will help to keep this sector on a sustainable financial path, ensure public investment as well as encourage private investments in generation and regional projects.

5.5 **The Government's reform agenda will continue to focus on social protection, building on the foundation established with the national policy (NSPP) and the strong**

decentralized institutional framework. Following the post-conflict transition, Burundi is entering a new phase of its development during which social protection system could play an important role in reducing the structural vulnerability of the poorest layers of the population. Long-term non-contributory social protection programs could help to reduce vulnerability and strengthen resilience by increasing the income and consumption of the poorest households, improving their access to basic social services, and building their human and productive capital. A key step would be the adoption of a Social Safety Net Strategy and the completion of the targeting system, which will rely on the existence of a new household survey data. As done in other countries in the region such as Ethiopia and Tanzania, Burundi could move in the direction of programmatic support. The core pillars of such a program would probably include some income-support measures complemented with investments in both the foundations of human capital of extremely poor households and the productive capacity of these households and their communities.

5.6 **As envisioned in the current Country Assistance Strategy, this current series of budget support is expected to be followed by a new DPO series**. While it is premature to define the program to be supported by future operations, discussions with the authorities have been initiated on possible areas of reforms. These discussions have been based on Government strategic priorities summarized above and emerging lessons from the recent experience and analytical work. At this stage, and very tentatively, the new series could be organized along the same three pillars as the current series but with a greater focus on: (i) efficiency and transparency in public finance management including in state-owned enterprises; (ii) private sector development and diversification through efficiency enhancing reforms in strategic sectors; and (iii) improved social protection through efficient safety net programs. This series would be accompanied by a capacity building project which is under preparation.

VI. OTHER DESIGN AND APPRAISAL ISSUES

A. Poverty and Social Impacts

6.1 **Reforms supported by this operation could have a positive impact on poverty reduction in Burundi.** Poorest households should benefit from expected improvements in pro-poor and pro-growth spending, which should promote better social services and infrastructure to a broader range of the population. The potential increase in domestic revenues supported by the series of operations, through tax expenditure streamlining, and the limitation of the wage bill, through a better control of the number of civil servants should provide additional fiscal space to the authorities, improving predictability of the budget as well as the allocation of expenditures across priorities. Important fiscal saving can be realized over time by improved procurement and external controls. The improvement of budget allocation in education, health, and agriculture, through the strengthening of the sectoral MTEFs, is expected to increase access to services and improve service quality.

6.2 **The improvements in the business environment should lead to productivity gains in key priority sectors (coffee and mining) and encourage the creation of new enterprises (as well as foreign investment).** The privatization strategy of the coffee sector, through close partnerships between the Government, private operators and farmers' associations should create productivity gains along the supply chains. A growing private sector in agriculture and rural development will create additional jobs for skilled workers in the areas of technical services, as well as in rural infrastructure, including feeder roads and irrigation works. The recent PSIA on the coffee sector has shown that such strategy can produce short and long-term positive effects for most coffee producers and sellers. However, close monitoring of the impacts is warranted over time. The improvement of the transparency of the mining sector is expected to attract foreign direct investment into the country, develop the exports, and provide substantial revenue to Government that should be used to reduce the social and economic infrastructure gap that would stimulate growth, which in turn would generate additional jobs and help absorb a fast growing young population on the labor market as well as demobilized military and police forces.

6.3 **Lastly, the emphasis given to social protection should also lead to improved living conditions for the poorest**. While living conditions of the poor will be improved by higher public service delivery and faster growth in labor-intensive sectors, the weakest individuals are likely to be excluded from these participatory mechanisms. The implementation of the social safety nets system and programs becomes therefore critical as revealed by the experience in other fragile and poor countries.

B. Environmental Aspects

6.4 **The prior actions of the proposed ERSG program are unlikely to cause significant effects on Burundi's environment, forests and other natural resources.** ERSG VI-VIII will provide general budget support to the Government. Policy actions aimed at improving public finance management procedures and private sector development are, in themselves, not likely to have any significant effects on the country's environment, forests, or natural resources. Policies aimed at supporting agricultural-productivity enhancing expenditures are likely to reduce the pressure on land. Moreover, the new mining code includes much more stringent environmental regulations and safeguards. The mining regulation under preparation by the Government will include clear provision for the environment safeguard. No significant environmental impact is foreseen as a result of increased coffee output, as new investors are required to modernize the industrial tool. A detailed and comprehensive analysis of potential environmental impacts and mitigation options recently undertaken through a "strategic environmental assessment" (SEA) of the coffee sector in Burundi confirmed the limited environment impact of coffee reform. The new coffee productivity program under preparation is also expected to include environmental management aspects.

C. PFM, Auditing, and Disbursement Aspects

6.5 **The Central Bank's capacity to ensure transparent management of funds is limited, requiring the use of a dedicated account.** A safeguards assessment of the Burundi Central Bank (*Banque de la République du Burundi, BRB*) was performed in December 2010. The updates noted improvements, including the completion on a timely basis of audited financial statements that comply with International Financial Reporting Standards (IFRS) and are published. The 2013 financial statements have been audited and published. These financial statements comply with IFRS; however, they also identified significant remaining control weaknesses and recommended more robust controls over domestic disbursements to the Government and its creditors, including contracting an external auditor to review such controls. Other recommendations included a continuation of semi-annual audits of disbursements to the government, and establishing guidelines for investment operations. The Governor of the Central Bank and the authorities have committed to implementing these recommendations.

6.6 **A single-tranche of SDR 17.1 million (US$25 million equivalent) will be disbursed upon effectiveness.** The proposed grant will follow the Bank's disbursement procedures for development policy operations. Grant proceeds will be disbursed against satisfactory implementation of the development policy program.

6.7 **Funds will be deposited in the dedicated account.** Once the IDA grant is approved and becomes effective, and provided the Association is satisfied with the program being carried out by the Recipient and with the appropriateness of the Recipient's macroeconomic policy framework, the proceeds of the grant will be deposited at the request of the Recipient by IDA in a dedicated account at the Central Bank (BRB) designated by the Recipient and forming part of the official foreign exchange reserves of Burundi. Within a week, the Central Bank will credit the local currency (Burundi Franc) equivalent of the grant proceeds to the government Treasury account. The BRB will not impose any charges or commissions on the government for these transactions. The conversion from United States dollar to Burundi franc will be based on the prevailing exchange rate on the date that the funds are credited to the Treasury Account. The government will be required to provide confirmation to IDA that an amount equivalent to the grant proceeds from IDA has been credited to the Treasury Account, with an indication of the exchange rate applied and the date of the transfer. The Government of Burundi will provide a written confirmation to IDA within 30 days of disbursements. The confirmation will include the local currency amount credited to account that is used to finance budgeted expenditures, the exchange rate applied and the date of the transfer. If the proceeds of the grant are used for "excluded expenditures" as defined in the Financing Agreement, IDA will require, the Recipient to refund an amount equal to the amount of said payment to IDA promptly upon notice from IDA. Amounts refunded to the Association upon such request shall be cancelled. The administration of this grant will be the responsibility of the Ministry of Finance and Economic Development Planning. IDA reserves the right to request an audit of the dedicated foreign currency account.

D. Implementation, Monitoring and Evaluation

6.8 **Monitoring and evaluation arrangements for this operation will continue to rely on Government systems.** The implementation of the program will be ensured by the privatization unit (SCEP), the committee in the charge de civil servants census, the permanent secretariat of the CNPS, the Ministry of Energy and Mines and the Ministry of Finance and Economic Development Planning. A working group which includes these entities has been established for the monitoring of the program. The operation benefits from the consultation mechanism established for the PRSP II and the PFM strategy, among others. The *Comité des Reformes* at the Ministry of Finance and Economic Development Planning works closely with the Permanent Secretariat for Economic and Social Reforms in the PRSP secretariat. Both were actively involved in the design and preparation of the operation. The Bank will continue to work with them as well as with the Chamber of Commerce on private sector issues. On the side of development partners, the *Cadre de Partenariat* provides a forum to align the reform program with complementary interventions and joint monitoring. The authorities will prepare and share with the Bank a quarterly progress report on the performance of the program, within two weeks after the end of the period. A PEFA assessment is under preparation and the results are expected before June 2015.

VII. SUMMARY OF RISKS AND MITIGATION

7.1 **Political risks remain high despite improvements over the past years**. Risks of renewed political instability linked to the Presidential elections in 2015 or could derail government focus on the program. Recent negative perception of the decreasing democratic space and deteriorating political governance in Burundi, widely reported in the media, could have a negative impact on the country's development. The risk of an uneven commitment to reforms, including expenditure control, tax exemption streamlining and mining sector transparency, could increase as the country moves towards the elections. These risks are mitigated by: (i) the program's alignment with PRSP II priorities that benefit from wide popular support; and (ii) active dialogue with civil society and the private sector to ensure demand side pressure for reforms. The bulk of the reforms supported by the ERSG series aim at promoting transparency in the use of public resources as well as improving private sector development, especially in the agriculture sectors which are vital for inclusive growth and broader participation in growth processes.

7.2 **Macroeconomic risk and fiscal pressures remain high and could compromise the Government's willingness to ensure fiscal sustainability and the allocation of public resources toward pro-growth areas as well as social protection.** Although fiscal policy remained prudent in past electoral cycles, spending pressures could lead to a deterioration of the fiscal position, while governance slippages and slow implementation of PFM reforms could impact donor support. The success of the proposed reform program is contingent on Burundi's ability to continue to maintain macroeconomic stability, in conformity with its program with the IMF, which ends in December 2014. Moreover, if donor grants diminish substantially, there is a risk that the financing gap in the coming years may be larger than currently projected. To mitigate these risks, the Bank, IMF, and other development partners will continue to work closely with the Government to monitor macroeconomic developments and, when needed, to design and implement corrective actions in a timely manner. The recent measures, adopted in July 2014 through the revised budget, illustrate well such coordination, in particular with the IMF and the Bank. The Government will need to ensure grant funding and concessional borrowing, and foster continued economic and export growth to avoid debt distress. The authorities have requested an extension of their ECF program with IMF for one year to cover the year 2015. In the medium term, diversification of the economy—a main objective of the authorities and the proposed ERSG program—through improvements in the business environment and reforms in the mining sector will mitigate the vulnerability of the economy to these shocks.

7.3 **There continue to be exogenous risks (aid volatility, climatic shocks, influx of refugees, variations in prices international markets).** Burundi is exposed to aid volatility. Grants have been declining as a share of GDP and the political context could further exacerbate the situation. Burundi is also vulnerable to climatic shocks (almost a quarter of its GDP and 90 percent of its labor force are agriculture based) and is exposed to variations in demand and prices on international markets. Influx of refugees from eastern Congo and the repatriation of refugees from Tanzania can also add social and political pressure on a fragile environment. Deterioration in the terms of trade, particularly an increase in fuel prices in the medium terms, could augment the inflation pressure, though the oil prices are in a declining trend since July 2014, falling below US$80 per barrel in November 2014. These risks could compromise adherence to the overall macroeconomic framework and deepen poverty and vulnerability. Mitigation measures include close and regular macro-monitoring by IDA, IMF, and other development partners, to identify shocks and remedial actions. The program itself will foster Burundi's resilience to external shocks at the macro level, by promoting economic diversification and supporting the development of safety net programs for the most vulnerable households. Burundi is extremely vulnerable to reduce aid inflows, as grants represented nearly 60 percent of total government resources, as the Government garnered international support for political and economic reforms. Grants as a percentage of GDP are expected to decline, to 14.6 percent, in 2014, while room for increasing fiscal space through taxation is limited. The Bank's program will help Burundi maintain external assistance by supporting continued reforms in public financial management, the public wage bill, accelerated export earnings, and improving the business climate through transparency and anti-corruption measures.

7.4 **Insufficient institutional capacity for implementation and sustaining the operation could delay key reforms and affect program performance**. Lack of technical capacity could lead to delays in the implementation of reforms. The risk of weak technical capacity is mitigated by: (i) concentrating on a limited number of themes/areas; (ii) leveraging technical support from ongoing IDA projects; (iii) working with other donors to reduce the number of activities to be implemented by the Government and better target the focus of technical assistance.

Table 9: Systematic Operations Risk-Rating

Risk Categories	**Rating**
Political and governance	H
Macroeconomic	H
Sector strategies and policies	M
Technical design of program	M
Institutional capacity for implementation and sustainability	H
Fiduciary	M
Environment and social	M
Stakeholders	M
Overall	S

Annex 1: Burundi ERSG VIII - Letter of Development Policy

Republic of Burundi

Bujumbura, December 1, 2014

Ministry of Finance and
Economic Development Planning
Office of the Minister

Ref. No.: 540.11/4784/M.D./2014

To Mr. Jim Kim
President of the World Bank
1818 H Street, N.W.
Washington, DC 20433

Subject: Letter of Development Policy
Eighth Economic Reform Support Grant (ERSG VIII)

Mr. President:

I am pleased to transmit to you the attached Letter of Development Policy (LDP) agreed upon in the context of the new budget support program between Burundi and the International Development Association (IDA), under the Eighth Economic Reform Support Grant (ERSG VIII).

The Government of Burundi has successfully implemented the 2013-2014 program supported by the Eighth Economic Reform Support Grant (ERSG VII). During this period, noteworthy results were achieved with respect to transparent and efficient public finance management, namely (i) fiscal sustainability, (ii) enhanced budget transparency, (iii) higher fiscal revenue, and (iv) the streamlining of public expenditure.

On the revenue side, the Government decided to limit tax exemptions while increasing their transparency. To this end, it published a full list of the tax exemptions granted in 2013 by category.

In addition, the Government decided to systematically include information on exemptions granted during the period under review in the quarterly budget execution report.

Moreover, the Government decided to eliminate tax credits and remove the VAT exemptions on imports in the 2014 supplementary budget.

These important measures have already begun to have an impact. In fact, during the third quarter of 2014, the amount of exemptions granted declined by FBu 10 billion from FBu 31 billion to FBu 21 billion, a decrease of almost one-third.

In the political sphere, the institutions resulting from the 2010 elections are working diligently to organize free, transparent, and peaceful elections in 2015. An electoral law has been approved and accepted by all political groups. A national, consensus-based independent electoral commission has been created and has facilitated the establishment of provincial and communal electoral commissions. Voter registrations have started throughout the country, marking an important first important step toward elections.

The Government's main priority remains the implementation of the PRSP II, which will place the country back on a growth path, by according priority to the following areas: (i) strengthening the rule of law, strengthening good governance, and promoting gender equality; (ii) transforming the economy through sustained, job-creating growth; (iii) improving access to basic services so as to strengthen national solidarity; and (iv) managing, in a sound fashion, open spaces and the environment with a view to sustainable development.

The Government is working hard to strengthen macroeconomic stability by keeping inflation to a single-digit level and maintaining the fiscal deficit within the limits of public debt sustainability; increase the mobilization of domestic revenues; improving the composition of public expenditure to benefit the growth sectors of the economy while protecting pro-poor spending; continuing the liberalization and diversification of the economy and development of the private sector; and enhancing the protection of vulnerable groups.

The Government is committed to continuing its efforts and to cooperating with the other partners to achieve the objectives of the PRSP II and the vision for 2020. To strengthen its cooperation with the partners, a round table is slated for December 11-12, 2014, in order to assess the implementation of our strategic framework and its financing.

Without making any assumptions regarding the results of this assessment, important challenges remain, in particular the energy crisis facing the country. The mobilization of financial resources remains critical to our ability to successfully tackle these challenges.

It is against this backdrop that the Government of Burundi is requesting additional IDA assistance to facilitate the execution of an economic reform program during the July 1, 2014 to June 30, 2015 period under the ERSG VIII, in an amount equivalent to SDR 16.5 million (US$25 million).

The priorities set forth in the context of the ERSG VIII pertain to expanding the fiscal space by strengthening the mobilization of domestic revenues, streamlining public expenditure, and diversifying exports while improving the overall business climate and implementing targeted reforms in very promising export sectors such as coffee and mining.

This Letter of Development Policy also articulates the medium-term economic strategy that the Government intends to implement in the context of the grant and beyond, so as to scale up poverty reduction efforts with the assistance of Burundi's other development partners.

The policies and measures set forth in this Letter of Development Policy will help bolster the work done in the fiscal area and improve the business climate, with the aim of accelerating economic growth and ensuring the sustainability of the progress made.

The Government nonetheless stands ready to take any additional measures that IDA may deem necessary to ensure the success of the program.

Lastly, and in order to facilitate monitoring of the progress made with implementation of the policies and measures set forth in this program, the Government is willing to provide any information that IDA may request.

The authorities of Burundi would like this Letter of Development Policy and accompanying program document to be placed in the public domain. Therefore, they authorize the publication and posting of these documents on the World Bank's website, once these documents have been submitted to the Board. The Government will take similar action with respect to its official websites.

Kindly accept, Mr. President, the assurances of my high consideration.

Mr. Tabu Abdallah Manirakiza
Minister of Finance and Planning for
Economic Development
[Official ministry stamp]

REPUBLIC OF BURUNDI

EIGHTH ECONOMIC REFORM SUPPORT GRANT (ERSG VIII)

LETTER OF DEVELOPMENT POLICY

(Draft)

November 2014

I Introduction

1. **The government is requesting IDA support to supplement the financing of its economic policy program for 2014.** This program is an integral part of the Second Poverty Reduction and Growth Strategy Paper (PRSP II) and aims to consolidate fundamentals of the Burundi's economic. The PRSP II is structured around the following three pillars: (i) strengthening the rule of law, consolidating good governance and promoting gender equality; (ii) transforming the economy to achieve sustained growth that creates jobs; (iii) improving access to and the quality of basic services to strengthen national solidarity; and (iv) managing the land and environment for sustainable development. The Eighth Economic Reform Support Grant (ERSG VIII) contributes to the achievement of the second and third pillars of the PRSP II. Its specific objectives are: (i) to consolidate macroeconomic stability by keeping inflation to a single-digit level and maintaining the fiscal deficit within the limits of public debt sustainability; (ii) to increase the mobilization of domestic revenues; (iii) to improve the composition of public expenditure to benefit the growth sectors of the economy while protecting pro-poor spending; (iv) to continue the liberalization and diversification of the economy and development of the private sector; and (v) to enhance the protection of vulnerable groups.

2. **Important results have already been achieved and others are well under way.** The stability of the macroeconomic framework has been consolidated thank to the better coordination of fiscal and monetary policies. The economic growth rate has been remained above the population growth rate since 2005 and has accelerated moderately in 2013 and 2014. The inflation rate has been reduced to a single-digit level and is expected to remain below 7 percent in 2014, while the fiscal deficit has been reduced to less than 2 percent. The external current account has also begun to narrow although it remains high. Implementation of the reforms has contributed to the achievement of these results, particularly with the improvement in budget programming, better control of the government staffing levels and the wage bill, streamlining of exemptions, and enhancement of transparency in public finance management. Important reforms aimed at reducing the external imbalance are under way with the reform of the coffee and the mining sectors.

3. This letter summarizes these recent economic and social developments, particularly in the areas supported by the series of Economic Reform Support Grants (ERSG series), and presents the outlook for 2015.

II Recent Economic and Social Developments

4. **The Government of Burundi has been successful in stabilizing the economy in a fragile context, but Burundi remains vulnerable to external shocks.** In 2013, economic growth was estimated at 4.5 percent, an increase of 0.5 percentage point over the previous year. This slight acceleration is explained by an expansion of activities in the secondary and tertiary sectors. The secondary sector was led by mining, manufacturing and construction activities. The improvement in the supply of electricity in 2013, as compared to 2012, freed up additional production capacity in manufacturing. The electricity supply increased 7 percent in 2013 owing to a 13 percent increase in production by REGIDESO. In the mining sector, gold production exceeded 2.8 metric tons in 2013 compared to an average of between 2.0 and 2.3 metric tons in previous years. The construction sector has remained buoyant in recent years, supported by public infrastructure work and residential construction. In terms of the uses of GDP, domestic demand continues to drive the economy, with the contribution of external demand remaining weak.

5. **Sound management of the macroeconomic framework has also resulted in declining inflation in 2013.** After peaking in March 2012, inflation declined to a single-digit level in 2013 (7.9 percent). The monetary authorities were able to slow the speed of the money aggregates. From 22 percent on average in 2010, the increase in the money supply was moderated to 6 percent on average in 2012 before a gradual upturn in 2013. This prudent policy was accompanied by lower prices for imports of foodstuffs and petroleum products. With the easing of inflationary pressures, the monetary policy was gradually adjusted to promote growth. As liquidity conditions improved, the central bank (BRB) reduced its policy rate by some 100 basis points to 10.7 percent between May and September 2013 to accompany the economic growth. Credit to the private sector increased by 8.9 percent in 2013.

6. **The government's fiscal policy permitted to reduce the budget deficit to a sustainable level.** Despite shortfalls in the collection of tax revenues, the fiscal deficit declined from 3.7 percent of GDP in 2012 to 1.7 percent in 2013, a level deemed compatible with available sound financing. As a result, recourse to external financing and to advances from the BRB declined significantly, as did the debt ratio, which fell from 35.1 percent of GDP in 2012 to 31.7 percent in 2013.

7. **Looking at the external position, trends in trade between Burundi and the rest of the world remained unchanged, with a sharper deterioration in the trade balance.** As in the past, international trade remained largely dominated by imports in 2013. In fact, in value terms, imports increased by 19.8 percent while the value of exports rose only modestly, by 1.4 percent. As a percentage of GDP, exports declined from 9.4 percent in 2012 to 8.2 percent in 2013. This decline primarily reflects the collapse in the quantity of coffee sold abroad, aggravated by a persistent decline in international coffee prices. Exports of tea increased modestly in volume but stagnated in value terms, while exports of mineral products, particularly gold, continue to rise steadily. The buoyancy of imports is explained by the increase in domestic demand, particularly for petroleum products (including as inputs for the production of electricity) and equipment (primarily for the tourism and construction sectors). As a result, the trade deficit deteriorated further to 33 percent of GDP as against 30.4 percent in 2012. However, there are signs of the diversification of exports, particularly in the tourism and mining sectors.

8. **Economic growth is expected to reach 4.7 percent in 2014 and 4.8 percent in 2015.** This growth path should benefit from the structural reforms under way, particularly in the coffee and mining sectors, and the investments taking place in the energy sector. In 2014, economic growth should be supported by mining (particularly gold), construction and services (banking, tourism, transport and telecommunications). The recovery in the agriculture sector, particularly coffee production, should generate a mechanical catch-up effect in 2014. On the demand side, private consumption and public

spending will remain the main drivers of the economy. Barring the unexpected, foreign direct investment and exports should remain modest in the short and medium terms, despite the privatization program, which could, nonetheless, attract investments in key sectors.

9. The external current account deficit should remain high in 2014 and in the medium term, reflecting an increase in imports related to infrastructure projects. The external current account deficit should decline in 2014 from its level in 2013 (21.3 percent of GDP), but is expected to remain above 15 percent of GDP until 2015. The deficit is expected to be financed primarily by external aid, although this is declining, and to a lesser extent by foreign direct investment. Thus, Burundi's foreign exchange reserves should remain slightly above 3.5 months of imports in 2014-2015.

10. Monetary policy will probably continue to focus on bringing down inflation and smoothing external shocks. Inflation should be kept to a single-digit level in the short term as long as global oil prices remain stable. However, the BRB's monetary policy will remain prudent to achieve the target of reducing inflation to below 8 percent in 2014 and 2015. In the first nine months of 2014, the year-on-year inflation rate was 4.4 percent. With the continued decline in inflationary pressures, the BRB further reduced its policy rate by 200 basis points to 10.5 percent in March 2014, while real interest rates remain positive. However, the monetary authorities will continue to promote greater exchange rate flexibility in order to ensure that relative prices between tradables and nontradables are appropriate and to use the exchange reserves to smooth any eventual external shocks.

11. Public finance management in 2014 was marked by temporary losses of tax revenues. In addition to the tax measures taken in the first half of 2013, particularly the lowering of the income tax and the elimination of excise taxes on petroleum products, which were fully felt in 2014, the government took measures to harmonize Burundi's corporate tax rate with those of the other member countries of the East African Community, which led to tax revenue losses. These shortfalls were amplified by declarations of losses by more than 50 large taxpayers as a result of the elimination of the minimum tax on enterprises and tax administration weaknesses. In total, the shortfall was assessed at 0.4 percent of GDP over five months and an annualized figure of 1 percent of GDP.

12. In a supplementary budget adopted in August 2014, the government took corrective measures to reverse the tax revenue trends. Based on recent analyses conducted by our staff with the help of the partners, the government has introduced new ad valorem taxes on targeted products, restored the minimum tax of 1 percent on turnover, eliminated tax credits and removed the VAT exemption on imports. These important measures should offset the losses recorded in the first half of the year and make it possible to maintain the initial tax ratio target of 12 percent of GDP. Over the first 10 months of 2014, the Burundi Revenue Office (OBR) collected BIF 529.8 billion in revenues as against BIF 463.6 billion during the same period in 2013, a nominal increase of 14.3 percent, and an execution rate of 81.6 percent as against the target in the supplementary budget. These measures will make it possible to protect public spending, essentially allocated to priority sectors, and to keep the fiscal deficit below 2 percent of GDP.

13. The measures taken have allowed the government to successfully conclude the fifth review of its program with the IMF. With the revision of the macroeconomic framework to correct the shortfalls in tax revenues, Burundi's macroeconomic position was deemed satisfactory by the Executive Board of the IMF. However, as a result of the delay in the disbursement of some budgetary support, the fiscal deficit could deteriorate from the programmed level. If this is the case, it will be financed by treasury bills and bonds and/or advances from the central bank.

III Reforms supported by ERSG VIII

14. The ERSG supports the economic reforms undertaken by the government to accelerate growth and combat poverty more effectively. The implementation of the eighth ERSG coincides with the third year of implementation of the PRSP II, which aims to achieve high, sustained and inclusive growth accompanied by a profound transformation of the economy. The government is aware that achieving this will require implementing an ambitious reform program aimed at promoting a rational and efficient allocation of both private and public resources. The government is also aware that the narrow fiscal space and low export base are two major constraints to Burundi's economic and social development. These two constraints have been exacerbated in recent years by the relative decline in external aid in proportion to GDP and the downward trend in the productivity of the coffee sector. For this reason, the government has resolved: (i) to expand the fiscal space by stepping up the mobilization of domestic revenues and streamlining public spending and (ii) to diversify exports by improving the overall business environment and implementing reforms that target sectors with high export potential such as coffee and mining.

Fiscal reforms

15. Significant progress was made with the implementation of fiscal reforms over the past 12 months. To strengthen the fiscal sustainability and improve fiscal transparency, the government has implemented important measures aimed at increasing tax revenues and streamlining public spending. On the revenue side, the government decided to limit tax exemptions while increasing their transparency. To this end, it published a full list of the tax exemptions granted in 2013 by category. In addition, the government decided to systematically include information on exemptions granted during the period under review in the quarterly report on budget execution. Moreover, the government has decided to eliminate tax credits and remove the VAT exemptions on imports in the 2014 supplementary budget. These important measures have already begun to have an impact. In fact, during the third quarter of 2014, the amount of exemptions granted declined by BIF 10 billion from BIF 31 billion to BIF 21 billion, a decrease of almost one third. The government will propose the renewal of these measures in the 2015 budget and will make them permanent in the new investment code that is being prepared.

16. The government continued to implement its reform plan on the public spending side. The link between sectoral policies and the budget was strengthened with the preparation of the 2015 budget. The development of Medium-Term Expenditure Frameworks (MTEFs) in the Education, Health and Agriculture sectors for the 2015-2017 period emphasized respect of the appropriations levels established centrally, which made it possible for budget constraints to be taken into account in the intrasectoral distribution of public spending. This also allowed the three ministries to make trade-offs based on their policy priorities. In the medium term, the government intends to move entirely from resource-based fiscal management to results-based management with the introduction of program budgeting. Moreover, the government has taken significant steps to improve transparency in public finance management. For the first time since the adoption of the public procurement code, an independent audit of public contracts awarded in 2011 and 2012 was conducted and the results were published. Based on the results, the government has prepared an action plan to correct the weaknesses identified. This exercise, which made it possible to make up the cumulative delay, will be made permanent. Financing is already available for conducting audits over the 2013-2017 period. In addition to the publication of the audits, the government has made detailed budget information covering the programming and execution of the 2013 budget available to the public using an interactive format downloadable in Excel. This measure supplements the information regularly published, particularly the draft budget, the citizens' budget, the budget review law, the reports of the Audit Office, the quarterly budget execution report, the quarterly public debt report, and the monthly fiscal reporting table (TOFE).

17. The government is continuing its efforts to control the wage bill and staffing levels in the civil service. Since 2011, the wage bill has been declining as a percentage of GDP. This ratio dropped from 9.4 percent of GDP in 2011 to 7.0 percent of GDP in 2013 and is expected to decline further to 6.7 percent in 2014. The government has frozen recruitment in the civil service, except for the social sectors (education and health). To fully control staffing levels, the government has now included biometric data obtained from the 2008 census of civil servants in the payroll database (OpenPRH). This exercise has made it possible to uniquely identify 47,643 serving civil servants using their digital fingerprints and photos. It has also made it possible to identify 48,407 serving civil servants who have not yet been covered by the census. An action plan has been developed the completion of the census and it will be implemented [by end-March 2015]. The government has issued a ministerial order tasking a unit of the ministry responsible for the civil service with collecting the biometric information on a permanent basis.

18. The implementation of the above measures has had a positive impact on fiscal sustainability. Despite the significant decline in external aid, which fell from 23.4 percent of GDP in 2010 to 13.5 percent in 2014, the government has been successful in reducing the fiscal deficit from 4 percent in 2011 to less than 2 percent in 2013 and 2014. Although the efforts to mobilize domestic resources had modest results, the coverage of current spending by fiscal revenues increased significantly, from 63 percent in 2011 to over 75 percent in 2014. At the same time, social indicators improved. According to the report on progress with the implementation of the PRSP II, the percentage of children who are fully vaccinated increased from 92.5 percent in 2012 to 99.3 percent in 2013, while the percentage of attended births increased from 69.6 percent in 2012 to 74.1 percent in 2013. In the education sector, the gross enrollment ratio at the primary level remained above 130 percent while the completion rate increased from 51.3 percent in 2010 to 68 percent in 2013. The rate of coverage of urban areas by safe drinking water increased from 79 percent in 2012 to 87.3 percent in 2013, while the rate in rural areas increased from 63 percent in 2012 to 65 percent in 2013. However, the government is aware that work remains to be done, particularly in the mobilization of domestic resources, to support the financing of development and to shore up these positive trends. The authorities are committed to continuing these reforms, with the planned strengthening of tax policy and administration.

Private sector development

19. The government has also pursued the implementation of reforms for the development of the private sector. Procedures for setting up businesses have been further simplified with the incorporation of the National Social Security Institute (INSS) in the one-stop shop, the elimination of the requirement for the corporate seal when accounts are opened by new companies, and the simplification of procedures for the establishment of branches. Procedures for obtaining building permits have also been improved with the establishment of a single contact person responsible for receiving the applications for building permits at the one-stop shop, the development of a single operational form in April 2014 and the upgrading of the computer equipment in the one-stop shop. The adoption of the urban planning code currently being prepared is an important benchmark for the government. Other procedures such as access to electricity, access to credit, transfer of property titles and payment of taxes are also being simplified. In the case of the latter, the corporate income tax (IS) rate has been reduced from 35 percent to 30 percent.

20. In addition to the Doing Business reforms, the liberalization of the coffee sector has continued. The government has revised its strategy of divestment from the coffee sector to make it more inclusive. It had reserved 25 percent of the shares in the coffee washing stations (CWS) sold during the first and second phases of the privatization process, but coffee grower organizations did not agree to take the shares. Aware of the importance of producers in the smooth operation of the value chain and the restoration of the sector's productivity, the government organized broad consultations with coffee grower organizations. This greater openness allowed the producers to air their complaints, which were fully satisfied by the government. Thus, for the third phase of the privatization process, the government has decided to grant 30 CWSs to coffee producers at the reference price, which will be set after their appraisal, and to increase the shares reserved for producers in the remaining CWSs to 30 percent as against 25 percent in the previous strategy. In the long term, producer organizations could control 40 to 50 of the sector assets, thus enhancing their importance in the sector. The privatization process should be completed by end March 2015. The government is also preparing a recovery strategy for the coffee sector. To this end, a number of workshops were organized with the involvement of our partners, including the World Bank. This strategy will constitute the reference framework for the support aimed at strengthening the output and productivity of the coffee sector in Burundi.

21. The government has also continued its reform of the mining sector. After adopting the new mining code in October 2013, the government undertook to improve transparency in the management of the sector. To this end, an action plan for the preparation of Burundi's membership of the Extractive Industries Transparency Initiative (EITI), based on a scoping study, was reviewed and adopted by the Council of Ministers. Its implementation in 2015 will enable the country to officially submit its candidature to the EITI by the end of the year. Membership will send a strong signal to investors on the government's determination to manage the country's natural resources soundly and equitably. In the same spirit, the government has decided to publish the only mining convention signed since the adoption of the new mining code. Moreover, the decree setting out the mining regulations is being drafted and is nearing completion. This decree and the other regulations that accompany it will complete the legislative and regulatory framework for the mining sector by end-June 2015.

22. The implementation of these reforms has enabled the government to make progress on its medium-term agenda. As indicated above, the Burundi economy suffers from a narrow export base. For this reason the government has opted for a combination of reforms to improve the general business environment and targeted sectoral reforms. The former are aimed at developing private initiatives in all sectors while the latter are aimed at maximizing known and clearly identified potential.

Social protection

23. The government is pursuing the modernization of the social protection system. After adopting the National Social Protection Policy (PNPS), the government has introduced and implemented the institutional framework for defining, implementing and monitoring the social protection strategy and has staffed it with personnel recruited on a competitive basis. The National Social Protection Commission (CNPS) was established by Decree 100/237 of August 22, 2012 on the creation, organization, composition, missions and operation of the CNPS and it became operational with the organization of its first meeting in 2014. This body receives technical support from a permanent Executive Secretariat (SEP/CNPS), which is responsible for promoting, coordinating and regulating the social protection systems and programs. The institutional framework was supplemented in 2014 by the appointment of the management team of the Permanent Executive Secretariat and the establishment of Provincial and Communal Committees by ministerial orders in June 2014. The technical staff of these committees was recruited by competition from among the graduates of the training in social protection techniques. The establishment of this institutional framework down to the local level is important for the definition of the mechanisms to target vulnerable persons, the effective transfer of resources for their assistance, and the monitoring of programs. It will also favor the coordination of programs.

24. **Significant progress has been made in the area of social protection.** The rate of coverage of the population by health insurance increased from 13 percent in 2010 to 37.3 percent in 2012. At the same time, the rate of coverage of adults with AIDS by antiretroviral treatments (ARV) increased from 45 percent in 2010 to 58 percent in 2012. Based on these findings and taking account of the shocks that occurred in 2014, including the floods north of Bujumbura, the government significantly increased budgetary allocations to social protection initiatives. Thus, the budget was increased from BIF 17.3 billion in 2013 to BIF 26.9 billion in 2014, a 54.9 percent increase. The actions that have benefited from these budgetary allocations include social security, national solidarity, public health, the fight against AIDS and basic education initiatives.

IV Conclusion

25. These are some of the measures that have dominated the government's work in 2014 and the positive trends in the efforts to achieve the desired outcomes. This program, which has been the subject of consultations with the World Bank and other development partners, has been closely monitored by the authorities. The government is committed to continuing its efforts and to working together with the other partners to achieve the objectives of the PRSP II and the vision for 2020. To strengthen its cooperation with the Bank and facilitate discussions between the two parties, the government undertakes to provide the information needed to monitor program implementation on a timely basis.

Burundi ERSG VIII - Letter of Development Policy

REPUBLIQUE DU BURUNDI

Bujumbura, le 1er / 12 /2014

MINISTERE DES FINANCES ET DE LA PLANIFICATION
DU DEVELOPPEMENT ECONOMIQUE
CABINET DU MINISTRE

N/Réf. : 540.11/...4784.../M.D/ 2014

A Monsieur Jim Kim
Président de la Banque Mondiale
1818 H Street, NW
Washington, D.C.20433.

Objet : ***Lettre de Politique de Développement pour le Huitième Don d'Appui à la Réforme Economique (DARE VIII).***

SCANNED
Scan date: 1er/12/2014

Monsieur le Président,

Nous avons l'honneur de vous transmettre ci-joint la Lettre de Politique de Développement (LPD) convenue dans le cadre du nouveau programme d'appui budgétaire entre le Burundi et l'Association Internationale de Développement (IDA) au titre du 8ème Don d'Appui à la Réforme Economique (DARE VIII).

Le Gouvernement du Burundi a mis en œuvre avec succès le programme 2013-2014 appuyé par la septième opération de Don d' Appui à la Réforme Economique (DARE VII). Pendant cette période, des résultats appréciables ont été enregistrés dans la gestion transparente et efficace des finances publiques, (i) la soutenabilité des finances publiques, (ii) l'amélioration de la transparence budgétaire, (iii) le renforcement des recettes fiscales et (iv) la rationalisation des dépenses publiques.

Concernant les recettes, le gouvernement a décidé de limiter les exonérations fiscales tout en améliorant leur transparence. A cet effet, une liste complète des exonérations fiscales octroyées en 2013 par catégorie a été publiée.

En plus de cette publication, le gouvernement a décidé d'inclure, de façon systématique, dans le rapport trimestriel d'exécution du budget de l'Etat des informations sur les exonérations accordées sur la période en revue.

Par ailleurs, le gouvernement a décidé d'éliminer les crédits d'impôts et de supprimer les exonérations de TVA à l'import dans le cadre de la loi de finances rectificative 2014.

Ces importantes mesures commencent déjà à faire des impacts. En effet, au cours du troisième trimestre 2014, le montant des exonérations accordées a baissé de 10 milliards de BIF, passant de 31 milliards à 21 milliards, soit une baisse de près d'un tiers.

Au niveau politique, les institutions issues des élections de 2010 travaillent d'arrache-pied pour organiser les élections libres, transparentes et apaisées de 2015. Une Loi électorale a été votée et saluée par toutes les tendances politiques. Une commission nationale indépendante consensuelle a été mise en place laquelle a permis la mise en place des commissions électorales provinciales et communales. Le travail d'enrôlement des électeurs a débuté dans tout le pays marquant ainsi la première étape importante vers les élections.

Les grandes priorités du Gouvernement restent la mise en œuvre du CSLP2 qui remettra le pays sur la voie de la croissance, en privilégiant les axes stratégiques suivants : (i)Renforcer l'Etat de droit , consolider la bonne gouvernance et promouvoir l'égalité du genre ;(ii)Transformer l'économie par une croissance soutenue créatrice d'emplois ; (iii)Améliorer l'accès aux services de base afin de renforcer la solidarité nationale et (iv)Bien gérer l'espace et l'environnement pour un développement durable.

Le Gouvernement travaille d'arrache pied pour consolider la stabilité macroéconomique avec le maintien du taux d'inflation à un chiffre et le maintien du déficit budgétaire dans les limites de soutenabilité de la dette publique; renforcer la mobilisation des recettes internes ; améliorer la composition des dépenses publiques au profit des secteurs porteurs de croissance économique, tout en préservant les dépenses pro-pauvres; poursuivre la libération et la diversification de l'économie et le développement du secteur privé et renforcer la protection des groupes vulnérables.

Le Gouvernement s'engage à poursuivre ses efforts et travailler en commun accord avec les partenaires pour l'atteinte des objectifs du CSPL II et de la vision 2020. Afin de renforcer sa collaboration avec les partenaires, une table ronde est prévue du 11 au 12 décembre 2014 pour évaluer la mise en œuvre de notre cadre stratégique et son financement.

Sans anticiper sur les résultats de cette évaluation, les défis restent immenses surtout la crise énergétique auquel le pays fait face et la mobilisation des moyens financiers reste la clé de réussite pour faire face à ces défis.

C'est dans ce cadre, que le Gouvernement du Burundi sollicite un nouvel appui de l'IDA pour faciliter la réalisation d'un programme de réformes économiques sur la période du 1er juillet 2014 au 30 juin 2015 dans le cadre du DARE VIII pour un montant équivalent à 16,5 millions de droits de tirages spéciaux(DTS), soit 25 millions de dollars E.U.

Les priorités mises en avant dans le cadre du DARE VIII concernent l'agrandissement de l'espace budgétaire par un renforcement de la mobilisation des recettes internes , la rationalisation des dépenses publiques et la diversification des exportations en améliorant l'environnement global des affaires et en mettant en œuvre des reformes ciblées à des secteurs à fort potentiel d'exportation comme le café et les mines.

Cette Lettre de Politique de Développement expose aussi la stratégie de réformes économiques à moyen terme que le Gouvernement s'engage à réaliser dans le cadre du don et au-delà, afin de renforcer les actions de lutte contre la pauvreté avec l'appui des autres partenaires au développement du Burundi.

Les politiques et mesures indiquées dans la lettre de politique de développement contribueront à renforcer les efforts entrepris en matière de gestion des finances publiques et à améliorer le climat des affaires, en vue d'accélérer la croissance économique et d'assurer l'irréversibilité des progrès atteints.

Toutefois, le Gouvernement reste prêt à adopter toute mesure additionnelle que l'IDA jugerait nécessaire pour assurer le succès du programme.

Enfin, dans le but de faciliter le suivi des progrès accomplis dans la mise en œuvre des politiques et mesures contenues dans ce programme, le Gouvernement reste prêt à répondre favorablement à toute demande d'informations de la part de l'IDA.

Les autorités burundaises souhaitent que la Lettre de Politique de Développement et le document de programme qui l'accompagne soient rendus publics. Elles autorisent par conséquent leur publication et leur affichage sur le site de la Banque Mondiale, une fois que ces documents sont transmis au Conseil d'Administration. Le Gouvernement fera autant sur ses sites officiels.

Veuillez agréer, **Monsieur le Président**, l'expression de notre haute considération.

LE MINISTRE DES FINANCES ET DE LA PLANIFICATION DU DEVELOPPEMENT ECONOMIQUE

REPUBLIQUE DU BURUNDI
Cabinet du Ministre
Ministère des Finances et de Planification du Développement Economique

Hon. Tabu Abdallah MANIRAKIZA

REPUBLIQUE DU BURUNDI

HUITIEME DON D'APPUI A LA REFORME ECONOMIQUE (DARE VIII)

LETTRE DE POLITIQUE DE DEVELOPPEMENT

(Projet)

Novembre 2014

I Introduction

1. **Le Gouvernement sollicite l'appui de l'IDA pour compléter le financement de son programme de politique économique en 2014.**Ce programme fait partie intégrante du Cadre Stratégique de Croissance et de Lutte contre la Pauvreté de deuxième génération CSLP-II et vise à pour consolider les fondamentaux de l'économie burundaise. Le CSLP II s'articule autour des trois axes stratégiques suivants : (i) Renforcer l'Etat de droit, consolider la bonne gouvernance et promouvoir l'égalité du genre ; (ii) transformer l'économie pour une croissance soutenue, créatrice d'emplois ; (iii) améliorer l'accès et la qualité des services de base pour renforcer la solidarité nationale ; et (iv) gérer l'espace et l'environnement pour un développement durable. Le huitième Don d'Appui à la Réforme Economique (DARE VIII) contribue à l'atteinte des objectifs des deuxième et troisième axes du CSLP II. Ses objectifs spécifiques sont : (i) consolider la stabilité macroéconomique avec le maintien du taux d'inflation à un chiffre et le maintien du déficit budgétaire dans les limites de soutenabilité de la dette publique; (ii) renforcer la mobilisation des recettes internes ; (iii) améliorer la composition des dépenses publiques au profit des secteurs porteurs de croissance économique, tout en préservant les dépenses pro-pauvres; (iii) poursuivre la libération et la diversification de l'économie et le développement du secteur privé; et (iv) renforcer la protection des groupes vulnérables.

2. **Des résultats importants ont été déjà atteints et d'autres sont en bonne voie**. En effet, la stabilité du cadre macroéconomique a été consolidée grâce à une coordination des politiques budgétaires et monétaires. Le taux de croissance est resté au-dessus du taux de croit démographique depuis 2005 et s'est modérément accéléré en 2013 et en 2014. Le taux d'inflation est réduit à un chiffre et devrait rester en dessous de 7 pourcent en 2014 pendant que le déficit budgétaire est ramené en dessous de 2 pourcent. Le compte extérieur courant est aussi en baisse même s'il reste encore élevé. La mise en œuvre des réformes ont contribué à l'atteinte de ces résultats, avec notamment, l'amélioration de la programmation budgétaire, le meilleur contrôle des effectifs et de la masse salariale, la rationalisation des exonérations et l'amélioration de la transparence dans la gestion des finances publiques. Des reformes importantes visant à réduire le déséquilibre extérieur sont en cours avec la réforme du secteur et du secteur minier.

3. Ce document résume ces performances économiques et sociales récentes, particulièrement dans les domaines soutenus par le Don d'Appui auxRéformes Economiques (DARE) et présente les perspectivespour l'année 2015.

II Développements Economiques et Sociaux Récents

4. **Le gouvernement du Burundi a réussi à stabiliser l'économie dans un contexte fragile mais le pays reste cependant vulnérable aux chocs exogènes.**En 2013, la croissance économique est

estimée à 4,5 pourcent, soit une hausse de 0,5 point par rapport à l'année précédente. Cette légère accélération est expliquée par une expansion des activités des secteurs secondaire et tertiaire. Le secteur secondaire a été tiré par les activités minières, manufacturières et de construction. L'amélioration de la fourniture d'électricité en 2013, comparée à 2012, a libéré des capacités de production supplémentaires dans l'industrie manufacturière. L'offre d'électricité a augmenté de 7 pourcent en 2013, grâce à une hausse de 13 pourcent de la production de la REGIDESO. Dans le secteur des mines, la production d'or a dépassé 2,8 tonnes en 2013 contre une moyenne variant entre 2,0 et 2,3 tonnes les années précédentes. Le secteur de la construction a, quant à lui, maintenu sa dynamique des dernières années, soutenu par les travaux d'infrastructures publiques et la construction résidentielle. Du côté des emplois du PIB, la demande intérieure continue à tirer l'économie, la contribution de la demande extérieure restant faible.

5. **La bonne gestion du cadre macroéconomique s'est également traduite par la baisse de l'inflation en 2013**. Après avoir atteint son sommet en mars 2012, l'inflation a baissé à un chiffre en 2013 (7,9 pourcent).Les autorités monétaires ont en effet ralenti la croissance monétaire. De 22 pourcent en moyenne en 2010, l'augmentation de la masse monétaire a été modérée à 6 pourcent en moyenne en 2012 avant une reprise graduelle en 2013. Cette politique prudente a été accompagnée par la baisse du prix des importations des denrées alimentaires et des produits pétroliers.Avec la baisse des tensions inflationnistes, la politique monétaire a été progressivement ajustée pour promouvoir la croissance. Avec l'amélioration des conditions de liquidité, la Banque centrale (BRB) a réduit son taux directeur d'environ 100 points de base à 10,7 pourcent de mai à septembre 2013 pour accompagner la croissance économique. Le crédit au secteur privé a augmenté de 8,9 pourcent en 2013.

6. **Concernant les finances publiques, la politique budgétaire du gouvernement a permis de ramener le déficit budgétaire à un niveau soutenable.** Malgré les contreperformances en matière de recouvrement de recettes fiscales, le déficit budgétaire a baissé de 3,7 pourcent du PIB en 2012 à 1,7 pourcent en 2013, niveau jugé compatible avec le financement sain disponible. En conséquence, le recours au financement extérieur et aux avances de la BRB a fortement diminué, de même que le taux d'endettement, qui est passé de 35,1 pourcent du PIB en 2012 à 31,7 pourcent en 2013.

7. **S'agissante de la position extérieure, les tendances du commerce entre le Burundi et le reste du monde restées inchangées, avec une détérioration plus prononcée de la balance commerciale.** Comme par le passé, le commerce international est resté largement dominé par les importations en 2013. En effet, les importations en valeur ont progressé de 19,8 pourcent tandis que la valeur des exportations n'a augmenté que d'un modeste 1,4 pourcent. En pourcentage du PIB, les exportations ont baissé de 9,4 pourcent en 2012 à 8,2 pourcent en 2013. Cette baisse reflète principalement l'effondrement des quantités de café vendus à l'extérieur, aggravé par une baisse persistante du cours de ce produit sur le marché mondial. Les exportations de thé ont augmenté modestement en volume, mais ont stagné en valeur, tandis les exportations de produits minéraux, notamment l'or, restent en forte hausse. Le dynamisme des importations s'explique par l'augmentation de la demande intérieure, notamment en produits pétroliers, y compris comme intrants pour la production d'électricité, et en équipements, principale- ment pour les secteurs du tourisme et de la construction. En conséquence, le déficit commercial s'est davantage détérioré pour s'établir à 33 pourcent du PIB contre 30,4 pourcent en 2012. Cependant, des signes de diversification des exportations apparaissent, notamment dans le secteur du tourisme et celui des mines.

8. **La croissance économique est attendue à 4,7 pourcent en 2014 et à 4,8 pourcent en 2015.** Ce sentier de croissance devrait bénéficier des réformes structurelles en cours, notamment dans les secteurs du café et des mines, ainsi que les investissements en cours dans le secteur de l'énergie. En 2014, la croissance économique devrait être favorisée par l'exploitation minière, notamment l'or, la construction et les services (Banque, tourisme, transport et télé- communications). La reprise dans le

secteur de l'agriculture, plus particulièrement la production de café, devrait avoir un effet mécanique de rattrapage en 2014. Concernant la demande, la consommation privée et les dépenses publiques continueront d'être les principaux moteurs de l'économie. Sauf surprise, les investissements directs étrangers et les exportations devraient rester modestes à court et moyen termes, malgré le programme de privatisation qui pourrait, tout de même, attirer des investissements dans des secteurs ciblés.

9. **Le déficit extérieur courant devrait rester élevé en 2014 et à moyen terme, reflétant une hausse des importations liée aux projets d'infrastructure.**En 2014, le déficit du compte extérieur courant devrait baisser par rapport à son niveau de 2013 (21,3 pourcent du PIB), mais resterait au-dessus de 15 pourcent du PIB jusqu'en 2015. Le financement du déficit du compte courant serait assuré principalement par l'aide extérieure, bien qu'en baisse, et dans une moindre mesure par des investissements direct étrangers. Ainsi, les réserves en devises étrangères du Burundi devraient rester légèrement supérieures à 3,5 mois d'importations en 2014-2015.

10. **La politique monétaire demeurera probablement axée sur la réduction de l'inflation et le lissage des chocs externes.** L'inflation devrait être maintenue à un chiffre à court terme, pourvu que les cours mondiaux du pétrole restent stables. Cependant, la politique monétaire de la BRB va rester prudente pour atteindre l'objectif d'inflation à moins de 8 pourcent en 2014 et en 2015.Sur les neuf premiers mois de 2014, le taux d'inflation en glissement annuel a été de 4,4 pourcent. Avec la poursuite de la baisse des pressions inflationnistes, la BRB a encore abaissé son taux d'intervention de 200 points de base pour le ramener à 10,5 pourcent en mars 2014, les taux d'intérêt réels restants positifs. Cependant, les autorités monétaires vont continuer à promouvoir une plus grande flexibilité du taux de change afin d'assurer que les prix relatifs entre biens échangeables et non échangeables soient appropriés, et utiliser les réserves de change pour lisser les éventuels chocs extérieurs.

11. **Sur le plan budgétaire, la gestion en 2014 est marquée par des pertes temporaires de recettes fiscales.**En plus des mesures fiscales prises au premier semestre de 2013, avec notamment l'allègement de l'impôt sur le revenu et l'élimination des droits d'accises sur les produits pétroliers qui ont eu un plein effet en 2014, le gouvernement a des mesures d'harmonisation de la fiscalité burundaise avec celle de pays membres de la Communauté Est Africaine qui ont engendré des pertes de recettes fiscales. Ces contreperformances ont été amplifiées par les déclarations de pertes par plus d'une cinquantaine de grands contribuables, après l'élimination de l'impôt minimum sur les entreprises et les faiblesses dans l'administration fiscale. Au total, les moins-values ont été évaluées à 0,4 pourcent du PIB sur cinq mois et de 1 pourcent du PIB en valeur annualisée.

12. **Dans le contexte d'une loi de finance révisée adoptée en aout 2014, le gouvernement a pris des mesures correctrices pour inverser la tendance des recettes fiscales.** Sur la base des analyses récentes effectuées par nos services avec l'appui des partenaires, le gouvernement a introduit de nouvelles taxes ad-valorem sur des ciblés, rétabli l'import minimum de 1 pourcent du chiffre d'affaire, éliminé l'octroi de crédits d'impôt et supprimé l'exonération de la TVA à l'importation. Ces importantes mesures devraient compenser les pertes enregistrées au cours du premier semestre et maintenir l'objectif initial de pression fiscale à 12 pourcent du PIB. Sur les dix premier mois de 2014, l'Office Burundais des Recettes (OBR) a collecté 529,8 milliards de BIF en termes de recettes contre 463,6 milliards de BIF sur la même période de 2013, soit une hausse nominale de 14,3 pourcent, et un taux de réalisation de 81,6 pourcent par rapport à l'objective de la loi de finance révisée. Ces mesures vont permettre de sauvegarder les dépenses publiques, essentiellement allouées aux secteurs prioritaires, et de maintenir le déficit budgétaire en dessous de 2 pourcent du PIB.

13. **Ces mesures ont permis au gouvernement de conclure avec succès la cinquième revue du programme avec le FMI.**Avec la révision du cadrage macroéconomique pour tenir corriger les contreperformances en matière de recettes fiscales, la situation macroéconomique du Burundi a été jugée satisfaisante par le Conseil d'Administration du FMI. Cependant, avec le retard dans le

décaissement de certains appuis budgétaires, le déficit budgétaire pourrait se dégrader par rapport au programme. Dans ce cas, il sera financé par des bons et obligations du trésor et/ou des avances de la Banque centrale BRB.

III Les réformes appuyées par le DARE VIII

14. Le DARE appui les réformes économiques entreprises par le gouvernement pour accélérer la croissance et lutter plus efficacement contre la pauvreté. La mise en œuvre du huitième DARE coïncide avec la troisième année de mise en œuvre du CSLP-II qui ambitionne la réalisation d'une croissance forte, soutenue et inclusive, accompagnée d'une transformation profonde de l'économie. Le gouvernement est conscient que pour y arriver, la mise en œuvre d'un programme ambitieux de réformes visant à promouvoir une allocation rationnelle et efficiente des ressources, à la fois, publiques et privées est nécessaire. Le gouvernement sait aussi que la faiblesse des marges budgétaires et l'étroitesse de la base des exportations constituent deux contraintes majeures au développement économique et social du Burundi. Ces deux contraintes ont été accentuées ces dernières années par la baisse relative de l'aide extérieure en proportion du PIB et la baisse tendancielle de la productivité dans le secteur café. C'est pour cela que le gouvernement est résolu à : (i) agrandir l'espace budgétaire par un renforcement de la mobilisation des recettes internes et la rationalisation des dépenses publiques et (ii) diversifier les exportations en améliorant l'environnement global des affaires et en mettant en œuvre des reformes ciblées à des secteurs à fort potentiel d'exportation comme le café et les mines.

Reformes de finances publiques

15. La mise en œuvre des réformes de finances publiques a significativement progressé au cours des douze derniers mois. Pour renforcer la soutenabilité des finances publiques et améliorer la transparence budgétaire, le gouvernement a mis en œuvre d'importantes mesures visant le renforcement des recettes fiscales et la rationalisation des dépenses publiques. Concernant les recettes, le gouvernement a décidé de limiter et exonérations fiscales tout en améliorant leur transparence. A cet effet, une liste complète des exonérations fiscales octroyées en 2013 par catégorie a été publiée. En plus de cette publication, le gouvernement a décidé d'inclure, de façon systématique, dans le rapport trimestriel d'exécution du budget de l'Etat des informations sur les exonérations accordées sur la période en revue. Par ailleurs, le gouvernement a décidé d'éliminer les crédits d'impôts et de supprimer les exonérations de TVA à l'import dans le cadre de la loi de finances rectificative 2014. Ces importantes mesures commencent déjà à faire des impacts. En effet, au cours du troisième trimestre 2014, le montant des exonérations accordées a baissé de 10 milliards de BIF, passant de 31 milliards à 21 milliards, soit une baisse de près d'un tiers. Le Gouvernement va proposer la reconduction de ces mesures dans la loi de finances 2015 et les pérenniser dans le nouveau code des investissements en cours de préparation.

16. Concernant les dépenses publiques, le gouvernement a poursuivi la mise en œuvre de son plan de réforme. Le lien entre les politiques sectorielles et le budget a été renforcé dans le cadre de la préparation du budget de 2015. En effet, l'élaboration des Cadres de Dépenses à Moyen Terme (CDMT) dans les secteurs de l'Education, de la Santé et de l'Agriculture pour la période 2015-2017 ont mis l'accent sur le respect des enveloppes définies au niveau central, qui a permis la prise en compte de la contrainte budgétaire dans la répartition intra-sectorielle de la dépense publique. Ceci a également permis aux trois ministères de faire leur arbitrage en fonction de leurs priorités politiques. A moyen terme, le gouvernement compte passer entièrement de la gestion budgétaire par les moyens à la gestion axée sur les résultats avec la mise en place de budget-programme. Par ailleurs, le gouvernement a pris d'importantes mesures pour améliorer la transparence dans la gestion des finances publiques. En effet, pour la première fois depuis l'adoption du code des marchés publics, un audit indépendant des marchés publics attribués en 2011 et 2012 a été réalisé et les résultats publiés. Sur la base des résultats, le gouvernement a préparé un plan d'action pour corriger les faiblesses. Cet exercice qui a permis de rattraper le retard accumulé sera pérennisé. Un financement est déjà disponible pour réaliser les audits sur la période 2013-2017. En plus de la publication des audits, le gouvernement a mis à la disposition du public des informations budgétaires détaillées sur la programmation et l'exécution du budget 2013, suivant un mode interactif et téléchargeable sur format Excel. Cette mesure vient compléter la liste d'information publiée régulièrement, notamment le projet de loi de finance, le budget citoyen, la loi de règlement, les rapports de la Cour des comptes, le rapport trimestriel d'exécution du budget, le rapport trimestriel sur la dette publique, le Tableau des Opérations Financières de l'Etat (TOFE) mensuel, entre autres.

17. **Le gouvernement poursuit ses efforts visant à maitriser la masse salariale et les effectifs dans la fonction publique**. Depuis 2011, l'évolution de la masse salariale en pourcentage du PIB est à la baisse. En effet, ce ratio est passé de 9.4 pourcent du PIB en 2011 à 7.0 pourcent du PIB en 2013, et devrait passer à 6.7 pourcent en 2014. Le gouvernement a gelé recrutement dans la fonction publique, sauf pour les secteurs sociaux : éducation et santé. Pour bien maitriser les effectifs, le gouvernement a maintenant intégré les données biométriques issues du recensement des fonctionnaires de 2008 dans la base de données de la solde (OpenPRH). Cet exercice a permis d'identifier de façon unique 47.643 fonctionnaires en activité avec leurs empreintes digitales et leurs photos. Il a également permis de connaitre les 48.407 fonctionnaires en activités qui ne sont pas encore recensés. Un plan d'action est déjà élaboré pour compléter le recensement. Sa mise en œuvre sera finalisée avant fin juin 2015. Pour collecter les informations biométriques de façon permanente, le gouvernement a responsabiliséune unité du ministère en charge de la fonction publique par ordonnance ministérielle.

18. **La mise en œuvre des mesures ci-dessus a eu un impact positif sur la soutenabilité des finances publiques**. En effet, malgré l'importante baisse de l'aide extérieure, qui est passée de 23.4 pourcent du PIB en 2010 à 13.5 pourcent en 2014, le gouvernement a réussi à réduire le déficit budgétaire de 4 pourcent en 2011 à moins de 2 pourcent en 2013 et 2014. Même si les performances en matière de mobilisation des ressources internes ont été modestes, la couverture des dépenses courantes par les recettes budgétaires a augmenté sensiblement, en passant de 63 pourcent en 2011 à plus de 75 pourcent en 2014. Dans le même temps, les indicateurs sociaux ont été améliorés. Selon le rapport de progression de la mise en œuvre du CSPL II, le pourcentage d'enfants complètement vaccinés est passé de 92.5 pourcent en 2012 à 99.3 pourcent en 2013, alors que le pourcentage des accouchements assistés par un personnel qualifié passe de 69.6 pourcent en 2012 à 74.1 pourcent en 2013. Dans le secteur de l'éducation, le taux brut de scolarisation au primaire est resté au-dessus de 130 pourcent tandis que le taux d'achèvement a augmenté de 51.3 pourcent en 2010 à 68 pourcent en 2013. Concernant l'accès à l'eau potable, le taux de couverture en milieu urbain a augmenté de 79 pourcent en 2012 à 87.3 pourcent en 2013 alors celui du milieu rural est passé de 63 pourcent en 2012 à 65 pourcent en 2013. Cependant, le gouvernement est conscient que des efforts restent à faire, surtout pour la mobilisation des ressources domestiques pour soutenir le financement du développement et conforter ces tendances positives. Les autorités sont engagées à poursuivre les réformes dans ce sens, avec le renforcement en vue de la politique et de l'administration fiscale.

Développement du secteur privé

19. **Le gouvernement a également poursuivi la mise en œuvre des reformes pour le développement du secteur privé**. Les procédures de création d'entreprise sont davantage simplifiées avec l'intégration de l'Institut Nationale de Sécurité sociale (INSS) au sein du Guichet Unique (GU), la suppression de l'exigence du sceau d'entreprise au moment de l'ouverture des comptes par les nouvelles sociétés, et la simplification des procédures de création de succursale. Les procédures d'obtention de permis de construire ont été également améliorées avec la mise en place d'un seul interlocuteur responsable de recevoir les demandes au GU d'octroi des permis de construire,

l'élaboration d'un formulaire unique fonctionnel depuis avril 2014 et le renforcement du guichet en équipements informatiques. L'adoption du code de l'urbanisme en cours d'élaboration constitue un repère important pour le gouvernement. D'autres procédures telles que l'accès à l'électricité, l'accès au crédit, le transfert de propriétés, et le paiement des impôts sont aussi en cours de simplification. Pour ce dernier, le taux de l'Impôt sur les sociétés (IS) a été baissé de 35 pourcent à 30 pourcent.

20. En plus des réformes de Doing business, la libéralisation du secteur café a été poursuivie. Le gouvernement a révisée sa stratégie de désengagement du secteur café pour la rendre plus inclusive. En effet, l'Etat avait réservé 25 pourcent des parts des stations de Lavages (SDL) vendues lors des première et seconde phases de privatisation mais les organisations de caféiculteurs n'avaient pas accepté de rentrer en possession de ces actions. Conscient de l'importance des producteurs dans le bon fonctionnement de la chaine de valeur et la relance de la productivité de la filière, le gouvernement a organisé de larges consultations avec les organisations de caféiculteurs. Cette plus grande ouverture a permis aux producteurs de poser leurs doléances qui ont été entièrement satisfaites par le gouvernement. Ainsi, pour la troisième phase de privatisation, le gouvernement a décidé d'octroyer 30 SDL aux producteurs de café au prix de référence qui sera fixé après leur évaluation et de porter les parts réservées aux producteurs dans les SDL restants à 30 pourcent contre 25 pourcent dans l'ancienne stratégie. A terme, les organisations de producteurs pourraient contrôler 40 à 50 des actifs du secteur renforçant ainsi leur importance dans la filière. Le processus de privatisation devrait être compléter avant fin mars 2015. Par ailleurs, le gouvernement est en train de préparer une stratégie de relance du secteur café. A cet effet, plusieurs ateliers ont été organisés avec l'accompagnement de nos partenaires dont la Banque mondiale. Cette stratégie constituera le cadre de référence pour les appuis visant à renforcer la production et la productivité du secteur café au Burundi.

21. Le gouvernement a également poursuivi la réforme du secteur minier. Apres l'adoption du nouveau code minier en octobre 2013, le gouvernement s'est engagé à améliorer la transparence dans la gestion du secteur. A cet effet, l'adhésion du Burundi à l'initiative de Transparence des Industries Extractives (ITIE), a été examinée et adopté en Conseil des Ministres. Cela permettra au pays de soumettre officiellement sa candidature à l'initiative. Cette adhésion donnera un signal fort aux investisseurs sur la détermination du gouvernement à gérer de façon saine et équitable les ressources naturelles du pays. Dans ce même esprit que le gouvernement a décidé de publier la seule convention d'exploitation minière signée depuis l'adoption du nouveau code minier. Par ailleurs, le décret portant réglementation minière est en cours de préparation et en état avancé. Ce décret et les autres textes réglementaires qui l'accompagnent viendront d'ici fin juin 2015 pour compléter le cadre législatif et réglementaire du secteur minier.

22. La mise en œuvre de ces reformes a permis au gouvernement d'avancer sur l'agenda de moyen terme. Effet, comme rappeler plus haut, l'économie Burundaise souffre, entre autres, de l'étroitesse de base d'exportation. C'est pour cela que l'Etat a opté pour une combinaison de réformes d'amélioration de l'environnement général des affaires avec de réformes sectorielles ciblées. Les premières visent à développer les initiatives privées sans distinction de secteur tandis les dernières visent à maximiser les potentiels connus et bien identifiés.

Protection sociale

23. Le gouvernement poursuit la modernisation de son système de protection sociale. Après l'adoption de Politique Nationale de Protection Sociale (PNPS), le gouvernement a mis en place et rendu opérationnel le cadre institutionnel de définition, de mise en œuvre et de suivi de la stratégie de protection sociale et a doté de celui-ci de personnel recruté sur une base compétitive. En effet, la Commission Nationale de Protection Sociale (CNPS) conformément au Décret n°100/237 du 22 août 2012 portant création, organisation, composition, missions et fonctionnement de la CNPS a été mise en place et rendu opération avec la tenue de sa première réunion en 2014. Cet organe est appuyé techniquement par un Secrétariat Exécutif permanent (SP/CNPS), chargé de promouvoir, coordonner et réguler les systèmes et les programmes de protection sociale. Le cadre institutionnel a été complété au cours de l'année 2014 avec la nomination de l'équipe de direction du Secrétariat Exécutif Permanent de la CNPS (SEP/CNPS) et la mise en place des Comités Provinciaux et Communaux par des ordonnances ministérielles en juin 2014. Le personnel technique des comités provinciaux et communaux a été recruté sur concours parmi les lauréats de la formation en techniques de protection sociale. La mise en place de ce cadre institutionnel jusqu'au niveau local constitue un atout important dans la définition des mécanismes de ciblage des personnes vulnérable, le transfert effectif de ressources pour leur assistance et le suivi des programmes. Il va également favoriser la coordination des programmes.

24. **Des progrès importants ont atteints en matière de protection sociale.** En effet, le taux de couverture de la population en assurance maladie est passé de 13 pourcent en 2010 à 37.3 pourcent en 2012. dans le même temps, le taux de couverture en ARV des chez les adultes malades du SIDA a augmenté de 45 pourcent en 2010 à 58 pourcent en 2012. Fort de ces constats et tenant compte des chocs intervenus au cours de l'année 2014, dont les inondations dans nord de Bujumbura, le gouvernement a augmenté sensiblement les allocations budgétaires des initiatives de protection sociale. Ainsi, le budget est passé de 17,3 milliards de BIF en 2013 à 26.9 milliards en 2014, soit une augmentation de 54,9%.Les actions ayant bénéficié de ces allocations budgétaires sont des initiatives de sécurité sociale, desolidarité nationale, de santé publique, de lutte contre le SIDA, et d'éducation de base.

IV Conclusion

25. Telles sont les mesures qui ont dominé l'action du Gouvernement au cours de l'année 2014 et les tendances positives vers l'atteinte des résultats escomptés. Ce programme, qui a fait l'objet de consultation avec la Banque Mondiale et d'autres partenaires au développement, a été suivi de façon rigoureuse par les autorités. Le Gouvernement s'engage à poursuivre ses efforts et travailler en commun accord avec les autres partenaires pour l'atteinte des objectifs du CSPL II et de la vision 2020. Afin de renforcer sa collaboration avec la Banque et faciliter les échanges de vues entre les deux parties, le Gouvernement s'engage à fournir dans les meilleurs délais prévus les informations nécessaires pour le suivi de la mise en œuvre du programme.

Annex 2: Burundi ERSG VIII - Good Practice Principles on Conditionality

Principle 1: Reinforce country ownership

The Government of Burundi is strongly committed to the reforms supported under the operation. The grant supports the government's PRSP, which was developed in a participatory manner involving consultation of a wide range of stakeholders and including 17 provinces and sectors. The process was led by the Permanent Secretariat for Monitoring Economic and Social Reforms, with the support of international partners and local non-governmental organization (NGOs), quantitative and qualitative surveys were undertaken in all the provinces and more than 145 grassroots civil society groups were consulted. The Bank has actively supported the government in this process. The new PRSP, under preparation, is following the same participatory process.

Principle 2: Agree up front with the government and other financial partners on a coordinated accountability framework

The government and the budget support donors have agreed on a common framework "*Cadre de Partenariat*" and the government is implementing a PFM action plan based on the PEMFAR (2008) and the PEFA (2009) around which donors can consolidate their support.

Principle 3: Customize the accountability framework and modalities of Bank support to country circumstances

The ERSG series is fully aligned with the PRSP and has been developed through extensive consultations with the government, the private sector, and development partners. The ERSG series should be seen as the overall umbrella for the Bank's support and policy dialogue, which is complemented by specific projects providing focused investment assistance. Budget support is seen as necessary instrument to address the budgetary needs of Burundi while strengthening the government's systems. The series is designed to give the necessary space to develop critical, but sensitive, reforms in coffee and public enterprise reform as well as reviewing progress made in the energy sector reform. This approach is fully consistent with the government objectives, and in some areas broadens the setting of the policy dialogue to multiple stakeholders, beyond government policy declarations.

Principle 4: Choose only actions critical for achieving results as conditions for disbursement

The ERSG series focuses on a few selected prior actions and triggers that are based on the PRSP. The prior actions and indicative triggers were chosen based on extensive discussions with the authorities and the private sector to identify the actions that would be critical steps for implementing the government's program within a realistic timeframe. They would provide meaningful outcomes and help loosen major constraints or facilitate further reforms. A higher number of measures are included in the policy matrix (Annex 8) as measures of progress to monitor the overall progress of the reform program.

Principle 5: Conduct transparent progress reviews conducive to predictable and performance-based financial support

A full and close supervision of the program progress review will take place in line with the agreed Partnership Framework between the Government of Burundi and the budget support donors.

Annex 3: IMF Assessment of Recent Economic Performance

IMF Executive Board Completes Fifth Review Under Extended Credit Facility Arrangement, Approves US$7.6 Million Disbursement, and Concludes 2014 Article IV Consultation with Burundi

Press Release No. 14/395
August 25, 2014

On August 25, 2014, the Executive Board of the International Monetary Fund (IMF) completed the fifth review of Burundi's economic performance under a three-year program supported by the IMF's Extended Credit Facility (ECF) arrangement, and also concluded the 2014 Article IV Consultation[1] with Burundi. The completion of the fifth review enables the immediate release of an amount equivalent to SDR 5 million (about US$7.6 million), bringing total disbursements under the arrangement to an amount equivalent to SDR 25 million (about US$38.1 million).

In completing the fifth review, the Executive Board also approved the authorities' requests for a modification of performance criteria and indicative targets for September–December 2014 for net foreign assets and net domestic assets of the central bank and net domestic financing of the government, as well as for gross fiscal revenue and reserve money.

The three-year ECF arrangement in the amount equivalent to SDR 30 million (about US$ 45.7 million) was approved by the Executive Board on January 27, 2012 (see Press Release 12/35).

Following the Executive Board's discussion on Burundi, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair issued the following statement:

"Burundi has made satisfactory progress under the ECF-supported program. Economic growth is expected to pick up to about 4.7 percent in 2014, while inflation has been declining aided by moderating international food and fuel prices and stable monetary conditions. However, the medium-term economic outlook remains difficult, with downside risks arising from political uncertainties ahead of the 2015 elections, vulnerabilities to external shocks given Burundi's narrow export base, and the large influx of refugees.

"Revenue slippages that emerged in the first quarter of the year were addressed through corrective measures which formed the basis for a revised budget that was adopted by parliament. Sustaining revenue mobilization, enhancing tax administration, and rationalizing discretionary exemptions are critical to the success of the economic program.

"Monetary policy should continue to focus on stabilizing inflation expectations. While underlying inflation has declined in recent months, a potential fiscal deterioration financed by recourse to central bank financing could reignite inflation and reverse recent gains.

"Debt sustainability remains the anchor underpinning medium-term fiscal policy. Burundi continues to be at high risk of debt distress; therefore, it is important to rely mainly on grants and highly concessional loans. The new debt law will provide an overarching framework for effective public debt management and policy."

The Executive Board also completed the 2014 Article IV consultation.

The economic recovery continues to gain momentum in the aftermath of the recent food and fuel shocks. In 2013, real Gross Domestic Product (GDP) growth picked up to an estimated 4.5 percent, underpinned by the agriculture and construction sectors as well as the implementation of major infrastructure projects. Inflation decelerated to 8 percent at year end, supported by favorable international food and fuel prices, fiscal consolidation, and stable monetary conditions. The implementation of swift corrective measures in mid-2013 helped remedy revenue slippages and, together with a relative containment of expenditure, helped contain the overall deficit at 1.6 percent of GDP in line with the authorities' economic program supported by the ECF. Gross international reserves stood at 3.4 months of imports at end-2013.

The macroeconomic outlook is expected to improve in 2014 and in the medium term but remains subject to various risks. Real GDP growth is projected to improve slightly to 4.7 percent in 2014 and is expected to improve further over the medium term on the back of solid agricultural and construction activity, including the implementation of large hydroelectric projects. Deeper integration with the East African Community (EAC) is expected to spur investment in the tourism, wholesale and retail sectors, as well as in finance and telecommunications. Inflation should stabilize to single digits over the medium term in line with lower projected international food and fuel prices. The fiscal position is expected to improve over the medium term on the backdrop of durable revenue-enhancing measures and prudent spending policy. The current account deficit is projected to narrow to about 17 percent of GDP in 2014, as coffee exports rebound, and improve over the medium term reflecting higher exports and moderate growth in imports following earlier surges associated with humanitarian assistance. Greater exchange rate flexibility would help shore up international reserves to more comfortable levels. Key risks to the outlook include: (1) a deterioration of the political and security situation; (2) a further decline in donor support; (3) a worsening in the terms of trade; and (4) a protracted period of slower growth in advanced and emerging economies.

Executive Board Assessment

Executive Directors noted that performance under the ECF had been satisfactory under challenging circumstances. Directors welcomed the adoption of corrective measures to address revenue shortfalls and to bolster revenues over the medium term.

Directors agreed that sustaining revenue mobilization efforts are critical to the success of the program. They underscored the need to step up revenue collection in order to respond to contingencies in the run-up to the 2015 Presidential elections, safeguard pro-poor spending, and to address the rising demand for public services from a rapidly growing population. They welcomed efforts to reform tax exemptions to mitigate the erosion of the revenue base while simplifying procedures associated with doing business.

Directors underscored the need to strengthen public financial and debt management to mitigate fiscal risks. They welcomed the progress made in implementing the public financial management strategy and encouraged the authorities to address outstanding weaknesses. To preserve debt sustainability, Burundi should continue to rely mainly on grants and highly concessional loans in light of its high risk of debt distress.

Directors stressed that monetary policy should continue to focus on stabilizing inflation expectations and welcomed the notable deceleration of inflation in recent months. Going forward, they encouraged the authorities to enhancing monetary transmission mechanism.

Directors noted that the exchange rate remains an important tool in facilitating external adjustment, enhancing external competitiveness and safeguarding foreign reserves.

Directors underscored the importance of deeper structural reforms to foster stronger and sustainable growth and to reduce poverty. They highlighted that reforms priorities should focus on improving competitiveness and the business climate, and addressing infrastructure gaps, including increasing energy supply. Directors concurred that enhancing financial intermediation, while maintaining financial stability, will be critical to facilitate credit to the private sector and support growth.

Directors encouraged the authorities to accelerate and expand efforts to increase data coverage and improve quality, to better inform policy making.

Annex 4: Burundi ERSG VI-VIII Results Framework

Medium Term Objectives		POLICY ACTIONS			Outcome indicators	Baseline (Year)	Actual	Target
		ERSG VI prior actions	ERSG VII prior actions	ERSG VIII prior actions			2013	2015
COMPONENT 1: STRENGTHENING PUBLIC FINANCE MANAGEMENT AND BUDGET TRANSPARENCY	***Strengthening strategic and budget planning to improve the quality of public spending***	The Recipient has issued and submitted to Parliament (for information) the 2013-16 Medium Term Fiscal Framework (MTFF) together with the budget framework letter for the 2013 budget.	The Recipient has adopted and submitted to its parliament, for informational purposes only, the 2014-2016 Budget Orientation Document (BOD) and the budget framework letter consistent with the BOD for the preparation of its 2014 budget law	The Recipient has issued medium-term expenditure frameworks for the agriculture, education, and health sectors that do not exceed by approximately one percent the projected budget for the respective sectors as detailed in the central medium-term expenditure framework for the preparation of the 2015 budget law. ***Prior action 2***	**Indicator 1:** Gap[19] between MTEF and budget in education, health, and agriculture (in percentage of budget)	**31.9% (2012)**	**18.6**	**<10%**
		The Recipient has issued a draft decree on budget governance intended to redefine the procedures for drafting, submitting, and voting the budget as well as for budget execution and control.			**Indicator 2:** Delay (legal months) in budget presentation to Parliament (difference between month of presentation and legal month, which is October)	**2 legal months (2012)**	**1 legal month**	**0**
	Reinforcing transparency and efficiency of PFM, procurement and controls and stimulating the demand for good governance	The Recipient undertakes the publication of the decisions of public procurement (selected firms, contract amounts and classification of the main bidders) and activity reports on the website of the Ministry in charge of Finance with the exception of contracts of secret nature (pursuant to the law) and contract whose amount is below the thresholds requiring DNMP review.	The Recipient has published, the 2013 Citizen Budget in French and Kirundi highlighting information on sectoral budget allocations on a Government website and has disseminated it to the 17 provinces.	The Recipient has published, on the official government website, the itemized list of tax exemptions granted in 2013 and the first semester of 2014, and has eliminated, under the 2014 revised budget law, the value added tax exemptions on imports and tax credits. ***Prior action 1***	**Indicator 3:** Estimated value of tax exemptions as a share of total tax revenues.	**23.8% (2011)**	**19.4%**	**<15%**
				The Recipient has published, on the official government website, detailed budget information and actual expenditure for 2013 in downloadable excel format. **Prior action #3**	**Indicator 4:** Share of communes where budget information tables are available	**0% (2012)**	**100%**	**100%**
				The Recipient has published, on the official government website, the independent audit reports of the public procurement contracts awarded in 2011-2012, and has prepared an action plan to address the identified weaknesses. **Prior action #4**	**Indicator 5:** PEFA[20] indicator PI19- iii on public access to public procurement Information improved from D to B	**D (2012)**	**ND**	**B**

[19] The gap is measured as the sum of the absolute value of the difference between the sectoral budget and the sectoral MTEF, divided by the sum of the sectoral budget. The indicator for year N is calculated using the initial budget for year N+1 and the sectoral MTEF N-N+2.

[20] The third PEFA assessment for Burundi is under preparation. Results are expected in the first semester of 2015.

Medium Term Objectives		POLICY ACTIONS: ERSG VI prior actions	ERSG VII prior actions	ERSG VIII prior actions	Outcome indicators	Baseline (Year)	Actual 2013	Target 2015
	Streamlining public wage bill and HR management	The Recipient establishes through a joint ministerial ordinance (Minister in charge of Finance and Minister of Civil administration) of a center for processing of the payroll and career management (and the appointment of the Head of the center).	The Recipient has updated and consolidated the civil servant database (HRMIS) and has implemented the career module.	The Recipient has identified the civil servants with no biometric information, adopted an action plan for completion of the biometric census, and designated a unit for permanent collection of biometric information. **Prior action #5**	**Indicator 6:** Share of civil servants managed within HRMIS with biometric information.	**0% (2013)**	**46% (2014)**	**100%**
COMPONENT 2: PROMOTING PRIVATE SECTOR DEVELOPMENT AND ECONOMIC DIVERSIFICATION	***Improving the legal and regulatory framework for the promotion of private sector investment***	The Recipient operates a "*Guichet Unique"* for business start-up to reduce processing time and costs	The Recipient established and rendered operational a *Guichet Unique* (One Stop Shop) for construction permits		**Indicator 7:** Number of days to obtain a construction permit at the new "Guichet Unique" (one stop shop).	**137 (2012)**	**99**	**100**
					Indicator 8: Number of days to create a business at the "Guichet Unique" (one stop shop).	**11 (2009)**	**5**	**5**
	Improving agriculture productivity	The Recipient's Interministerial Committee for Privatization has authorized the SCEP to prepare the launching of the third phase for the sale of the 76 coffee washing stations remaining by preparing a list of public assets (including 77 coffee washing stations) to be privatized. The list will be submitted by the Council of Ministers to Parliament as required by the Law.	The Recipient has increased its allocation for feeder roads and irrigation under the 2013 Budget Law in line with the 2013-2015 MTEF	The Recipient has adopted a revised coffee privatization strategy that aims to be more inclusive and that is acceptable to the farmers' organizations. **Prior action #6**	**Indicator 9:** Percentage of budget allocated to the construction/maintenance of feeder roads and small scale irrigation.	**2.2% (2012)**	**2.9%**	**3%**
					Indicator 10: Quantity of fertilizer distributed (in 1000 tons)	**10.2 (2012)**	**13.1**	**15.0**
					Indicator 11: Share of the coffee growers in the ownership of the Coffee Washing Stations	**0 % (2011)**	**7%**	**>25%**
	Promoting the development and transparency of the mining sector	=====>	The Recipient has promulgated a mining code acceptable to the Association.	The Recipient's Council of Ministers has adopted the decision to comply with the EITI. **Prior action #7** The Recipient has published, on the official government website, mining contracts awarded since the adoption of the mining code in October 2013. **Prior Action #8**	**Indicator 12:** The number of EITI pre-candidacy steps completed.	**0 (2011)**	**0 (by end September 2014)**	**4**

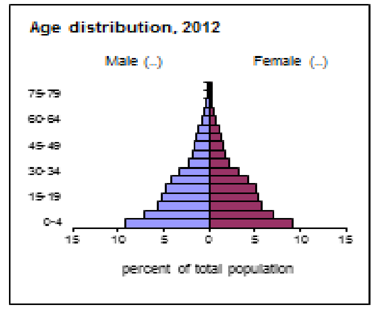
COMPONENT 3: STRENGTHENING SAFETY NETS SYSTEMS	***Strengthening safety nets systems***	=====>	*The Recipient has appointed a task force to oversee the development of a comprehensive social protection strategy and action plan for implementation*	The recipient has operationalized the provincial committees to improve the targeting of the SSN programs. **Prior action #9**	**Indicator 13**: Percentage of provinces with social protection committee established and functional	**0% (2013)**	**100% (2014)**	**100%**
		=====>	The Recipient has finalized a Household Expenditure Survey to update the National Poverty Profile.	The Recipient has increased the allocation for social protection in the 2014 revised budget law from its previous allocation in the 2013 budget law... **Prior action #10**	**Indicator 14**: Percentage of provinces with woman as responsible of the local social protection committee	**0% (2013)**	**58.8% (September 2014)**	**>50%**

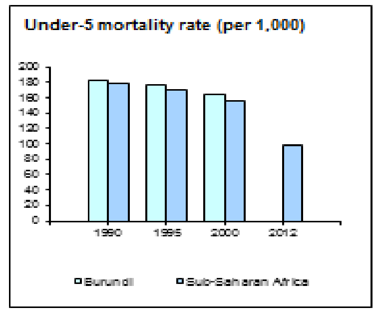
Annex 5: Burundi at A Glance

Burundi at a glance

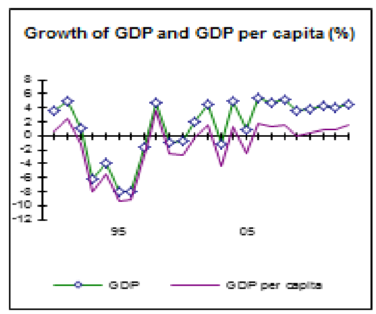
10/15/14

Key Development Indicators	Burundi	Sub-Saharan Africa	Low income
(2013)			
Population, mid-year (millions)	10.1	911	846
Surface area (thousand sq. km)	28	24,262	16,198
Population growth (%)	3.0	2.7	2.3
Urban population (% of total population)	*11*	37	28
GNI (Atlas method, US$ billions)	3.0	1,230	499
GNI per capita (Atlas method, US$)	290	1,350	590
GNI per capita (PPP, international $)	*550*	2,227	1,383
GDP growth (%)	4.5	4.3	6.3
GDP per capita growth (%)	1.5	1.5	4.0
(most recent estimate, 2005–2012)			
Poverty headcount ratio at $1.25 a day (PPP, %)	81	48	48.3
Poverty headcount ratio at $2.00 a day (PPP, %)	93	70	74.3
Life expectancy at birth (years)	50	56	62
Infant mortality (per 1,000 live births)	86	64	56
Child malnutrition (% of children under 5)	35	21	22
Adult literacy, male (% of ages 15 and older)	89	69	69
Adult literacy, female (% of ages 15 and older)	85	51	54
Gross primary enrollment, male (% of age group)	164	104	111
Gross primary enrollment, female (% of age group)	165	96	106
Access to an improved water source (% of population)	72	64	69
Access to improved sanitation facilities (% of population)	46	29	37





Net Aid Flows	**1980**	**1990**	**2000**	**2013** [a]
(US$ millions)				
Net ODA and official aid	116	263	93	523
Top 3 donors (in 2012):				
European Union Institutions	12	36	9	59
Belgium	28	40	6	56
United States	4	18	1	43
Aid (% of GNI)	8.0	15.3	10.0	18.8
Aid per capita (US$)	28	47	14	53



Long-Term Economic Trends	1980	1990	2000	2013	1980–90	1990–2000	2000–13
Consumer prices (annual % change)	9.5	7.0	24.3	7.9			
GDP implicit deflator (annual % change)	16.4	6.0	38.9	13.3			
Exchange rate (annual average, local per US$)	90.0	171.3	720.7	1,539.5			
Terms of trade index (2000 = 100)	225	148	100	135			
					(average annual growth %)		
Population, mid-year (millions)	4.1	5.6	6.7	10.1	3.1	1.7	3.2
GDP (US$ millions)	920	1,132	870	2,742	4.4	-2.9	3.6
		(% of GDP)					
Agriculture	62.2	55.9	48.1	39.8	3.1	-1.9	-0.5
Industry	12.6	19.0	16.9	17.7	4.5	-4.3	0.9
Manufacturing	7.4	12.9	11.9	9.5	..	..	-1.5
Services	25.1	25.2	35.0	42.4	5.6	-2.8	9.0
Household final consumption expenditure	91.4	94.5	92.3	76.0	4.1	-3.2	3.5
General gov't final consumption expenditure	9.2	10.8	14.9	22.1	5.8	-1.6	17.8
Gross capital formation	13.9	14.5	2.8	28.7	3.8	-8.2	3.5
Exports of goods and services	8.8	7.9	6.3	7.4	2.2	-6.1	9.8
Imports of goods and services	23.3	27.8	16.2	34.2	2.1	-10.7	18.1
Gross savings	56.7	46.1	0.2	13.1			

Note: Figures in italics are for years other than those specified. .. indicates data are not available.
a. Aid data are for 2012.

Development Economics, Development Data Group (DECDG).

Burundi at A Glance (Continued)

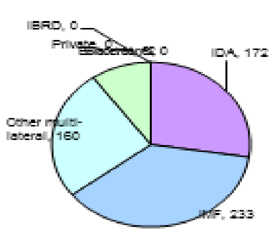
Burundi

Balance of Payments and Trade	2000	2013
(US$ millions)		
Total merchandise exports (fob)	49	189
Total merchandise imports (cif)	121	1,062
Net trade in goods and services	-108	-988
Current account balance	-62	-468
as a % of GDP	-7.2	-17.1
Workers' remittances and compensation of employees (receipts)	..	*46*
Reserves, including gold	..	..

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	1.9	0.3
Tax revenue	14.9	12.4
Current expenditure	1.6	0.2
Overall surplus/deficit	-24.7	-1.7
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	1,126	622
Total debt service	23	26
Debt relief (HIPC, MDRI)	1,016	72
Total debt (% of GDP)	129.3	22.7
Total debt service (% of exports)	40.4	7.8
Foreign direct investment (net inflows)	12	..
Portfolio equity (net inflows)	0	..

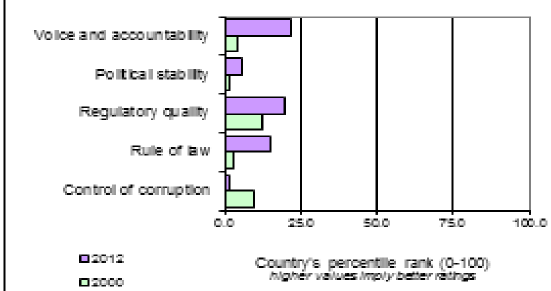
Composition of total external debt, 2012



US$ millions

Private Sector Development	2000	2012
Time required to start a business (days)	–	8
Cost to start a business (% of GNI per capita)	–	18.3
Time required to register property (days)	–	64
Ranked as a major constraint to business	2000	2012
(% of managers surveyed who agreed)		
n.a.	..	*40.7*
n.a.	..	*16.0*
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2012



Source: Worldwide Governance Indicators (www.govindicators.org)

Technology and Infrastructure	2000	2012
Paved roads (% of total)	7.0	..
Fixed line and mobile phone subscribers (per 100 people)	1	23
High technology exports (% of manufactured exports)	0.0	2.7

Environment		
Agricultural land (% of land area)	88	*86*
Forest area (% of land area)	7.7	*6.6*
Terrestrial protected areas (% of land area)	4.8	4.9
Freshwater resources per capita (cu. meters)	*1,429*	*1,054*
Freshwater withdrawal (% of internal resources)	*2.9*	*2.9*
CO2 emissions per capita (mt)	0.05	*0.03*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio	2000	2012
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	–	–
Disbursements	–	–
Principal repayments	–	–
Interest payments	–	–
IDA		
Total debt outstanding and disbursed	600	172
Disbursements	36	4
Total debt service	13	3
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	0	2
of which IFC own account	0	2
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	0	1
New guarantees	0	0

Note: Figures in italics are for years other than those specified. 10/15/14
.. indicates data are not available. – indicates observation is not applicable.

Development Economics, Development Data Group (DECDG).

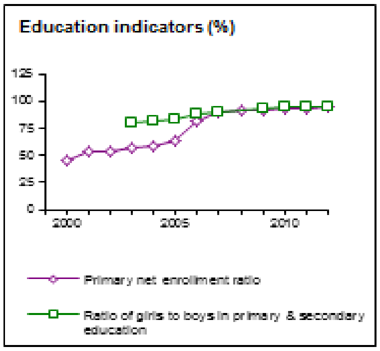
Burundi at A Glance (Continued)

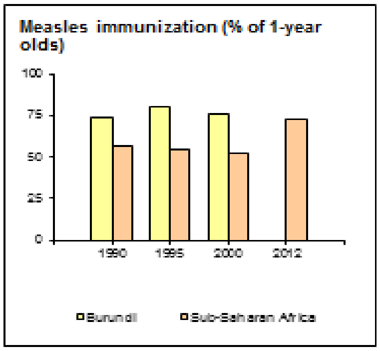
Millennium Development Goals

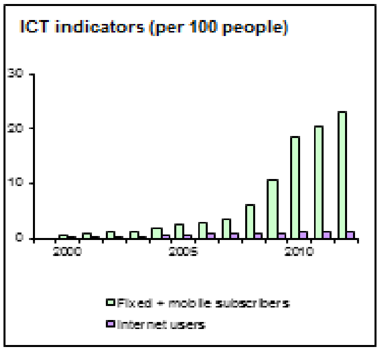
Burundi

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Burundi			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2012**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	*84.2*	..	*86.4*	*81.3*
Poverty headcount ratio at national poverty line (% of population)	..	..	..	*66.9*
Share of income or consumption to the poorest qunitile (%)	*7.9*	..	*5.1*	*3.0*
Prevalence of malnutrition (% of children under 5)	..	..	38.9	*35.2*
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	*50*	*52*	45	95
Primary completion rate (% of relevant age group)	41	*51*	24	62
Secondary school enrollment (gross, %)	5	*7*	*10*	28
Youth literacy rate (% of people ages 15-24)	54	..	73	*78*
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	79	*80*	..	95
Women employed in the nonagricultural sector (% of nonagricultural employment)	14	..	..	..
Proportion of seats held by women in national parliament (%)	..	..	14	31
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	183	177	165	*139*
Infant mortality rate (per 1,000 live births)	110	107	100	*86*
Measles immunization (proportion of one-year olds immunized, %)	74	80	76	*92*
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,100	1,100	1,000	*800*
Births attended by skilled health staff (% of total)	..	..	25	*60*
Contraceptive prevalence (% of women ages 15-49)	..	..	16	*22*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	1.7	4.5	3.3	1.3
Incidence of tuberculosis (per 100,000 people)	162	323	289	*139*
Tuberculosis case detection rate (%, all forms)	50	17	33	54
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	70	71	72	*72*
Access to improved sanitation facilities (% of population)	44	45	45	*46*
Forest area (% of land area)	11.3	..	7.7	*6.6*
Terrestrial protected areas (% of land area)	3.8	4.2	4.8	4.9
CO2 emissions (metric tons per capita)	0.1	0.1	0.0	*0.0*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.1	0.3	0.3	0.2
Mobile phone subscribers (per 100 people)	0.0	0.0	0.2	22.8
Internet users (per 100 people)	0.0	0.0	0.1	1.2
Households with a computer (%)	..	..	..	*0.1*







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Annex 6: Country Map