

BUFF/ED/20/127

July 16, 2020

**Statement by Mr. Mahlinza and Mr. Cham on Burundi
Executive Board Meeting
July 20, 2020**

Introduction

1. Our Burundian authorities appreciate the Fund's timely response to their request for debt relief under the Catastrophe Containment and Relief Trust (CCRT). They consider debt relief under the CCRT as critical to creating fiscal space required to tackle the COVID-19 pandemic.
2. Burundi has continued to record positive growth over the last two years, however, the outbreak of the COVID-19 pandemic has severely impacted the outlook. As a result, growth projections for 2020 have been revised downwards by 5.3 percentage points. The contraction in economic activity is underpinned by reduced remittance inflows, lower exports, and economic spillovers from the global and regional environment. The fallout from the pandemic has created sizeable fiscal and external financing needs. Against this background, the authorities request debt service relief under the CCRT in the amount of SDR 17.96 million, to cover debt service to the IMF falling due through to April 13, 2022. The debt relief will free up budgetary resources to address the public health crisis. In parallel, the authorities have submitted a request for emergency financing from the Fund, which is expected to catalyze additional resources from development partners. Further, the authorities have reached out to development partners to seek additional support.
3. To ensure transparent and accountable use of Fund resources, the authorities will undertake an ex-post audit of COVID-19 related spending and publish the results on the government's website within 9 months after the end of the fiscal year.

Impact of the Pandemic

4. The number of infections continues to increase with negative repercussions on various parts of the economy. With the decline in economic activity, the overall fiscal deficit is

expected to widen further to 9.6 percent of GDP in 2020 compared to the pre-crisis projection of 6.1 percent of GDP. In addition, foreign reserves remain under pressure due to declining external demand and remittance inflows. As the level of infections increase, the health system will come under immense pressure.

5. The decline in remittances, due to a slowdown in global economic activity will affect household incomes and worsen already high poverty levels. This underlines the importance of an adequately funded COVID-19 response plan to strengthen the social safety net, preserve lives and livelihoods, while safeguarding past gains made towards economic recovery.

Policy Response to the Pandemic

6. Following the outbreak of the pandemic, the authorities took immediate steps to contain the spread of the virus and mitigate the impact on the economy and vulnerable population. Key measures include implementation of quarantine measures for travellers from affected countries, temporary suspension of the issuance of entry visas and border closures. In addition, a massive testing campaign was conducted alongside measures to strengthen the capacity of laboratories and health facilities. At the same time, the authorities have developed a pandemic response plan that focusses on strengthening the healthcare system and the social safety nets, as well as improving the road network. In this regard, they are intensifying public health education, increasing the screening capacity, and enhancing medical supplies.
7. To meet the additional healthcare needs and support the hard-hit sectors of the economy (transport and hotels), the authorities plan to reprioritize spending under the current year's budget. They have also stepped up efforts to seek additional funding from development partners to meet the costs of the COVID response plan, estimated at US\$150 million.
8. The Central Bank of Burundi (BRB) has continued to pursue accommodative monetary policy through lower interest rates and liquidity injections to boost credit flows to the private sector. The authorities are working closely with banks to encourage targeted and time-bound extension of loan maturities to borrowers in sectors that have been hard-hit by the pandemic. They will also continue to monitor loan performance to protect financial sector stability.

Relations with the Fund

9. The authorities are committed to enhancing relations with all partners to ensure the growth and development of the country. To this end, they are working with both the IMF and the World Bank to address data deficiencies through technical assistance. They continue to consult with staff and look forward to structured policy dialogue under the regular Article IV Consultations. Further, the authorities look forward to further Fund support under the RCF.

Conclusion

10. The authorities remain committed to ensuring medium term macroeconomic stability and look forward to continued Fund support in this respect. They are confident that support from the Fund will catalyze additional resources from development partners to help alleviate strains on the economy and address their urgent balance of payments needs.