DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

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CONFIDENTIAL

July 6, 1984

To: Members of the Executive Board

From: The Acting Secretary

Subject: Burundi - Exchange System

There is attached for the information of the Executive Directors a paper on changes in the exchange system of Burundi. Copies of the circulars referred to in this paper are available in Reference Services (ext. 73351).

Att: (1)

INTERNATIONAL MONETARY FUND

Burundi--Exchange System

Prepared by the African Department and the Exchange and Trade Relations Department

(In Consultation with the Legal Department)

Approved by Oumar B. Makalou and W.A. Beveridge

July 5, 1984

On March 5, 1984 the Bank of the Republic of Burundi issued a series of circulars 1/ in which it modified regulations governing the outward transfers of profits and dividends, earned incomes of foreign nationals, and rental incomes. Effective that date, the following changes were introduced in Burundi's exchange system:

1. Foreign nationals residing and working in Burundi are allowed to transfer abroad up to 30 percent of their net annual income; however, for those foreign nationals who have signed a specific employment contract with the Government of Burundi with a transferability clause and with remunerations totally paid in Burundi francs, the limit is 60 percent of net annual income. Previously, foreign nationals residing and working in Burundi were permitted to transfer up to 60 percent of their net annual income.

2. The outward transfer, by foreign individual or corporate entities, of rental income from new commercial and industrial real estate is permitted up to 50 percent of the total (after tax payments and a deduction of 20 percent for maintenance expenses); the remainder can be transferred later provided that the funds are held in domestic bonds for at least two years. Outward transfers of rental incomes from old buildings and new residential property are allowed in total (after payment of taxes and a deduction of 20 percent for maintenance expenses) after the funds are held, for at least five years, in treasury bonds or bonds issued by local governments, government agencies, or public savings institutions. Transfer of income from rental properties by foreign owners was previously permitted up to 50 percent of net rental income (after payment of taxes and a deduction of 20 percent for maintenance expenses), and the remainder, plus any accrued interest, could be transferred three years later, provided that the funds had been held in domestic bonds.

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1/ Copies of the circulars were obtained by the recent Fund staff mission which visited Bujumbura during May 22-June 6, 1984 to negotiate a financial program.

3. Outward transfer of return on foreign capital and the share and fees allocated to foreign directors may not exceed (i) 40 percent of profits for industrial and agricultural enterprises, and (ii) 30 percent of profits for commercial and service enterprises. Provided that the funds are held on deposit with public financial institutions or in treasury bonds, the remainder can be transferred in later years according to the following schedule: 50 percent after three years, 60 percent after four years and 100 percent after five years. Previously, foreign private companies could freely and immediately transfer abroad, as return on their capital and as the share of such capital allocated to foreign directors, up to 50 percent of the profits for a budget year, net of corporation tax and a tax on capital income. The remainder could be transferred subsequently: 25 percent after two years and the final 25 percent after five years.