Document of
The World Bank

Report No: ICR0000992

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-H2490 TF-57617 TF-91287)

ON A

GRANT

IN THE AMOUNT OF SDR 40.4 MILLION
(US$ 60 MILLION EQUIVALENT)

TO THE

REPUBLIC OF BURUNDI

FOR AN

ECONOMIC REFORM SUPPORT GRANT

October 29, 2008

Poverty Reduction and Economic Management 3
Country Department AFCE1
Africa Region

Currency Equivalents

Currency Unit	=	Burundi Franc (FBu)
US$1.00	=	1206.05 FBu (October 29, 2008)

Government Fiscal Year

January 1 – December 31

Weights and measures

Metric System

Abbreviations and Acronyms

ALCOVIT	*Aliments Composés Vitaminés* (Mixed Vitaminized Food)
APB	*Abattoirs Publics de Bujumbura* (Slaughterhouses of Bujumbura)
BCC	Burundi Coffee Company
BGTE	*Bureau de Gestion de la Trésorerie de l'Etat*
BO	*Budget Ordinaire* (ordinary budget)
BRB	*Banque de la République du Burundi* (Central Bank of Burundi)
CAISBU	*Caissier du Burundi* (Government Cashier)
CAS	Country Assistance Strategy
CBMT	*Cadre Budgétaire à Moyen Terme* (Medium-term Budget Framework)
CdC	*Cour des Comptes* (Audit Office)
CdT	*Comité de Trésorerie* (Cash Management Committee)
CET	Common External Tariff
CFAA	Country Financial Accountability Assessment
CMC	Cash Management Committee
CMP	Cash Management Plan
CNCA	*Comité National de Coordination des Aides* (National Aid Coordination Committee)
CNDD-FDD	*Comité National de Défense de la Démocratie - Forces pour la Défense de la Démocratie* (National Council for the Defense of Democracy - Forces for the Defense of Democracy)
CNI	*Centre National Informatique*
COGERCO	*Compagnie de Gérance du Coton* (Cotton Management Company)
COMESA	Common Market for Eastern and Southern Africa
COTEBU	*Complexe Textile de Bujumbura* (Textile Complex of Bujumbura)
CPI	Consumer Price Index
CPIP	Country Procurement Issue Paper
CWIQ	Core Welfare Indicators Questionnaire
DAF	*Direction Administrative et Financière* (Administrative and Financial Directorate)
DBC	*Direction Générale du Budget et Control* (General Directorate of Budget and Control)
DC	*Direction de Comptabilité* (Directorate of Accounting)
DD	*Direction de Douanes* (Customs Directorate)
DDR	Demobilization, Disarmament, and Reintegration
DGBCP	*Direction Générale du Budget et de la Comptabilité Publique* (General Directorate of Budget and Public Accounting)
DGHER	*Direction Générale de l'Hydrauliques et des Energies Rurales*
DGMP	*Direction Générale des Marchés Publiques* (General Directorate of Public Procurement)
DGP	*Direction Générale de Planification (*General Directorate of Planning)
DGR	*Direction Générale de Recettes* (General Directorate of Revenue)
DPL	Development Policy Lending
DSA	Debt Sustainability Analysis
DT	*Direction de la Trésorerie* (Treasury Directorate)

EAC	East African Community
EERC	Emergency Economic Recovery Credit
EFA	Education for All
EMSP	Economic Management Support Project (*Projet d'Appui à la Gestion Economique,* PAGE)
EPB	*Etablissement du Port de Bujumbura*
ERC	Economic Rehabilitation Credit
ERSG	Economic Reform Support Grant
EU	European Union
FAD	Fiscal Affairs Department
FBu	Burundi Franc
FNL-PALIPEHUTU	*Forces Nationales de Libération-Parti pour la Libération du Peuple Hutu* (National Liberation Forces-Party for the Liberation of the Hutu People)
FNR	*Fonds National Routier* (National Road Fund)
GDP	Gross Domestic Product
GER	Gross Enrollment Rate
GGTE	*Groupe de Gestion de la Trésorerie de l'Etat*
GNP	Gross National Product
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
HRMIS	Human Resources Management Information System
IDA	International Development Association
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IGE	*Inspection Générale de l'Etat* (State Inspectorate General)
IGF	*Inspection Générale des Finances* (Finance Inspectorate General)
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
I-PRSP	Interim Poverty Reduction Strategy Paper
ISN	Interim Strategy Note
ISTEEBU	*Institut de Statistique et des Etudes Economiques du Burundi* (Institute of Statistics and Economic Studies of Burundi)
OCIBU	*Office du Café du Burundi* (Office of Coffe of Burundi)
OPCS	Operational Core Services
OPHAVET	Office Pharmaceutique Vétérinaire (Veterinary Pharmaceutical Office)
OTB	*Office du Thé du Burundi*
PAD	Project Appraisal Document
PDO	Program Development Objectives
PEMFAR	Public Expenditure Management and Financial Accountability Review
PETs	Public Expenditure Tracking Survey
PFM	Public Finance Management
PRGF	Poverty Reduction and Growth Facility
PSIA	Poverty and Social Impact Analysis
QUIBB	*Questionnaire des Indicateurs de Base du Bien-être*
SCEP	*Service Chargé des Entreprises Publiques*
SODECO	*Société de Déparchage et de Conditionnement*
SOGESTALs	*Sociétés de Gestion des Stations de Lavages* (Coffee Washing Stations)
TIC	Technical Implementation Committee
TOFE	*Tableau des Opérations Financières de l'Etat*

Vice President:	Obiageli Ezekwesili
Country Director:	John Murray McIntire
Sector Manager:	Jan Walliser
Task Team Leader:	Jean-Pascal N. Nganou
ICR Team Leader	Jean-Pascal N. Nganou

Republic of Burundi
Economic Reform Support Grant (ERSG)

CONTENTS

A. Basic Information

Country:	Burundi	Program Name:	BI - Economic Reform Support Grant (ERSG)
Program ID:	P091475	L/C/TF Number(s):	IDA-H2490,TF-57617,TF-91287
ICR Date:	12/10/2008	ICR Type:	Core ICR
Lending Instrument:	DPL	Borrower:	BURUNDI MINISTRY OF FINANCE
Original Total Commitment:	USD 60.0M	Disbursed Amount:	USD 61.7M
Implementing Agencies: Ministry of Finance			
Cofinanciers and Other External Partners:			

B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	01/24/2002	Effectiveness:	04/08/2003	04/08/2003
Appraisal:	03/25/2002	Restructuring(s):		
Approval:	05/30/2002	Mid-term Review:		
		Closing:	06/30/2007	03/31/2008

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes:	Moderately Satisfactory
Risk to Development Outcome:	Substantial
Bank Performance:	Satisfactory
Borrower Performance:	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Satisfactory	Government:	Not Applicable
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Not Applicable
Overall Bank Performance:	Satisfactory	**Overall Borrower Performance:**	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators

Implementation Performance	Indicators	QAG Assessments (if any)	Rating:
Potential Problem	No	Quality at Entry	None

Program at any time (Yes/No):		(QEA):	
Problem Program at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
Central government administration	65	65
Crops	30	30
General industry and trade sector	5	5
Theme Code (Primary/Secondary)		
Poverty strategy, analysis and monitoring	Secondary	Secondary
Public expenditure, financial management and procurement	Primary	Primary
Regulation and competition policy	Secondary	Secondary
Rural policies and institutions	Secondary	Secondary
State enterprise/bank restructuring and privatization	Secondary	Secondary

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Obiageli Katryn Ezekwesili	Gobind T. Nankani
Country Director:	John McIntire	Pedro Alba
Sector Manager:	Jan Walliser	Yvonne M. Tsikata
Program Team Leader:	Jean-Pascal Nganou	Jean-Pascal Nganou
ICR Team Leader:	Jean-Pascal Nganou	
ICR Primary Author:	Xavier F. De La Renaudiere	

F. Results Framework Analysis

Program Development Objectives (from Project Appraisal Document)

The Economic Reform Support Grant (ERSG), an integral part of the Bank's Interim Strategy (ISN), is to support the implementation of the Government's reform program for sustaining economic recovery over the 2006 period. The ERSG is supporting a number of policy and institutional reforms to consolidate the progress made under the EERC and the

ERC, to build the foundation for economic diversification, sustained growth and poverty reduction. The ERSG focuses on the following long-term development objectives:

Improving public expenditure management and their impact on the poor;
Reviving agriculture export sectors (coffee, tea and cotton) and ensure better revenue distribution sectors among actors; and
Reviving the private sector by improving the investment climate, accelerating the divestiture of State enterprises; and settling the government domestic arrears to the private sector.

Revised Program Development Objectives (if any, as approved by original approving authority)

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Increase of the share of pro-poor expenditure in total expenditure from 33.6 percent in 2005 budget to 35.5 percent in 2006 and to the PRSP target in 2007.			
Value (quantitative or Qualitative)	33.6%	at least 35.5%		
Date achieved	12/31/2005	12/31/2007		
Comments (incl. % achievement)				
Indicator 2 :	A three-year rolling implementation action plan (2006-08) providing for (i) the setting-up of a legal, regulatory and institutional framework consistent with a liberalized and privatized environment			
Value (quantitative or Qualitative)	Adoption of a 2006-08 detailed implementation action plan to reform the coffee sector	Implementation of a three-year rolling action plan (2006-08) providing for (i) the setting-up of a legal, regulatory and institutional framework consistent with a liberalized and privatized climate		
Date achieved	06/06/2006	12/31/2008		
Comments (incl. % achievement)				

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Improve budget alignment to PRSP priorities			
Value (quantitative or Qualitative)	Budget allocations were not linked to development priorities	The budget for 2007 is aligned to PRSP priorities and sector development strategies.		
Date achieved	12/31/2005	06/30/2007		
Comments (incl. % achievement)				

G. Ratings of Program Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	05/09/2007	Moderately Satisfactory	Moderately Satisfactory	35.19
2	11/09/2007	Moderately Satisfactory	Moderately Satisfactory	35.19

H. Restructuring (if any)

Not Applicable

1. Program Context, Development Objectives and Design

1.1 Context at Appraisal (brief summary of country macroeconomic and structural/sector background, rationale for Bank assistance)

Background.
In 2006, when the ERSG program was approved, the country was slowly emerging from a decade of political turmoil and civil war that took a heavy toll on human lives, destroyed economic and social infrastructure and made Burundi one of the poorest countries in the world with some of the weakest social indicators. About 250,000 people had been killed and 1.2 million had been displaced. The GDP per capita had fallen by 18 percent from US$127 in 1994 to US$105 in 2004. The incidence of poverty had increased from 40 to 69 percent. Gross primary school enrollment ratios had declined from 73 percent in 1992 to less than 50 percent in the late 1990s. Life expectancy had declined from 51 years in 1993 to 42 in 2000. Infant mortality rates had doubled and child mortality had increased by close to 50 percent.

The signing of the Arusha peace and reconciliation agreement with a number of political parties and rebel groups in August 2000 marked the beginning of a return to peace and political stability, based on power-sharing between the two main ethnic groups. The transition government, which took office in November 2001, negotiated and signed cease-fire agreements with all the rebel groups, with the exception of the FNL-PALIPEHUTU. In 2004, the government initiated a comprehensive demobilization program with financial support from the donor community (grants from IDA and a Multi-Donor Trust Fund). Following approval of a new Constitution in February 2005, Parliamentary and Presidential elections were held in July/August 2005 and a post-transition government took office in September 2005. One of the main tasks of the new government was to initiate negotiations with the FNL-PALIPEHUTU, which signed a cease-fire agreement in September 2006.

Both the transition government of the early 2000s and the new (democratically elected) government practiced generally prudent economic and public finance policies. Monetary policies were focused on liberalizing the foreign exchange regime and virtually eliminating the parallel market premium. Tax revenue remained at a high 20-21 percent of GDP and the government was able to mobilize large increases in donor support (mainly in the form of grants). The combination of high security spending (defense and police) and increased (donor-financed) economic and social expenditures led to a sharp increase in total government spending (from 27% of GDP in 2001 to 37% in 2005) and in the size of the overall public deficit. However, since most of the increase in public spending was financed by foreign grants, the primary deficit declined from 3.5 percent of GDP in 2004 to 1.7 percent in 2005. In the external sector, growing donor-funded imports for reconstruction and humanitarian assistance caused a sharp increase in the current account deficit (from 24-25 percent of GDP in 2003 and 2004 to 34 percent in 2005).

An Interim Poverty Reduction Strategy Paper was approved by the Government in November 2003 and reviewed by the Boards of the Bank and the IMF in January 2004. The I-PRSP emphasized five major objectives: (i) peace and democracy; (ii) private sector development; (iii) development of human capital; (iv) special action for disadvantaged groups (conflict victims and women) and (v) fighting HIV/AIDS. In August 2005, Burundi reached the HIPC decision point and was granted access to interim debt relief. Together with the slow decline of military expenditures, HIPC funds and donor support enabled the government to allocate more resources to the social sectors. Education was the main beneficiary of that increase. Combined with the recruitment of additional teachers, the elimination of school fees in September 2005 led to a dramatic increase in gross primary school enrollments which reached 100 percent in 2005-2006. Although public spending on health increased only marginally, health indicators improved (a 20-25 percent decline in rates of child and infant mortality) in recent years.

The World Bank played a major role in providing project and program financing and helping the government mobilize donor assistance. An Emergency Economic Recovery Credit (EERC) in 2000 and an Economic Rehabilitation Credit (ERC) in 2002 provided budget support in the context of reform programs aimed at stabilizing the economy, stimulating private investment improving public expenditure management and reducing gender disparities (see Box 1). In 2004, a CFAA report identified some of the main weaknesses in the country's public finance management procedures and practices at all stages of the budget preparation and execution process, as well as in accounting, cash management and auditing.

Box 1 - The performance of two earlier DPOs: EERC and ERC

*The **Emergency Economic Recovery Credit** (EERC) was approved by the Board in April 2000. Its objectives were to support the peace process through macroeconomic and fiscal policies aimed at stabilizing the economy, supporting the recovery of the private sector and rehabilitating critical economic and social sectors (health, education and infrastructure). While the institutional development impact of the program was viewed as modest, its outcome was rated satisfactory and its sustainability likely.*

*The **Economic Recovery Credit** (ERC) was approved by the Board in August 2002. It was a more ambitious three-tranche operation aimed at: (i) improving public service delivery and basic social services, through transparency and accountability in the use of public funds; (ii) deepening institutional and structural reforms for sustained economic recovery and poverty reduction; and (iii) establishing a track record for early access to debt relief under the HIPC initiative. The conditions for the release of the second tranche were: (i) satisfactory macroeconomic policies, and (ii) specific conditions concerning the privatization of public enterprises and the improvement of the budget process. The conditions of the third tranche concerned gender issues, the revival of the coffee and tea sub-sectors, the reform of public procurement, and the establishment of an Office of the Auditor General (Court of Accounts).*

The ICR questioned the design of the ERC program, which was viewed as too complex and beyond the capacity of the government. Both the privatization process and the reform of the coffee sector, two politically sensitive programs, had not been adequately prepared before and during preparation of the operation. In addition, no technical support was available when the ERC program was launched (a TA project was approved one year later). However, the outcome of the program and the performance of the Bank and the government were rated satisfactory: (i) good progress was made toward stabilizing the economy and controlling inflation (following a year of negative growth caused by poor climatic conditions in 2003, the rate of growth of GDP reached 5.1 percent in 2004, and the country reached the HIPC decision point in August 2005): (ii) a Public Expenditure Unit in the Ministry of Finance initiated an assessment of critical public finance management issues; (iii) budget allocations to priority programs were in line with the objectives of the Interim PRSP; and (iv) action plans were prepared to improve cash management, reform procurement procedures, privatize public enterprises and revive the coffee and tea sectors. With respect to the export crop sector, the action plan was followed by a series of decrees opening entry to the sectors and liberalizing prices and marketing.

The gradual return to peace, the (slow) progress of the reform process and the mobilization of additional donor assistance stimulated economic growth. Following a decade of economic decline, the rate of growth of GDP went up to 1.8 percent in 2001-2003 and 5.1 percent in 2004. A major drought in 2005 led to a sharp drop in agricultural production and overall economic growth declined to a modest 0.9 percent. As a result per capita GDP continued to decline or increased modestly in 2001-2005 depending on estimates about the rate of population growth.

Rationale for Bank assistance

In 2006, Burundi was one of the world's poorest countries and was still struggling to restore peace, security and political stability. The country and its government had made considerable progress towards establishing a fully democratic political system; the Burundian authorities had implemented sound macroeconomic and fiscal policies and were beginning to restructure budgets and public expenditure programs in line with the priorities of the Interim PRSP of 2003. Massive efforts, however, were still needed on the part of the government and its development partners to stimulate growth, develop human resources, reconstruct and rehabilitate economic and social infrastructure, resettle refugees and other displaced people, demobilize ex-combatants and offer them job opportunities.

Paragraph 16 of the Program Document argued that after 11 years of conflict a window of opportunity had opened. Based on experience in other post-conflict countries, exceptional levels of support were needed to take advantage of this opportunity. A strong signal from the international community to support economic recovery would have an important positive impact on peace prospects.

Donors operating in Burundi supported that approach. Following the approval of the operation by the Bank Executive Directors, two bilateral donors decided to attach part of their assistance to the ERSG program. The Netherlands contributed the equivalent of US$ 10 million to be disbursed with the first tranche of ERSG, and of US$ 13 million to be disbursed with the second tranche. Norway decided to contribute the equivalent of US$10 million to be disbursed with the second tranche.

1.2 Original Program Development Objectives (PDO) and Key Indicators (as approved)

The Economic Reform Support Grant (ERSG), an integral part of the Bank's Interim Strategy, was a stand-alone two-tranche US$60 million grant, which supported a number of policy and institutional reforms to consolidate the progress made under the EERC and the ERC, and to build the foundation for economic diversification, sustained growth and poverty reduction. The ERSG focused on the following long-term development objectives: (i) improving public expenditure management and its impact on the poor; (ii) reviving the agricultural export sector (coffee, tea and cotton) and ensuring better distribution of revenue among actors in the sector; and (iii) reviving the private sector by improving the investment climate, accelerating divestiture and settling government domestic arrears to the private sector.

Key indicators were:

- *On public expenditure management:* (i) the 2006 budget is executed through the Interim FMIS; (ii) a modern legal procurement framework is in place and institutions provided in the new procurement code have been set-up; (iii) the share of pro-poor expenditures increases from 33.6% in the 2005 budget to 35.5% in the revised 2006 budget and to the PRSP target in 2007;
- *On economic performance:* (i) the rate of growth of GDP reaches 5% in 2007; (ii) adoption & implementation of a 3-year action plan for the coffee sector; (iii) adoption of a 3-year action plan for the tea sector and a strategy for the cotton sector; (iv) an investment climate assessment report is available.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and Reasons/Justification

PDOs and indicators remained unchanged during program implementation.

1.4 Original Policy Areas Supported by the Program (as approved)

The ERSG supported reforms in the following areas:

Public expenditure management

- Budget management framework. The government was expected to complete the preparation of a draft *Loi Organique*, which would clearly define the key principles of public finance management, introduce streamlined budget execution procedures and organize timely production and auditing of government accounts.
- Procurement. The government was expected: (i) to prepare and adopt a revised procurement code separating the regulation and the execution functions; and (ii) to establish the institutions provided for in the new code.
- Budget preparation. Budget preparation would start early, thus enabling sector ministries to formulate budget proposals that are more in line with their sector strategies and the objectives of the Interim PRSP.
- Budget execution and monitoring. The government was expected to continue to develop its computerized financial management information system and to produce consolidated administrative accounts (*comptes administratifs*) and a consolidated public accounts balance (*comptes de gestion*) starting with accounts for the 2006 budget. Annual audits of government accounts by the *Cour des Comptes* would be made available to the public.

Impact of public finance management on the poor

- Share of priority sectors in public expenditures. The government was expected to increase the share of priority sectors and poverty reduction expenditures in future budget allocations.
- Monitoring poverty reduction impact of public expenditure programs. To ensure that budget resources reach intended beneficiaries, the government was expected to launch a Public Expenditure Tracking Survey for 2006 in the education, health and justice sectors.

Reforming the coffee, tea and cotton sectors

- Coffee. The government was expected to prepare studies aimed at defining: (i) a legal, regulatory and institutional framework for the sector which would be consistent with a liberalized and privatized environment: (ii) mechanisms for the provision (and financing) of key services (extension, research, road maintenance, inputs, quality control); (iii) strategies for privatizing the washing stations, the SOGESTALs (which manage the stations), and the two coffee mills managed by SODECO; and (iv) accompanying measures, including safety nets for poor coffee farmers.
- Tea. A technical and financial audit would review the performance of the *Office du Thé du Burundi* (OTB), which has a monopoly on the processing of green leaves into dry tea. The audit would serve as a basis for a restructuring plan for the sector.
- Cotton. An update of the technical and financial audit of COGERCO, which is responsible for collecting and ginning seed cotton, and the revision of the contract

between COGERCO and COTEBU, which obligates COGERCO to sell all of its production to COTEBU the national weaving company, would lead to the design and adoption of a strategy for the sector.

Private sector development

- Business environment. The government was expected to carry out an evaluation of the investment climate, which would provide the data and analysis necessary to build a consensus on priorities for action and reform.
- Settlement of domestic arrears. Settling domestic arrears to the private sector is essential to support economic activity. The government was expected to define a settlement strategy and settle all arrears to the private sector including banks.

Reforming public enterprises and the privatization process

- Public enterprise management. The government was expected to strengthen the capacity of SCEP, the public entity responsible for supervising public enterprises.
- Privatization. To prepare and implement actual privatization transactions, the government was expected to revise the privatization law, to prepare and adopt a privatization road map and to re-launch the sale of OCIBU's assets in non coffee sectors, including shares in the *Société Hôtelière Nouvelle du Burundi*.

1.5 Revised Policy Areas (if applicable)

No change.

1.6 Other significant changes

None

2. Key Factors Affecting Implementation and Outcomes

2.1 Program Performance

All the conditions of the program were met but full implementation took more time than anticipated during appraisal. In addition to political and institutional development factors, two governance issues delayed program approval and execution:

- By early 2006, the ERSG grant was ready for approval, but the need to address a critical governance issue (the sale of the presidential plane), and to incorporate corrective actions in the program delayed Board presentation to August 2006. The recruitment of an auditor for the audit of the sale became a condition of effectiveness, which was not met until November 2006. In addition, the release of the second tranche depended on the publication of the auditor's report and government approval of an action plan based on the report, a condition that was met one year later in November 2007.
- A second governance issue also influenced disbursements, since the Bank was not ready to release the second tranche until questions related to improper government payments to Interpetrol had been resolved to the satisfaction of the Bank and donors.

These delays affected the disbursement of the cofinanciers' contribution.

Tranche #	Amount	Expected Release Date	Actual Release Date	Release
Tranche 1	*US$35 millions*	*September 2006*	*December 2006*	*(1) Regular*
Tranche 2	*US$25 millions*	*March 2007*	*December 2007*	*(1) Regular*

The Table below reviews in detail the status of the conditions of effectiveness and tranche release.

A. Conditions of effectiveness	
List conditions from Legal Agreement/Program Document	**Status**
Recruitment of an auditor with qualifications, experience and terms of reference satisfactory to the Association to carry out an audit of the June 2006 sale of a presidential aircraft to Delaware Corporation.	***Condition met.*** An auditor was recruited on November 1, 2006; his mandate included: (i) a review of the procedure used for selling the aircraft; (ii) an assessment of the result of the procedure taking into account the condition of the aircraft and the market situation at the time of the sale; and (iii) the formulation of appropriate recommendations concerning the management of similar government assets.
B. Conditions for the release of the second tranche	
List conditions from Legal Agreement/Program Document	**Status**

Satisfactory progress in carrying out the Program and an appropriate macroeconomic policy framework.	***Condition generally met.*** The government performance was satisfactory in 2006 and during the first half of 2007. - The rate of growth of GDP went up from 0.9 percent in 2005 to 6.1 percent in 2006. The increase in consumer prices declined from 13.4 to 2.8 percent. The primary public finance deficit increased from 1.7 to 5.6 percent of GDP but remained below the PRGF target of 8.9 percent of GDP. - Because of the slow but steady decline of defense and other security expenditures and the availability of HIPC funds, the share of priority economic and social sectors in total public expenditures continued to increase from 34.1 percent in 2005 to 38.2 percent in 2006. - A poor coffee harvest in 2007 and the deteriorating political and security situation slowed down economic growth which declined to 3.6 percent. The increase in consumer prices went up to 8.3 percent owing to higher international commodity prices and exchange rate depreciation. - Although the revenue target of 19.7 percent of GDP was not reached in 2007, the postponement of proposed increases in expenditures enabled the government to limit the primary public finance deficit to 5.9 percent of GDP. - In 2007, relationships between the government, the World Bank and the IMF were affected by a major governance problem as the *Inspection Générale de l'Etat* discovered that unbudgeted and improper payments of FBu 16 billions (equivalent to 1.6 percent of GDP) had been made to a domestic petroleum import and distribution company. -The government took strong remedial measures, including an external audit, legal proceedings against responsible officials and efforts to recover funds (freezing the sale of some of the petroleum company's assets and a bank deposit of FBu 6 billion as a guarantee against future government claims). Together with a number of revenue and expenditure measures, these actions reassured the international community, enabled the IMF to complete the sixth PRGF review in December 2007 and encouraged donors to resume disbursement of budget support.
Production of comprehensive and accurate quarterly budget execution reports based on IFMIS and reflecting all the stages of the public spending process (allocations, commitments, liquidations, payment orders and payments) starting with the first quarter of 2006.	***Condition generally met.*** By mid-2006, the Finance Ministry began to produce quarterly budget execution reports based on the interim financial management information system introduced in January 2006. The coverage is partial and data provided are not fully reliable. In November 2007, a PHRD-financed expert completed a review of the Burundian IFMIS, which may need to be replaced by a more modern system within the next 2-3 years. In the meantime, the government, the World Bank and the IMF are working together to improve coverage and reliability of the existing system. A connection between the Ministry of Finance and the central bank will make it possible to extend coverage to the payment function. In 2008, Soft Center, the local company that helped develop the system, was hired to integrate the payroll function. The government also plans to create within the Finance Ministry a technical team that will be responsible for coordinating ongoing and planned computerization initiatives. This is a critical measure aimed at internalizing activities that so far were managed by a private company.
Submit a revised public procurement law to the National Assembly.	***Condition met.*** A draft procurement law was submitted to the Parliament in October 2006. It was approved in November 2007 and promulgated in February 2008.

Progress – certified by an independent external audit – in implementing the government strategy for the settlement of arrears to the private sector, including banks.	***Condition met.*** An external audit of outstanding arrears was finalized in February 2006. A settlement strategy was prepared in May 2006 with the help of the Bank and the IMF and adopted by the government in June 2006. Each small creditor was paid up to FBu 100 million in 2006-07. Negotiations with the larger creditors (mainly banks) were more difficult and took a long time. Finally the banks and other large creditors were offered the option of discounted (35 percent) cash payments or 5-year/9 percent government bonds for the totality of their arrears. Most of them took the bonds. The settlement process was completed in August 2007.
Adoption of a 2006-2008 action plan for the reform of the coffee sector, including debt restructuring, legal and institutional framework, privatization strategy, management and financing of key services (inputs, quality control, technical advice, research, road rehabilitation and maintenance), and accompanying measures (social plan in case of layoffs).	***Condition met.*** A detailed three-phase action plan for the privatization of the coffee sector was reviewed by a coffee reform committee created in October 2006 and adopted by the Council of Ministers in November 2006. The plan provided for: (i) a study of the competitiveness of the sector and the development of a vision for the future of the sector, in cooperation with all the stakeholders; and (ii) identification and implementation of a strategy for the sale of government assets and the selection of an investment bank to help define the steps required to prepare the operation. It also described how the privatization process would be implemented. Unfortunately, very little was done during the following months to implement the action plan and accelerate the reform of the coffee sector.
Re-launching the bidding process for the sale of: (i) OCIBU's assets in sectors other than coffee, and (ii) OCIBU's shares in Société Hôtelière Nouvelle du Burundi.	***Condition generally met.*** The bidding process for *Société Hôtelière* was resumed and published in the government's official bulletin in June 2007, but it did not stimulate attractive investment proposals. The government now envisages to prepare and implement a comprehensive rehabilitation program before resuming consultations with potential investors.
Publication of the results of the audit on the sale of the presidential aircraft and adoption of an action plan to implement the auditor's recommendations.	***Condition met.*** The auditor reported major irregularities in the procedure used for the sale of the aircraft and estimated that the price paid was less than half the market value of the aircraft. The auditor's report was published in Burundi's official bulletin (*Le Renouveau*) on May 28, 2007, and on the government website. On September 27, 2007, the government approved an action plan that included: (i) a communication plan; (ii) the creation of a working group to prepare a law that would guarantee the fairness and transparency of future sales of public goods; and (iii) the creation of a parliamentary committee to complete the investigations initiated by the auditor. In addition, all future sales of public goods will be audited by external auditors. A law on the sale of public goods has been prepared in 2008. A parliamentary committee was set-up on October 11, 2007 and produced a report, which has been submitted to the President of the National Assembly.

As a stand-alone grant, the ERSG did not include specific triggers for future Bank-financed policy lending operations. The project appraisal document (PAD), however, listed ten areas in which progress was expected during and/or after program implementation. As of today, six of these ten measures have been fully implemented. In retrospect, one should recognize that the timing of several measures was unrealistic. Setting up new institutions, privatizing public enterprises and restructuring agricultural *filières* were important and complex decisions that required detailed preparatory work, including extensive consultations with all the stakeholders. It is expected, however, that as part of the ongoing program and with Bank support, the government will complete most of the remaining measures by the end of this year or at the beginning of 2009.

Indicators of progress	
List conditions from Legal Agreement/ Program Document	**Status**
Prepare a comprehensive budget execution report for 2006.	***Implemented.*** Preparation of a budget execution report for 2006 was completed in May 2007. The Court of Accounts completed its audit in December 2007. A budget execution report for 2007 was submitted to the Court in April 2008.
Set up the new entities provided for in the revised procurement Code.	***Partly implemented:*** The revised procurement code provides for the creation of a Regulation Agency and a Central Procurement Directorate, but the main objective is to decentralize the procurement process through the creation of procurement units in key sector ministries that will gradually take-over most of the functions of the central directorate. An ordinance creating the Regulation Agency was approved in February 2008. The Procurement Directorate is in place and its staff has been nominated. Its role will evolve as the Agency and the ministerial units begin to operate.
Support will be sought from reputable international audit organizations to assist the audit court in the auditing of the national budget starting with the budget ending December 31, 2006.	***Implemented:*** The Court of Accounts (CdC) sought and obtained technical support from the Belgian Court of Accounts, which provided documents and training to magistrates and staff of the CdC. The Belgian Court also provided assistance to the CdC in the context of the audit of the 2005 accounts but did not participate in the audit of the 2006 accounts.
Submit to the Parliament a draft 2007 budget reflecting an increase in the share of pro-poor expenditures (compared with 2006 budget).	***Implemented:*** The share of priority sectors (education, health, agriculture and infrastructure) increased from 28.6% of actual public spending (and 5.2% of GDP) in 2001 to 34.1 percent of actual public spending (and 5.9% of GDP) in 2004 and to 38.2% of public spending (and 9.3% of GDP) in 2006 (see Table on the structure of public expenditures in Annex ***7).*** As expected in the ERSG program, the share of priority sectors in budget allocations increased from 34.1% of total public expenditures in the 2006 budget law to 36.5% in the 2007 budget law. Data on actual public spending in these sectors in 2007 are not yet available.
Satisfactory implementation of the 3-year action plan (for the reform of the coffee sector) and adoption of an updated 2007-09 plan.	***Modest progress:*** Studies and consultations with potential buyers have shown that the Burundian coffee has potential for sales on specialty markets, but the rehabilitation/restructuring of the sector did not take place. A study on the privatization of washing stations was commissioned by the government but poorly executed and not completed. A major setback was the decision of the government, in 2007, to give a New-York-based trader a monopoly on the marketing of Burundi's coffee. This decision was in conflict with earlier liberalization measures and was incompatible with the official objective of creating an environment favorable to the privatization of the sector. In April 2008, OCIBU abolished the monopoly and provided that all exports of coffee should be based on competition. In 2008, a group of international consultants coordinated by an investment bank was recruited to help define alternative options for the disengagement of the government in the sector. Its report should be completed by December 2008.
Adopt a 3-year action plan to implement the 2004 tea sector reform strategy (liberalization, privatization, institutional reforms).	***No significant progress:*** A reform committee was created and the elements of an action plan were identified. A number of studies were launched and completed. As the restructuring of the coffee sector proved to be particularly difficult, the government and donors felt that the reform of the tea sector, which was viewed as critical but perhaps less urgent, should be resumed at a later stage, taking into account the lessons of experience with the reform of the coffee sector.

Adopt a strategy and road map for the cotton sector, including disengagement of the State and privatization of COGERCO.	***No significant progress:*** A reform committee was created in 2007. A detailed action plan was not completed but a diagnostic study on the competitiveness of the cotton sector and the financial audit of the cotton management company for fiscal years 2006 and 2007 include most of the data necessary for the definition of a reform program for the sector.
Complete the Investment Climate Assessment (with the help of the World Bank) and prepare an action plan concerning: (i) the legal and regulatory framework, including taxation of enterprises; (ii) competitiveness; and (iii) trade facilitation (exports).	***Modest progress:*** Preparation of an investment climate assessment was completed in August 2008 and reviewed by Bank staff. The technical committee responsible for monitoring the study commented on the draft. The final version will be submitted to the government. Once approved, the assessment will provide the basis for an action plan aimed at stimulating private investment.
Begin a Financial Sector Assessment.	***Not yet implemented:*** The Bank and the IMF have identified experts who will coordinate implementation of the review now scheduled for 2008-09. (This measure was not under the control of government).
Launch the bidding process for the sale of government shares in APB, EPB, UCAR, BCC & OPHAVET.	***Implemented:*** The bidding process for the sale of government shares in EPB and BCC was launched in 2007 but did not stimulate attractive investment proposals. Due to legal disputes concerning the ownership of APB and UCAR shares, the bidding process for these enterprises was delayed until July 2008. OPHAVET was liquidated.

2.2 Major Factors Affecting Implementation

The program was implemented in difficult circumstances. The IDA grant was rewarding several years of effective management of the political transition toward a multi-party system and generally prudent economic and public finance policies, but the program was executed by a new government whose attention was focused on urgent and complex political and security issues. The new team had good will and was ready – in principle – to accept the advice and follow the recommendations of the international community but as it had not participated in the design of all the program components, it did not really own the package of reforms proposed in the ERSG. The lack of consensus was particularly problematic in the agricultural sector as the program provided for the privatization of the coffee washing stations in line with one of the conditions of the HIPC completion point. This was a highly sensitive political issue and a major challenge for a new government in a post-conflict situation. As mentioned in the November 2006 OPCS report on conditionality, "less policy space than desirable may have been given to the incoming government, as measures related to the coffee sector were taken by the outgoing government, thus giving less confidence in the new government's ability to fully appropriate the agenda".

Another critical factor that slowed down implementation of the program was the lack of technical and financial management capacity in key economic and sector ministries, exacerbated by an excessively rapid turn-over of technical and managerial staff. The lack of capacity was partly mitigated by significant improvements in the performance of EMSP, an ongoing technical assistance project approved by the Board in FY04, which was restructured in October 2006 to help the government prepare and implement policy and institutional reforms programmed in the context of ERSG. The restructured EMSP proved to be a most useful instrument for the government, as it financed a wide variety of activities (studies, draft legislation, policy papers, action plans, information systems, capacity-building programs, etc.) viewed as essential to support implementation of critical aspects of the ERSG agenda. However, the best policy reform proposals will achieve little if political leaders can not rely on a national team of experienced professionals to help them review proposals prepared by consultants, consult with stakeholders, create a consensus and decide.

Program implementation was also affected by three major political, security and governance issues.

- In September 2006, one month after the approval of ERSG, the government and the last rebel group signed a cease-fire agreement, which however was not immediately implemented. Negotiations were suspended in July 2007 and sporadic fighting continued particularly in areas near Bujumbura. Insecurity slowed down implementation of the demobilization program and undermined government efforts to stimulate growth and reduce poverty.
- In 2007, internal divisions within the ruling CNDD-FDD party triggered a political crisis that paralyzed the government and the Parliament and blocked the review and adoption of the reform agenda. In November 2007, the main political parties were able to reach an agreement, which led to the creation of a broad coalition government and made it possible to restore a more effective dialogue between the government and the Parliament.
- Two corruption scandals concerning the sale of the presidential plane in 2006 and irregular payments to Interpetrol – a domestic petroleum trading company – in 2007 affected the confidence of the donor community, delayed disbursement of a number of externally-financed budget support operations and had a negative impact on investment and growth. Eventually, strong remedial measures taken by the government reassured the international community and encouraged donors to resume disbursement of budget support.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

In May 2005, the government and the donors providing budget support had signed a partnership agreement aimed at improving the monitoring of the reform process and better coordinating donor-financed budget support. The PAD proposed to combine the monitoring of the ERSG program with that of the PRGF and other budget support operations. In this context:

- The Ministry of Finance would be responsible for coordinating implementation of the overall program. Finance would provide quarterly progress reports on ERSG implementation and monthly reports on budget outcomes.
- A *cellule d'appui* was expected to assist the Finance Minister in the monitoring of ERSG and other donor-financed budget support operations.
- Program implementation would be reviewed and supervised by a Technical Implementation Committee (TIC) including representatives of Finance, Planning, Good Governance, Agriculture and Commerce, the central bank and the PRSP Secretariat.
- A Steering Committee headed by the Vice-President in charge of coordinating economic and social reforms and including the Ministers of Finance, Planning, Good Governance, Agriculture and Commerce would meet from time to time to review progress of ongoing reforms and discuss the policy implications of the program.
- The Bank would monitor the program through supervision missions, including joint missions with the IMF and other donors. The Bank's Country Office would also play a major role in the day-to-day supervision of ERSG.

After a slow beginning, the partnership framework and the monitoring mechanism envisaged in the ERSG program have become more functional. The Steering Committee never met but for a while the Technical Implementation Committee met regularly and took over the policy role assigned to the Steering Committee. The *cellule d'appui* operated as the Secretariat of the Technical Committee, preparing meetings and organizing contacts with donor missions. More recently, the monitoring of the ERSG program has been assumed by the Ministry of Finance, with the help of the *cellule d'appui*. More than six Bank missions visited Burundi during implementation of the ERSG program to review progress, discuss implementation issues and prepare a follow-up operation (ERSG 2).

2.4 Expected Next Phase/Follow-up Operation (if any)

A second Economic Reform Support Grant (ERSG 2) was approved by the Bank's Executive Directors in August 2008. Like ERSG 1, ERSG 2 is focused on PFM reforms, private sector development and reform of the coffee sector. ERSG 2 will be the first in a programmatic series of development policy grants aimed at supporting the reform process.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

The ERSG was fully justified by the following considerations: (i) the structural need for increased budget support and other forms of development assistance for a country whose infrastructure and productive base had been devastated by a decade of civil war, and which had become one of the poorest countries in the world; (ii) progress of the peace process and effective management of the transition to a multi-party system; (iii) generally prudent monetary, fiscal and economic policies since the beginning of the 2000s; and (iv) the commitment of both the transition government and the government which took office by the end of 2005 to the poverty reduction objectives of the interim PRSP, notably through significant increases in social expenditures (mainly for education).

The ERSG program was fully compatible with the objectives of the Interim Strategy Note (ISN) discussed by the Executive Directors in May 2005. The ISN emphasized: (i) improved access of the population to basic social services and income generating activities, in support of the peace process and the economic reform agenda of the government; and (ii) restoring the foundations for sustainable growth and poverty alleviation in line with the main goals of the Interim PRSP of November 2003.

Two important questions, however, have been raised about the scope of the ERSG program:

- was the program realistic considering available institutional capacity; and
- was it fair to ask a new government in a fragile post-conflict situation to address such politically sensitive and potentially divisive policy issues as the privatization of public enterprises and in particular the privatization of coffee and other export crop sectors?

Complexity of the program considering available institutional capacity. Burundi's civil service has some capacity. The staff of the Ministry of Finance includes qualified administrators capable of understanding the objectives of the reforms and helping the government implement the program. However, the number of highly qualified and experienced personnel remains limited; the financial management capacity in sector ministries is weak and one should not underestimate the negative impact of rapid turn-over of managerial and technical staff in key ministries and the politicization of recruitment and promotions to key positions. Viewed in this context, the reform agenda proposed by ERSG was far too broad and too complex. Insufficient efforts have been made to focus the program on a short list of critical issues, and to select a small number of particularly urgent measures in areas in which substantial progress was feasible within twelve to eighteen months. In the Burundian context, selectivity should have been a major objective of the program.

Politically sensitive issues. The recovery of the coffee and tea sectors is an important goal since these two crops are the main source of cash income for more than 800,000 very poor rural households and contribute at least 68% of the country's export earnings. However, the reform of the coffee sector in Burundi is a particularly difficult undertaking, as most of the rebellions of the post-independence period were at least partly motivated by conflicts between coffee farmers, the private sector and the government on the structure of the sector and the sharing of benefits between participants. In this context, privatizing washing stations and other processing facilities was doomed to fail without a coherent approach to the development of the sector as a whole, including rehabilitation of ageing plantations, rehabilitation and maintenance of rural infrastructure, and provision of inputs and technical advice. In addition the reform process should involve extensive discussions with potential investors and potential buyers of high-quality Burundian coffee and consultations with all the other stakeholders including representatives of farmers and local communities. These consultations were organized during the execution of ERSG, but they should have taken place at the beginning of the process before deciding that privatization of the processing plant was the adequate response to the crisis of the export crop sector. Finally, and more importantly, that type of reform cannot succeed without the strong support of the country's leadership. In this case, the new government inherited a program that was largely conceived during the transition. As mentioned in the November 2006 OPCS report on conditionality, most of the policy measures concerning the coffee sector had been decided by the outgoing government, and since the new government had not been given enough "policy space" it was unable to fully appropriate the reform agenda. It should be noted, however, that Bank staff and government officials involved in the preparation of the ERSG program felt constrained by one of the triggers of the HIPC completion point which provided for selling a majority of government shares in coffee washing stations. The Bank and the IMF have now agreed to review the relevance of that trigger, taking into account the scope and timing of the reform process that has been initiated.

Two other questionable features of the ERSG program are:

- the priority given to the preparation of action plans rather than results-oriented actions; and
- the lack of clarity of the PAD, notably the policy matrix.

Strategies and action plans. The ERSG program tends to give priority to the preparation of pieces of legislation and the adoption of strategies/action plans rather than results-oriented actions. Close to two thirds of the prior actions, conditions of effectiveness, conditions of second tranche release and indicators of progress provided for the preparation of studies, reports and audits, and government approval of decrees, laws, strategies and action plans. This, however, was probably justifiable in the context of a country which during the transition period had begun to take a number of measures recommended by individual donors but had not yet developed a coherent approach to public finance and other economic management issues. In 2005-06, the government and the Bank felt that there was a strong need for strategies and action plans that would serve as a basis for the design of future reform programs supported by the Bank and other donors. While implementation of these action plans was generally slow and sometimes inadequate, most of them continue to be used by government officials as reference documents for planning and monitoring the ongoing reform process.

Clarity of documents. The ERSG PAD – notably the policy matrix – is the main document that implementing agencies normally use as a basis for monitoring the reform process. Bank staff should therefore make a special effort to verify that such documents are clear, simple and fully operational. In this context the matrix of the ERSG PAD is not a good model if only because it includes too many measures some of which are fully justifiable in the long term but are not particularly urgent and could probably have been introduced at a later stage.

3.2 Achievement of Program Development Objectives

As shown in the Table below (and in the more detailed Annex 6), slow but substantial progress was made towards most of the public finance management objectives of the ERSG program. Only modest progress was made towards achieving the other objectives of the program (in particular, reform of the export crop sector).

Achievement of ERSG objectives

Overall ERSG objective: *Support implementation of PRSP. Strengthen government's capacity to carry out development and poverty reduction programs*
Expected outcome: Increase economic growth to at least 5% in 2007. Reduce incidence of poverty.
Present status: Following a significant increase to 6.1% in 2006, the rate of growth of GDP declined to 3.6% in 2007 and the average growth for 2006-2007 was only 4.8%. A poor coffee harvest and the deteriorating political and security situation are largely responsible for the mediocre performance of 2007. The incidence of poverty, which – as a result of the civil war – had increased from 35% in 1993 to 68% in 2002 was estimated at 67% according to a 2006 QUIBB survey. With a population growth rate approaching 3%, the country clearly needs to embark on policies and programs aimed at accelerating overall economic growth and increasing output and income in rural areas where 97% of the poor live.

First component: Improve public expenditure management & impact on the poor
Objective I: *Deepen public expenditure management reforms*
Expected outcome: Improve transparency of public expenditure management. Modern budget law framework that addresses 2004 CFAA weaknesses. The IFMIS covers all public expenditures financed under the national budget and is secure and adequately maintained. Adoption/implementation of a 3-year reform action plan that provides a good basis for donor support, in particular those who signed the 2005 MoU on budget support.
Present status: Four critical measures are likely to improve the transparency of public expenditure management: (i) adoption/implementation of a new *Loi Organique*; (ii) a more reliable financial management information system; (iii) improved procurement procedures and practices; and (iv) improved internal controls

and external audits. - A draft *Loi Organique* has been approved by the Parliament. It clearly defines institutional responsibilities, streamlines spending procedures, simplifies ex-ante controls and limits the use of exceptional procedures. - The government prepares quarterly budget execution reports based on the IFMIS system introduced in January 2006. The coverage is partial (74% of domestically-financed expenditures in 2007) and data provided are not fully reliable. The government, the Bank and the IMF are working together to improve coverage and reliability (extension to the payment phase and integration of the payroll function). - A new procurement law has been promulgated in February 2008 and new institutions are expected to be in place by the end of this year. - General government accounts were submitted to the Court of Accounts in May 2007 (for the 2006 accounts), and in April 2008 (for the 2007 accounts). Training programs have been organized for the staff of the Court of Accounts, with help from the Belgian Court. The Burundian Court produced its audit report on the 2006 accounts in December 2007. A number of other developments will also influence the public finance performance of the government. - In 2007, the Bank and the government undertook the preparation of a public expenditure management and financial accountability review (PEMFAR). A draft report was completed in June 2008. It was discussed in workshops involving government officials, the civil society and other donors in September. Ideally, the review of the PEMFAR report should provide the basis for PFM action plans that should dominate future government and donor programs. - One of the conclusions of the report is that reducing current expenditures and, in particular, the relative size of the wage bill (in share of GDP) would have a strong positive impact on growth and poverty reduction. Future government decisions in this critical area will have a major impact on economic and fiscal performance. - The recurrence of financial scandals suggests that introducing a culture of transparency will require considerable efforts on the part of the country’s leadership. It should be noted, however, that the government published the auditor’s report on the sale of the presidential aircraft and took strong remedial measures following unbudgeted and improper payments to a domestic petroleum company.
Objective II: *Increase the level and impact of public spending on the poor in priority sectors. Strengthen poverty focus of the budget.*
Expected outcome: Improve impact of public expenditures on growth and development. Increase share of pro-poor expenditures in total spending from 33.6% in 2005 budget to 35.5% in 2006 and PRSP targets in 2007. Improve poverty reduction targeting. HIPC expenditures tracked through IFMIS. For education, health and justice, results of PETS exercise are available as a basis for action plan to improve services.
Present status: - Availability of HIPC-financed expenditures and increased project financing by donors led to a significant increase in capital expenditures from 10.4% of GDP in 2001-04 to 11.2% in 2005-06. Another positive change in the structure of public spending is the increase in DDR expenditures from 0.3% of GDP in 2001-04 to 2.3% in 2005-06. The success of the demobilization program is one of the factors that may accelerate economic growth and should enable the government to further increase spending on priority economic and social sectors at the expense of defense and other security expenditures. - So far defense and other security expenditures declined in terms of share of domestically-financed expenditures but increased in terms of share of GDP from 6.6% in 2001-04 to 7.6% in 2005-06. The share of priority expenditures (health, education, agriculture and infrastructure) increased from 31.8% of total expenditures in 2001-04 to 36.1% in 2005-06, and from 5.5% of GDP to 7.8%. - Education was the main beneficiary of that increase. Its share went up from 23.9% of domestically-financed expenditures and 4.1% of GDP in 2001-04 to 28.1% of expenditures and 6.1% of GDP in 2005-06. Gross primary school enrollment rates increased from 80% in 2003-04 to 101% in 2005-06. The profile of new school children shows that the impact of free education was greater on children from rural areas and poor households. There was however no significant improvement in the efficiency of education expenditures. The index of internal efficiency was only 47% in the early 2000s; this is largely due to very high repetition rates of about 30 %. - Interim PETS reports are available for education, health and justice and have been distributed to other donors. Relevant departments have begun to prepare action plans.
Objective III: *Strengthen poverty reduction strategy monitoring and evaluation*.
Expected outcome: Improve knowledge of poverty. Improve poverty reduction targeting.

Present status: ISTEEBU, the statistical office of Burundi, became member of AFRISTAT in 2007. AFRISTAT will help ISTEEBU perform specific tasks and improve its capacity. Currently ISTEEBU has undertaken a review of Burundi's national accounts for 2005. A specific codification has been added to the *Plan Budgétaire et Comptable* for HIPC-financed and poverty reduction expenditures. In addition, a new, more precise, methodology has been developed in 2007 for the identification of poverty reduction expenditures. This will facilitate the analysis and monitoring of the poverty reduction impact of planned budgets and actual public spending. A PSIA exercise is planned for FY 2009. It will focus on the potential impact on the poor of the proposed coffee sector reform, when ongoing restructuring studies are completed and the government has selected a specific option for the disengagement of the State.

Second Component: *Accelerate sustainable economic growth.*
Objective I: *Reform the coffee, tea and cotton sectors.*
Expected outcome: Accelerate sector growth. Increase sector contribution to poverty reduction. No government guarantee for financing 2006-07 coffee season. Adoption of action plans/reform strategies for coffee, tea and cotton. Launching of bidding process for coffee washing stations & SODECO-managed factories.
Present status: - The export crop sector provides cash income to more than 800,000 households in the poorer regions of the country. Annual variations in coffee production (due to ageing plantations) are the main factor influencing the output of the export crop sector, which never reached again the peak of 4.1% of GDP in 2004. Consequently, coffee and other export crops did not make a significant contribution to economic growth and poverty reduction during the ERSG implementation period. - In the coffee sector, a major setback was the decision of the government to give a New-York based trader a marketing monopoly, a decision which was in conflict with liberalization measures adopted in the context of earlier programs. Studies and consultations with potential buyers have shown that the Burundian coffee has potential for sales on specialty markets, but no progress was made towards the restructuring of the *filière*. In June 2008 a group of consultants coordinated by an investment bank was hired to identify alternative approaches to the disengagement of the State from the coffee sector. A final report is expected to be available in December 2008 and will be used by the government to select and implement what will be viewed as the best option. - Virtually nothing has been done to implement reforms in the tea and cotton sectors. As the restructuring of the coffee sector proved to be particularly difficult, the government and donors felt that the reform of the tea and cotton sectors, which was viewed as less urgent, should be resumed at a later stage, taking into account the lessons of experience with the reform of the coffee sector.
Objective II: *Improve private sector environment. Promote private sector development. Increase attractiveness for national and foreign investment.*
Expected outcome: Increase private sector/GDP ratio by ½ percentage point per year. Increase non-coffee export/GDP ratio, Public/private sector consultation framework in place. Modern legal and regulatory framework for private sector operations in place. Investment Climate Assessment available as a basis for action plan. Adoption/implementation of strategy for settling domestic arrears to private sector including banks.
Present status: - Private sector investment increased from 2.7% of GDP in 2004 to 4% in 2005 and 8% in 2006. The share of non-coffee exports increased from 59% in 2005 to 60% in 2006, but the main factor was the decline in coffee output and exports rather than a significant increase in non-coffee exports. - A June 2008 decree established a public/private sector consultation framework. An insolvency law has been approved by the Parliament. A new investment code has been submitted to the Parliament. The revision of the laws on competition and on public/private companies is ongoing as part of an indicative trigger for the third ERSG (ERSG 3) under preparation. The government plans to strengthen the tribunal of commerce. - A draft investment climate assessment report has been reviewed by a technical committee and Bank staff. It will soon be submitted to the government for approval. - The most positive contribution to private sector development was the settling of government arrears. Following an audit of outstanding arrears a settlement strategy was adopted and implemented in 2006-07. Small creditors were paid up to FBu 100 millions. Large creditors (banks) took 5 year/9% government bonds.
Objective III: *Reform public enterprises, through privatization and private/public partnerships. Set-up sound*

institutional framework for privatization. Prepare sound privatization program.
Expected outcome: The data base on public enterprises is up-to-date and accessible. Simple institutional framework for privatization in place. Improved capacity of SCEP. Adoption of disengagement plan. Bidding process for sale of shares in *Société Hôtelière Nouvelle du Burundi* relaunched. Bidding process for sale of government shares in APB, EPB, UCAR and OPHAVET launched.
Present status: A database on public enterprises was completed in 2007. The government created a privatization committee chaired by the second Vice President. The EMSP project financed a capacity-building program for SCEP. Bidding process for *Société Hôtelière* was re-launched but did not attract sound investment proposals. A number of small-size public enterprises have been liquidated or sold.

3.3 Justification of Overall Outcome Rating

Rating: *Moderately satisfactory*

As documented in detail in section 3.2 and summarized further below, the grant and the Trust Fund (TF) co-financing achieved their overarching objectives of supporting PRSP implementation and strengthening government capacity. In particular, the grant and TF achieved satisfactory outcomes under the three objectives linked to public expenditure management, pro-poor expenditure allocation, and PRSP monitoring. By contrast, outcomes were unsatisfactory regarding the objective of reforming the coffee sector and other cash crops, as overly ambitious reform plans needed to be reviewed and adapted by the government elected in 2006. Moderately satisfactory outcomes were achieved under the two remaining objectives for private sector development and public enterprise reform. On balance, the grant therefore achieved a moderately satisfactory outcome across its two components and six different objectives.

Component 1: Improve public expenditure management and impact on the poor. *Satisfactory.*
Slow but substantial progress has been made towards the public finance management objectives of the ERSG program, as follows:

- With respect to the first objective of this component, the National Assembly adopted a modern budget framework, the government promulgated a new procurement code, improved gradually the financial management information system, produced quarterly budget reports in a timely manner and strengthened the Court of Accounts. These measures have resulted in significant improvements in the PFM system, enhancing transparency, accountability and oversight in a challenging post-conflict environment.
- With respect to the second objective, the government achieved (and the recent PEMFAR report documented) a gradual increase in the share of priority economic and social sectors in budget laws and actual spending, leading to dramatic improvements in primary school enrollment rates. This can be seen as one of the most successful part of the program as the reforms not only impacted the fiduciary aspects of PFM management but reoriented resource allocations toward poverty reducing expenditures and service delivery.
- In relation to the third objective, statistical systems have been strengthened in collaboration with AFRISTAT and the government is tracking poverty reduction expenditures through specific markers. A preliminary PETS has been conducted for the education, health and justice sectors.

These different results are being consolidated with additional efforts to help the government further improve its PFM system by increasing its transparency and making the country's public expenditure and public investment program a more powerful instrument of growth and poverty reduction.

Component 2: Accelerate sustainable economic growth. *Moderately unsatisfactory.*

Progress under the second component was mixed. Only modest or negligible results were achieved for crop reforms. Moderately satisfactory results have been observed in the areas of private sector and public enterprise reforms. In particular:

- Regarding the first objective of this component, the government adopted an action plan for the reform of the coffee sector but did not implement most of the measures envisaged in the plan. As mentioned earlier, it was probably unrealistic to expect a new government to address forcefully such politically sensitive and divisive issues as the privatization of the washing stations. It is hoped that the ongoing effort to help the government identify and select effective and realistic options for restructuring the coffee sector will give a new impetus to the reform process and will serve as a model for other export crops including tea, where no progress was made.
- Regarding the second objective, outcomes were fully achieved regarding the domestic arrears settlement. These constitute a critical step toward normalization of government relations with the private sector. In addition, the government advanced the private sector agenda through a new consultation framework. On the regulatory side, some progress was made with the adoption of a new insolvency law, but other initiatives (new investment and competition laws) are expected to be only approved and promulgated within the next few months.
- The EMSP project helped finance a database on public enterprises and a capacity-building program for SCEP, the agency responsible for managing public enterprises and the government privatization program. A few small public enterprises were liquidated or privatized. The bidding process for the sale of *Société Hôtelière* was re-launched but did not mobilize attractive investment proposals.

3.4 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

So far, implementation of the ERSG program probably did not do much to reduce the incidence of poverty. The rate of growth of GDP went up from 0.9 percent in 2005 to 6.1 percent in 2006 but declined again to 3.6 percent in 2007, i.e. an average of 4.8 percent in 2006-07, close to two percentage points over the country's population growth rate. However, the declining share of the primary sector in total GDP (from 49 percent in 2004 to 45 percent in 2005 and 2006) suggests that the average per capita income in rural areas, where 97 percent of the poor live, did not improve. Insecurity, inadequate rural infrastructure and the steady decline of the export crop sectors are the main factors. The ERSG program, however, had a positive impact on access of the poor to social services, notably education. The profile of the new school children shows that the impact of free primary education and increased primary school enrollments was greater on children from rural areas and poor households and the ratio of girls to boys improved from 0.79 in 2003 to 0.83 in 2006. The elimination of user fees for women in delivery and children under 5 should help reduce maternal and child mortality rates particularly in poor rural areas. However, only a major rural infrastructure rehabilitation program combined with vigorous efforts to revive the coffee sector – through privatization or through other sector restructuring schemes – will have a major impact on rural poverty.

(b) Institutional Change/Strengthening

Combined with implementation of the restructured EMSP project, implementation of the ERSG program helped improve the capacity of the Ministry of Economy and Finance to develop and use more effective public expenditure management procedures and information systems. The recently approved *Organic Law* will put in place a modern budget preparation and execution system with streamlined procedures and simplified ex-ante controls. It will pave the way for a more effective contribution of key sector ministries to budget preparation and execution. Improving procurement procedures and institutions and strengthening the Court of Accounts and the *Inspection Générale de l'Etat* are critical elements of the fight against corruption.

Another important achievement of the ERSG program was also to strengthen the National Institute of Statistics (ISTEEBU) to improve the monitoring of economic development and poverty reduction programs.

(c) Other Unintended Outcomes and Impacts (positive or negative, if any)

No other significant outcome.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

So far no beneficiary survey or stakeholder workshop has been organized to discuss the impact of ERSG.

4. Assessment of Risk to Development Outcome

Rating: *Substantial.*

Although the government took a long time to fully implement the financial management policy and institutional measures envisaged in ERSG, it remains committed to the overall objectives of the program and is likely to implement – at its own pace – most of the public finance and other reforms envisaged in the PEMFAR report. The views of the government on privatization of public enterprises and the restructuring of the export crop sector are less clear. Selection and implementation of a new disengagement strategy based on alternative options that high-level consultants will propose to the government by the end of 2008 will be the most appropriate test of its commitment.

Continued insecurity in rural areas may impede economic development. The elections of 2010 may stir up tensions among communities and political groups and derail the progress of the reform process.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: *Moderately satisfactory.*

As mentioned earlier, the ERSG program responded to critical financial needs in a difficult transition to a newly elected government and incorporated a set of critical economic and public finance management measures with strong impact on expenditure composition and management. The program attracted two co-financiers who made important additional financial contributions to enable the government to stay its course. Another positive point relates to the Bank's response to the governance challenges arising at the time of appraisal (sale of presidential plane). Bank staff constructively incorporated the related governance response into the program, which resulted in some delay but rebuilt sufficient trust to not jeopardize program financing by the Bank and donors. ESRG also launched a critical process of policy development in several areas of economic management. However, quality at entry was weakened by an insufficient focus on the most urgent issues and lack of attention to the ownership issue in the transition to the new government, which took office in 2005. In this regard, the export crop reform program was particularly weak and overly optimistic in neglecting the need for extensive stakeholder involvement.

(b) Quality of Supervision

Rating: *Satisfactory*

Major efforts were made by headquarters and local Bank staff to help the government better understand the objectives of the program and implement the most critical measures.

- The ongoing IDA-financed EMSP project was restructured to help the government finance studies, activities and capacity-building programs necessary to implement ERSG. EMSP-financed TA sub-projects are partly responsible for much of the progress achieved in implementing the public finance management component of the program. The EMSP project is currently used to finance high-level consultants to help the government identify the most appropriate option for disengagement from the coffee sector. It should be noted, however, that the EMSP restructuring operation did not remove a major obstacle to a more effective use of project resources: the government argues that slow implementation of a number of ERSG reforms was caused by delays in the review by Bank staff of sub-project proposals, proposed TORs, and decisions concerning the selection of consultants.
- Headquarters economists were heavily involved in the monitoring of the program either through supervision missions or in the context of other exercises (joint Bank/IMF visits, preparation of the PEMFAR report, preparation and appraisal of ERSG 2).
- In addition to the Country Manager, a Bujumbura-based procurement specialist and an economist recruited a few months before approval of ERSG also played a major role in the supervision of the program.
- As was the case at entry, when new governance challenges in the petroleum sector emerged at the time of tranche release, the Bank assisted government counterparts to establish a credible process of establishing culpability and pursuing the perpetrators.
- Finally, while headquarters sector specialists did not make a significant contribution to the design of the program, they were much more involved in its supervision. A parallel study on sources of growth in rural areas showed that Burundi's coffee had potential for penetrating high-value specialty markets and helped design the action plan that was not implemented immediately but may eventually lead to a positive outcome.

(c) Justification of Rating for Overall Bank Performance

Rating: *Satisfactory*

The program was technically sound, although too ambitious and too complicated considering the country's fragile political situation and the lack of financial management and policy design capacity in key ministries. Bank supervision by headquarters and local staff was effective and helped salvage the most critical and the most urgent components of the overall program.

5.2 Borrower Performance

(a) Government Performance

Rating: Moderately *satisfactory*

The transition government made a useful contribution to the design of the program but the new government which took office in September 2005 focused its attention on urgent and complex political issues and was not really given the opportunity to discuss in detail the main objectives and components of the program and in particular the scope of the export crop reform component.

The government should be credited for having implemented in a timely fashion critical prior actions, including the rapid introduction of a computerized financial management information system and the preparation of budgets reflecting a significant increase in pro-poor expenditures. Many other important public finance management measures were implemented but at a very slow pace, as the security situation deteriorated again and the Parliament stopped considering draft laws and policy proposals during most of 2007. The recurrence of major financial scandals in 2006 and 2007 influenced the perception of donors and the civil society on the capacity of the government to support a culture of transparency in the management of the public service. Special efforts need to be made at all levels of the government to improve the credibility of the country in this area. The discussion of the recent governance survey and the preparation of a national governance strategy will enable the Bank and the donor community to test the commitment of the country's leadership to the fight against corruption.

The government performance in implementing the export crop reform program was clearly unsatisfactory but the blame should be shared with the Bank which had not done its homework during preparation of that component.

(b) Implementing Agency or Agencies Performance

Rating: *Moderately satisfactory*

The Ministry of Finance was the implementing agency responsible for the ERSG program. Despite significant capacity problems, the Ministry made adequate efforts to implement a comprehensive public finance management reform program and help persuade other ministries to do their share of the effort. The creation of a *cellule d'appui* to monitor the PFM reform agenda and help coordinate donor-financed budget support proved to be a useful instrument for the supervision of the ERSG program.

These accomplishments, however, were tarnished by the involvement of the former Finance Minister and the former Governor of the Central Bank in the Interpetrol scandal.

(c) Justification of Rating for Overall Borrower Performance

Rating: *Moderately satisfactory*

On balance, the government implemented most of the measures envisaged in the public finance management program, but did very little on all the other components of ERSG.

6. Lessons Learned

Special attention to the needs and constraints of fragile post-conflict countries. In Burundi and in many other post-conflict countries the transition to more development-oriented strategies is a long and complicated process and the special needs of these countries should be reflected in the design and implementation of Bank-supported reform programs. For many years, governments emerging from long civil wars will give priority to security and to the success of the reconciliation process. Development policies are an important instrument of the reconciliation process, but adequate time should be given to governments and the civil society to reach a consensus on critical development issues and to complete a limited number of high-priority reforms. Implementation of these reforms will need to be carefully monitored and supported by the Bank which should allocate enough resources to the supervision of the programs and to the provision of high-quality technical assistance. Recent experience in Burundi and other post-conflict countries has also shown that governments should not be urged to address politically divisive issues that could exacerbate the risk of renewed open conflicts. The reform of the export crop sector is one of the measures that should have been better prepared both technically and politically by engaging extensive discussions with the new government which took office in 2005 and all the other stakeholders before deciding that privatization was the appropriate solution.

Need to combine several operational instruments. The relative success of the public finance management components of the program is partly due to the combination of policy reforms supported by the ERSG grant and technical assistance activities financed by the restructured EMSP project. It could also be argued that a sector investment project financing the rehabilitation of coffee plantations, washing plants and rural infrastructure would have provided useful additional support to the agricultural sector reforms envisaged in the ERSG program and would have done more to help 800,000 poor families than unrealistic privatization programs.

Need to involve sector ***specialists in the design of DPLs.*** Bank country economists did most of the preparation work even on sector policies with minimal support from sector specialists. Agricultural sector specialists would have spent more time on the preparation of the agricultural component of the grant if the ERSG program had been combined with sector work and project preparation activity aimed at developing an agricultural sector development project or program (see previous paragraph).

Need to improve the performance of TA programs supporting policy reforms. As shown in section 7 below, the government recognizes the important role Bank-financed TA played in helping implement the ERSG program but complains that overly complex procedures and delays in approving sub-projects, terms of reference (TORs) and the selection of consultants delayed implementation of critical reforms. Bank evaluations of these TA projects should focus on these issues. At the same time, the Bank should recognize the high cost to Bank staff of the supervision of complex TA projects. The review of sub-projects, preparation of TORs and the review of draft contracts with consultants is a time consuming activity, which ideally should be simplified.

Need for a better balance between the development of social sectors and growth-oriented infrastructure expenditure programs. The availability of HIPC funds enabled the government to increase public expenditures in the social sectors, particularly education. However, while public spending on education increased to 6.1 percent of GDP in 2005-06, public spending on agriculture and infrastructure remained at very low levels (respectively 0.3 and 0.6 percent of GDP). In the situation of Burundi, stimulating economic growth is at least as important and probably more urgent than rapid increases in social expenditures.

Need for comprehensive strategies and action plans endorsed by the government, the civil society and the country's development partners. With the help of EMSP, the ERSG program produced a number of studies, policy papers and action plans that have not always been implemented effectively but serve as reference for government and Bank monitoring of the reform process. Now the main priority is to develop an overall policy framework that will be supported by all the stakeholders, including donors. The preparation and recent approval of the

PEMFAR report is expected to play that role, at least in the public finance management area. However, the PEMFAR report focuses on domestically-financed public expenditures and provides little guidance on the structure of donor-funded investment programs and projects. The lack of reliable data is a major obstacle to that exercise. The Bank may wish to discuss with the government and its partners the feasibility of a joint public investment review that would be prepared with the help of experienced sector specialists from the Bank and other donors. A sound public investment program is one of the keys to optimizing implementation of a growth-oriented development strategy.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/Implementing agencies

Bank staff discussed the performance of the ERSG program and the main findings and conclusions of the ICR with a Burundian delegation during the recent Bank/IMF Annual Meeting in October 2008. The comments of the delegation – which were subsequently confirmed in writing by the Finance Minister (Annex 4) – concerned: (i) the design of the ERSG program; (ii) the supervision performance of the Bank and the role of Bank-financed technical assistance; and (iii) the overall impact of the program.

Design. The government recognizes that most of the measures included in ERSG were designed in close cooperation with the departments concerned. However, the final result was an over-ambitious reform package including too many measures, which per se were fully justified but could not possibly be completed in one or two years.

- The timetable of specific components of the ERSG program was particularly unrealistic. Much more time was needed to prepare and implement the reform of the coffee sector.
- The privatization of public enterprises should have been better prepared through the definition of a comprehensive privatization strategy and detailed evaluation of assets and prospects of individual enterprises.
- The problem was exacerbated by the fact that many other donors providing budget support also had their own package of reforms that had to be implemented during the same period. Clearly, government institutions did not have the capacity to carry out all these measures at the same time.
- Better coordination of donor-financed budget support and harmonization of conditionalities along the lines of the Paris Declaration is therefore essential to strengthen government performance and increase the effectiveness of critical policy reforms. It is hoped that the recently approved PEMFAR report will help develop a consensus on PFM reform priorities and will produce a common list of reform measures to be supported by all the donors.

Performance of the Bank. The government recognizes that both headquarters and local staff were very helpful during ERSG implementation, reviewing periodically the progress of the reform program with government institutions, providing sound advice on all major issues and helping mobilize appropriate technical support. As already mentioned, the government thinks that Bank technical support, and in particular implementation of the EMSP project, would have been more effective if procurement procedures were less complicated and Bank responses to consultations on sub-project proposals, TORs, selection of consultations and terms of contracts were provided more rapidly.

Impact. Despite some shortcomings, the ERSG program had a most positive impact on economic, fiscal and PFM policies and performance. Some of the most important reforms were:

- the preparation of a *Loi Organique,* which establishes a more modern, budget management framework;
- the introduction of a computerized financial management information system;
- the settlement of government arrears to the private sector; and
- the recognition by the government that coffee farmers and their associations should become the main actors in the management of the *filière.*

(b) Cofinanciers

Officials in Dutch and Norwegian institutions which provided budget support to Burundi in the context of the ERSG program have been asked to comment on the design, implementation performance and impact of ERSG. The report was sent to them. The Dutch *Chargé d'Affaires* in Burundi wrote that she shared the conclusions and recommendations of the report which - in its present form - provides a comprehensive analysis of the ERSG program. She noted, however, that the report should have been more explicit on the factors explaining the relative failure of a number of specific measures. No comments have been received so far from the Norwegians.

It should be noted that both The Netherlands and Norway continue to support the type of reforms envisaged in ERSG and, in particular, agreed to contribute to the follow-up program (ERSG 2).

(c) Other partners and stakeholders (*e.g. NGOs/private sector/civil society)*

N/A

Annex 1 Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Claude Leroy-Themeze	Senior Economist	IEG	TTL
Jean-Pascal N. Nganou	Country Economist	AFTP3	Co-TTL
Hinh Truong Dinh	Lead Economist	AFTP3	Overall guidance
Nicaise Ehoue	Senior Agricultural Economist	AFTS4	Agricultural issues
Eric Mabushi	Economist	AFTP3	Team member
Joseph Kizito Mubiru	Sr. Financial Management Specialist	LCSFM	PFM
David Tchuinou	Senior Economist	AFTP3	Team member
Prosper Nindorera	Senior Procurement Specialist	AFTPC	Procurement
Peter Osei	Research Analyst	AFTP3	Team member
Brendan Horton	Former Lead Economist	AFTP3	
Bruno Boccara	Former Lead Economist	AFTP3	
Paula Jachim White	Language Program Assistant	AFTP3	ACS
Estella Malayika	Program Assistant	MDO	ACS
Supervision			
Jean-Pascal N. Nganou	Country Economist	AFTP3	TTL
Dorsati Madani	Senior Economist	AFTP3	Co-TTL
Ilhem Baghdadli	Economist	MNSSD	Agricultural issues
Hinh Truong Dinh	Lead Economist	AFTP3	Overall guidance
Eric Mabushi	Economist	AFTP3	Team member
Joseph Kizito Mubiru	Sr. Financial Management Specialist	LCSFM	PFM
David Tchuinou	Senior Economist	AFTP3	Team member

(b) Staff Time and Cost

Stage	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY05	15	85.27
FY06	130	523.18
FY07	46	161.14
FY08		0.00
Total:	191	769.59
Supervision/ICR		
FY05		0.00
FY06		0.00
FY07	13	71.93
FY08	35	130.97
FY09	3	0.00
Total:	51	202.90

Annex 2. Beneficiary Survey Results

No beneficiary survey was conducted.

Annex 3. Stakeholder Workshop Report and Results

No stakeholder workshop was organized.

Annex 4. Summary of Borrower's ICR and/or Comments on Draft ICR

28 NOV 2008
2032/2008

REPUBLIQUE DU BURUNDI

Bujumbura, le 28 / 11 /2008

MINISTERE DE L'ECONOMIE, DES FINANCES
ET DE LA COOPERATION AU DEVELOPPEMENT

CABINET DU MINISTRE

N/Réf. : 540/5191/2008

SCANNED FILE COPY
DARE I

A Madame Mercy TEMBON
Représentante Résidente de la
Banque Mondiale
à
BUJUMBURA.

Madame la Représentante,

Faisant suite à votre correspondance relative au rapport d'achèvement du Don DARE I, j'ai l'honneur de vous confirmer que les informations contenues dans le rapport, en général, et au chapitre 7, en particulier, reflètent entièrement l'avis du Gouvernement du Burundi.

Veuillez 'agréer, **Madame la Représentante,** l'expression de ma haute considération. distinguée.

LA MINISTRE DE L'ECONOMIE, DES FINANCES ET DE
LA COOPERATION AU DEVELOPPEMENT

Clotilde NIZIGAMA

REPUBLIQUE DU BURUNDI
CABINET DU MINISTRE
Ministère de l'Economie des Finances et de la Coopération au Développement

B.P. 1830 Bujumbura Tél : 257 22 3988- 257 222775 E-mail : minifin @ usan-bu-net

Annex 5. Comments of Cofinanciers and Other Partners/Stakeholders

An early draft of the report was sent for comments to officials in Dutch and Norwegian institutions which provided budget support to Burundi in the context of the ERSG program. The Dutch *Chargé d'Affaires* in Burundi wrote the following.

> *Thank you again for asking us for comments on the IRC-report on ERSG (I, I assume). The report seems to me a thorough and comprehensive review of the ERSG. The only thing missing - in my view - are short analyses of why certain conditions have only been met "generally" and progress only been "modest"/"no(t) significant"/"not yet been implemented". Furthermore, the pages on the "achievement of the ERSG objectives" seem rather descriptive and would profit from more emphasis on the "why" of the gaps between "expected outcome" and "present status".*
>
> *With best regards,*
>
> *Jeannette Seppen*
> *Charge d'Affaires*
> *Office of the Embassy of the Netherlands*
> *Bujumbura*

No comments have been received so far from the Norwegians. It should be noted, however, that both The Netherlands and Norway continue to support the type of reforms envisaged in ERSG and, in particular, agreed to contribute to the follow-up program (ERSG 2).

Annex 6. ERSG – Achievement of Objectives

Objectives	*Expected outcome*	*Present status*
Overall ERSG objective: Support implementation of PRSP Strengthen government's capacity to carry out development & poverty reduction programs	Increase economic growth to at least 5% in 2007 Reduce incidence of income poverty	1. Following a significant increase in 2006, the rate of growth of GDP declined to 3.6% in 2007. A poor coffee harvest and the deteriorating political and security situation are largely responsible for that decline. 2. The incidence of poverty, which – as a result of the war – had increased from 35% in 1993 to 68% in 2002, was estimated at 67% according to a 2006 QUIBB survey. With a population growth rate approaching 3%, the country needs to embark on policies and programs aimed at accelerating overall economic growth and increasing output and income in rural areas where 97% of the poor live.
Component 1: Improve public expenditure management & its impact on the poor		
Component 1.1: Deepen public expenditure management reforms	Improve transparency of public expenditure management	3. Four critical measures are likely to improve the transparency of public expenditure management: (i) adoption/implementation of a new *Loi Organique*; (ii) a more reliable financial management information system; (iii) improved procurement procedures and practices; and (iv) improved internal controls and external audits. However, the recurrence of financial scandals suggests that introducing a culture of transparency will take time and will require considerable efforts on the part of the country's leadership with the strong support of the civil society and development partners.
a)Modernize/strengthen budget law framework	Modern & comprehensive budget law framework law that addresses 2004 CFAA weaknesses	4. A new *Loi Organique* has been approved by the Parliament. The new law clearly defines the main responsibilities of the various actors, streamlines spending procedures, simplifies ex-ante controls and limits the use of exceptional spending procedures. It also plans for long-term changes in the spending process (delegation of the commitment authority to key sector ministries whose capacity will have been certified by the Court of Accounts, and preparation of program-budgets).
b)Improve budget execution	Manual on budget execution procedures provides adequate reference for executing the budget through IFMIS (financial management information system) The IFMIS covers all public expenditures financed under the national budget/Is secure & adequately maintained Adoption/implementation of a 3-year rolling reform action plan that provides a good basis for donor support, in particular those who	5. Manuals on budget execution procedures and integration into IFMIS are under preparation. 6. By mid-2006, the government has begun to prepare quarterly budget execution reports based on the IFMIS system introduced in January 2006. The coverage is partial (about 74% of domestically-financed expenditures in 2007) and data provided are not fully accurate. 7. In November 2007 a PHRD-financed expert completed its review of the Burundian IFMIS, which may need to be replaced by a more modern system within 2-3 years. In the meantime, the government, the Bank and the IMF are working together to improve coverage and reliability of the existing system. A connection between the Ministry of

Objectives	Expected outcome	Present status
	signed the 2005 MoU on budget support.	Finance and the central bank will make it possible to extend coverage to the payment function. In 2008 Soft Center, the local private company that helped develop the system was hired to integrate the payroll function. 8. The government created within the Ministry of Finance a technical team that will be responsible for coordinating ongoing and planned computerization initiatives. This is a critical measure aimed at internalizing activities that so far were performed by Soft Center. 9. In May 2006, the Bank and the government undertook the preparation of a public expenditure management and financial accountability review (PEMFAR). A draft report was completed in June 2008 and was discussed in workshops involving government officials, the civil society and other donors. It will provide the basis for PFM action plans that will dominate future government, Bank and donor programs and should facilitate the coordination of donor-financed budget support. 10. The government has created a cash management committee chaired by the Finance Minister and including representatives of the main spending ministries. The gradual closing of off-budget accounts and improvements in the projection of revenue and expenditures will increase the efficiency of cash management procedures.
c)Improve procurement	Adoption of monitoring indicators to track performance in terms of competition & transparency/M&E system in place Modern legal procurement framework in place Action plan to strengthen capacity can be implemented starting with 2007 fiscal year New entities provided for in revised code in place. Modern tools (guidelines, standard bidding documents, data bases for technical specifications) operational for 2007 fiscal year.	11. A new procurement law was promulgated in February 2008. A government ordinance created the Regulation Agency that will coordinate and monitor procurement activities of the other institutions. In September 2008, the national directorate for public procurement was established by presidential decree in place of the former General Directorate for public procurement. The decree establishing the Regulation Agency will be announced shortly.
d)Improve financial management & reporting	Timely government account reporting: A comprehensive quarterly budget execution report including pro-poor & HIPC expenditure available; Quarterly central government financial operations table available; Improved cash management	12. General government accounts were submitted to the Court of Accounts (in May 2007 for the 2006 accounts and in April 2008 for 2007). Quarterly budget execution accounts and TOFE are prepared by the Finance Ministry on a timely fashion. 13. A specific codification has been added to the *Plan Budgétaire et Comptable* for HIPC-financed and poverty reduction expenditures. In 2007, the government and the Bank agreed on a new methodology for the identification of pro-poor expenditures, which will be integrated into the IFMIS system.

Objectives	*Expected outcome*	*Present status*
e)Improve internal control & audit	Strategy for internal control and ex-post audit available for implementation in 2007 Capacity building program for internal control & audit institutions available for implementation in 2007 Follow up by Presidency of IGF recommendations	14. The *Loi Organique* and the PEMFAR report provide the elements of an internal control and external audit strategy. 15. With the help of the Belgian Court of Accounts and IDA-supported TA, specialized training programs have been organized for CdC magistrates and staff. As its resources remain limited, the Burundian Court decided to focus its attention on auditing annual government accounts. The EMSP project financed selected training for CdC and IGE staff. In July 2008, a ministerial ordinance staffed an internal audit unit within the Finance Ministry. 16. A strong government response to recommendations from IGE and other control units is essential to fight the culture of impunity which, according to the WBI-sponsored governance survey, seems to prevail in Burundi. As noted earlier, the government took strong remedial action on the basis of the IGE report on illegal payments to Interpetrol.
f)Improve external oversight	Annual audit report of government accounts by the Audit Court submitted to Parliament & made public; Statute of magistrates guarantees irremovability Staffing strengthened Methodological guidelines & manual provide adequate reference for auditors Membership into INTOSAI gives access to capacity building programs Training program for magistrates & staff Audit & monitoring capacity of Court strengthened	17. As mentioned under 12, the general budget account and extrabudgetary accounts for 2006 were submitted to the Court of Accounts in May 2007. The Court produced its audit report in December 2007. The general budget account for 2007 is under review by the Court. 18. Training, manuals and experience helped build-up the capacity of the Court of Accounts. As the *Inspection Générale de l'Etat* is already member of INTOSAI and does not want to give up that privilege, the Court was unable to become a member of that institution.
Component 1.2: Increase the level and impact of public spending on the poor in priority areas	Improve impact of public expenditures on growth & development.	19. Availability of HIPC-financed expenditures and increased project financing by donors led to a significant increase in capital expenditures from 10.4% of GDP in 2001-04 to 11.2% in 2005-06. Another positive change in the structure of public spending is the increase in DDR expenditures from 0.3% of GDP in 2001-04 to 2.3% in 2005-06, since the success of the demobilization program is one of the factors that may accelerate economic growth and would enable the government to increase spending on priority economic and social sectors (at the expense of defense and security). 20. So far defense and security expenditures declined in terms of share of domestically-financed expenditures but increased in terms of share of GDP from 6.6% in 2001-04 to 7.6% in 2005-06. The share of priority expenditures (health, education, agriculture and infrastructure) increased from 31.8% of total expenditures in 2001-04 to 36.1% in 2005-

Objectives	*Expected outcome*	*Present status*
		06 and from 5.5% of GDP to 7.8%. 21. Education was the main beneficiary of that increase. Its share went up from 23.9% of domestically-financed expenditures and 4.1% of GDP in 2001-04 to 28.1% of expenditures and 6.1% of GDP in 2005-06. Gross primary school enrollment rates increased from 80% in 2003-04 to 101% in 2005-06. The profile of new school children shows that the impact of free education was greater on children from rural areas and poor households. There was however no significant improvement in the efficiency of education expenditures. As a result of very high repetition rates (about 30%), the index of internal efficiency was only 47% in the early 2000s.
a)Strengthen/rationalize budget preparation b)Strengthen poverty focus of the budget	Improved alignment of budget on PRSP priorities & sector strategies 2007 budget aligned on PRSP priorities & sector strategies; Increase share of pro-poor expenditures in total spending from 33.6% in 2005 budget to 35.5% in 2006 (revised budget) & PRSP target in 2007.	22. Following two years of poor performance, preparation in 2007 of the 2008 budget was more in line with the timetable recommended by the Bank. Sector ministries are given more time to prepare budget proposals reflecting strategic priorities. The draft 2007 budget submitted to the Parliament reflected a significant increase in budget allocations for priority economic and social sectors.
Component 1.3: Strengthen poverty reduction strategy monitoring & evaluation	Improve knowledge of poverty; Improve poverty reduction targeting	23. See 13 and 25 about identification of poverty reduction expenditures.
a)Improve poverty data	Comprehensive plan under the full PRSP to improve data collection & analysis & establish comprehensive poverty reduction information system adopted & reflected in first PRSP	24. ISTEEBU, the statistical office of Burundi became member of AFRISTAT in 2007. AFRISTAT will help ISTEEBU perform specific tasks and improve its capacity. Currently ISTEEBU has undertaken a review of Burundi's national accounts for 2005. A new population census is being prepared under the direction of the Vice Ministry of Planning.
b)Monitor implementation of poverty reduction policies & reforms	Adoption of action plan to improve data collection & analysis for monitoring implementation of PRSP. Plan described in first PRSP. HIPC expenditures executed according to national budget execution procedures, paid from special HIPC account, tracked through IFMIS, can be audited by the Audit Court & monitored through the HIPC expenditure oversight committee For education, health & justice, results of a	25. As mentioned under 13, a specific codification has been added to the *Plan Budgétaire et Comptable* for HIPC-financed and pro-poor expenditures. A new, more precise, methodology has been developed in 2007 for the identification of poverty reduction expenditures. This will facilitate the analysis and monitoring of the poverty reduction impact of planned budgets and actual public spending. 26. Interim PETS reports are available for the education, health and justice sectors and have been distributed to other donors. Relevant departments have begun to prepare draft action plans.

Objectives	*Expected outcome*	*Present status*
	PETS exercise; evaluation by users of quality of services & by providers of constraints to effective delivery are available, as a basis for action plan to improve services.	
c)Monitor impact on poverty of policies & reforms	Program to ensure that impact of reforms is analyzed ex-ante & during implementation	27. A PSIA exercise is planned for FY 2009. It will focus on the potential impact on the poor of the proposed coffee sector reform, when ongoing restructuring studies are completed and the government has selected a specific option for the disengagement of the State.
d)Improve statistics	2006-08 emergency plan for Institute of Statistics implemented 5-year statistical plan being developed 2006-08 emergency plan for sector statistics implemented	28. In addition to the review of 2005 national accounts, ISTEEBU has begun to prepare *Notes de conjoncture* on recent economic development and with the help of French TA is preparing a study on urban employment. More importantly, ISTEEBU and sector ministries are developing a master plan which will identify the needs of various sectors and will plan relevant activities to address these needs.
Component 2: Accelerate sustainable economic growth		
Component 2.1: Reform the coffee, tea & cotton sectors	-Accelerate sector growth -Increase sector contribution to poverty reduction (PSIA)	29. The export crop sector provides cash income to 800,000 households in the poorer regions of the country. Annual variations in coffee production (due to ageing plantations) are the main factors that influence the output of the export crop sector which never reached again the peak of 4.1% of GDP in 2004. Consequently, coffee and other export crops did not make a significant contribution to economic growth and poverty reduction during the ERSG implementation period.
a)Reform the coffee sector	The 2006-07 crop season is financed without government guarantee for commercial banks Financial flows & revenue distribution among sector actors audited for the last two crop seasons Adoption of 3-year rolling action plan (2006-08) providing for: (i) legal & institutional framework consistent with liberalized & privatized environment/provision; (ii) provision/financing mechanism for key services in liberalized environment; (iii) privatization of washing stations & SODECO-managed factories & (iv)implementation of accompanying measures New institutions consistent with liberalized environment in place.	30. No guarantee was given by the government for the 2006-07 coffee campaign. A coffee sector reform committee was created in October 2006 and a 3-year action plan for the restructuring of the sector was adopted by the Council of Ministers in November 2006. 31. Modest progress was made in implementing the action plan. Studies have shown that the Burundian coffee has potential for sales on specialty markets. Stakeholders have been consulted. The risk of conflicts in the context of the reform has been assessed. 32. In 2007, the government decided to give a New York based trader the monopoly for marketing Burundi’s coffee. In 2008, the government agreed to rescind that decision and liberalized again the coffee market. Moreover, the audits of the coffee campaigns 2004/05 and 2005/06 have recently been completed. 33. Consultants were hired to prepare a divestiture program, but the poor quality of their work led the government and the Bank to cancel the exercise. In June 2008, the IDA-financed EMSP project hired a group of consultants coordinated by an investment bank to identify alternative proposals for the disengagement of the State from the coffee

Objectives	*Expected outcome*	*Present status*
	Launching of bidding process for the sale of government assets (washing stations & SODECO-managed factories). 3-year plan updated regularly to reflect progress	sector. A draft report will be available in October 2008, and is expected to be finalized and adopted by the authorities by the end of December 2008. The government will then select and implement what will be viewed as the best option.
b)Reform the tea sector	Adoption of sector reform strategy (liberalization & state disengagement, institutional reforms, reviving the sector); Adoption/implementation of 2007-09 action plan; Implementation of restructuring plan based on results of financial & technical audit; Arrears to producers cleared/producers paid within normal delays	34. A Reform Committee was created in 2007 but full preparation of a revised tea action plan was not completed as planned in 2008. However, several pillars for the development of such an action plan were undertaken and completed owing to IDA-financed EMSP. These activities include among others: (i) preparing a diagnostic study on the competitiveness of the tea sector; (ii) strengthening the capacity of the reform committee; and (iii) preparing a financial audit of the Tea Board of Burundi (OTB) for the fiscal years 2005 and 2006. Moreover, a tea sector rehabilitation program is under consideration by the European Union.
c)Reform the cotton sector	Adoption of sector reform strategy (liberalization & state disengagement, institutional reforms, reviving the sector); COGERCO/COTEBU performance is improving; Arrears to producers cleared/producers paid within normal delays	35. A cotton sector reform committee was created in 2007 but full preparation of a revised action plan is unlikely to be completed in 2008 as planned during the midterm review of EMSP. However, progress was made on the completion of a diagnostic study on the competitiveness of the cotton sector as well as on the completion of the financial audit of the Cotton management company for the fiscal years 2006 and 2007. These are elements which will contribute to the elaboration of an action plan for the reform of the sector. Furthermore, the textile manufacturing company (COTEBU) was liquidated but a rehabilitation program is being envisaged – possibly with help from China.
Component 2.2: Improve private sector environment. Promote private sector development. Increase competitiveness. Increase attractiveness for national & foreign investment	Increase private sector/GDP ratio by ½ percentage point per year. Increase non-coffee export/GDP ratio	36. Private sector investment increased from 2.7% of GDP in 2004 to 4% in 2005 and 8% in 2006. The share of non-coffee exports increased slightly from 59% in 2005 to 60% in 2006, but the main factor was the decline in coffee output and exports rather than a significant increase in non-coffee exports. Following an audit of outstanding government arrears, a settlement strategy was adopted and implemented in 2006-07. Small creditors were paid up to FBu 100 million. Large creditors (banks) took 5 year/9% government bonds.
a)Strengthen legal & regulating framework for businesses	Single inclusive public/private sector consultation framework in place Modern updated legal & regulatory framework for private sector operations in place (insolvency law, investment code, code of commerce, company act)	37. A June 2008 presidential decree established a public/private sector consultation framework, including a General Assembly, technical groups and a Permanent Secretariat. 38. The insolvency law has been approved by the Parliament. A new investment code has been submitted to the Parliament. Laws on competition and on public and private companies have been prepared and approved by the Council of Ministers. The

Objectives	*Expected outcome*	*Present status*
	Institutions to help settle business disputes in place & strengthened	government plans to strengthen the tribunal of commerce. The EMSP project finances the computerization of the filing system of the tribunal.
b)Build a conducive business environment	Investment Climate Assessment available as a basis for action plan on legal & regulatory framework, taxation of enterprises, competitiveness, trade facilitation.	39. The assessment of the investment climate started in 2006. A first draft report was completed early 2008, discussed in a workshop in April 2008 and commented on by the Technical Committee responsible for monitoring the exercise. The report is now under review by the government and will serve as a basis for the preparation of an action plan.
c)Strengthening the financial sector	Review of the banking sector available. Adoption of strategy to restructure the sector for implementation in 2007. Financial sector assessment available to prepare financial sector restructuring plan.	40. The assessment of the financial sector is expected to start during the second half of 2008.
d)Increase access to financing for small business in rural areas.	Adoption/enforcement of new regulations governing micro-finance institutions & operations meeting international best practice standards.	41. The ongoing increase in IFC's involvement in Burundi includes technical assistance to develop the small enterprise sector and improve the overall investment climate. In this context, the IFC is building the capacity of the Association of Women Entrepreneurs and helps its 105 members to prepare business plans. IFC is also exploring the possibility of involving Burundian banks in the Africa MSME Finance Program.
e)Settle government arrears to the private sector	Adoption/implementation of strategy for settling domestic arrears to private sector, including banks	42. An audit evaluated outstanding arrears at FBu.36 billions. A settlement strategy prepared with the help of the IMF and the Bank was adopted by the government in June 2006. Small creditors were paid FBu 100 millions in 2006-07. The settlement of arrears was completed in August 2007.
Component 2.3: Reform public enterprises through privatization & private/public partnership	Reduce role of government in productive sector & utilities. Improve competitiveness & efficiency of utilities.	43. A small number of small-size public enterprises have been liquidated or privatized. In July 2008, the EMSP project organized in Bujumbura a regional privatization forum. The forum briefed Burundian officials on the structure, success and failures of privatization programs in other East and Central African countries. Future government will be guided by the lessons of these experiences.
a)Improve management & supervision of public enterprises	Technical, economic & financial database of public enterprises is comprehensive, up-to-date & accessible.	45. Preparation of a database on public enterprises was completed in 2007. Financing was provided by the EMSP project. Moreover, a study financed through EMSP on institutional capacity needs of structures in charge of public enterprises reform (with a capacity building action plan) was recently completed. The completion of this study was an indicative trigger in the second budget support grant (approved in August 2008) for the third budget support operation whose preparation has started.
b)Set-up sound institutional framework	Clear, simple, facilitating institutional framework for privatization in place	46. The government created a privatization committee chaired by the second Vice President. Implementation of the existing privatization law has been suspended. A new

Objectives	***Expected outcome***	***Present status***
for privatization	Improved capacity of SCEP to prepare/conduct privatization operations.	law is under preparation. The EMSP project helped finance a capacity-building program for SCEP.
c)Prepare sound privatization program	Adoption of 2007-09 disengagement plan from production, commercial & banking sectors. Bidding process for sale of OCIBU's assets outside coffee & for shares in *Société Hôtelière* Nouvelle du Burundi has been relaunched. OCIBU transferred its shares in banks and in SOCABU, EPB, and BCC to the government before government launches privatization. Bidding process for sale of government shares in APB, EPB, UCAR, BCC, and OPHAVET has been launched.	47.The bidding process for the sale of *Société Hôtelière* was resumed and published in the government's official bulletin in June 2007, but did not stimulate attractive investment proposals. The government now envisages to prepare and implement a comprehensive hotel rehabilitation program before resuming consultations with potential buyers. 48. The bidding process for the sale of government shares in these smaller public enterprises (EPB, and BCC) was launched in 2007. Due to legal disputes associated to the shares of APB and UCAR, it is only recently (July 31, 2008) that the bidding process for APB and UCAR was launched. OPHAVET was liquidated.

Annex 7. Structure of public expenditures

A. Budget allocations

	Percentage of total expenditures				Percentage of GDP			
	2004	**2005**	**2006**	**2007**	**2004**	**2005**	**2006**	**2007**
General services	**57.5**	**59.8**	**42.7**	**36.3**	**17.7**	**17.8**	**16.4**	**12**
Security	**20.1**	**17.6**	**21.9**	**25.4**	**6.2**	**5.3**	**8.4**	**8.4**
Defense	19.7	17.3	13.5	15.4	6.1	5.2	5.2	5.1
Interior & Public Security	0.4	0.3	8.4	10.0	0.1	0.1	3.2	3.3
Priority sectors	**20.8**	**21.0**	**34.1**	**36.5**	**6.4**	**6.3**	**13.1**	**12.0**
Education	15.3	16.1	22.2	25.2	4.7	4.8	8.5	8.3
Health	2.4	2.1	6.5	5.3	0.7	0.6	2.5	1.7
Agriculture	1.7	1.5	1.2	1.8	0.5	0.4	0.5	0.6
Infrastructure	1.5	1.3	4.1	4.2	0.5	0.4	1.6	1.4
Other expenditures	**1.5**	**1.6**	**1.4**	**1.7**	**0.5**	**0.5**	**0.5**	**0.6**

Note. Debt service and amortization are included in general services.
Source: MEFDC and the IMF.

B. Actual public spending (in percentage of GDP)

	2001	**2002**	**2003**	**2004**	**2005**	**2006**
General services	**4.3**	**4.4**	**4.8**	**5.0**	**4.7**	**6.6**
Security	**6.6**	**7.0**	**6.6**	**6.3**	**7.1**	**8.0**
Defense	6.2	6.6	6.2	5.8	5.0	5.1
Interior & Public Security	0.5	0.4	0.4	0.4	2.1	2.9
Priority sectors	**5.2**	**5.2**	**5.6**	**5.9**	**6.3**	**9.3**
Education	3.8	3.8	4.3	4.5	5.0	7.1
Health	0.7	0.7	0.6	0.7	0.6	1.1
Agriculture	0.3	0.3	0.3	0.3	0.3	0.3
Infrastructure	0.4	0.4	0.3	0.5	0.4	0.8
Other expenditures	**6.4**	**0.4**	**0.4**	**0.5**	**0.4**	**0.5**

Note. Debt service and amortization are excluded.
Source: Burundi PEMFAR report No. 42160 BI (based on data from MEFDC and the IMF).

Annex 8. List of Supporting Documents

IBRD 33380

BURUNDI

SEPTEMBER 2004