

BUFF/08/5

January 17, 2008

The Acting Chair's Summing Up
Burundi—Sixth Review of the Poverty Reduction and Growth Facility Arrangement
and Request for Waivers for Nonobservance of Performance Criteria
Executive Board Meeting 08/4
January 16, 2008

Executive Directors were encouraged by the authorities' commitment to sound macroeconomic policies, and by the outlook for stronger economic growth and reduced inflation in 2008. They welcomed the steps taken by the Burundian authorities since mid-2007 to address critical governance issues, shore up fiscal balances, and improve economic and monetary policy performance, in a difficult post-conflict environment. Looking forward, steadfast policy implementation will be needed to raise investment, sustain higher economic growth, and reduce poverty substantially.

Directors underscored that continued improvement in revenue performance coupled with careful management of expectations for a peace dividend, especially in the public sector, will contribute importantly to strengthening Burundi's fiscal position. They agreed that enhanced public financial management, incorporating effective financial controls, will be essential for ensuring fiscal integrity. Directors welcomed the authorities' commitment to strengthening expenditure management, in particular, administration of the wage bill, and shifting expenditure towards social services and infrastructure needs.

Directors were encouraged by improvements in the governance and efficiency of the central bank, and underlined the importance of enhancing its independence and accountability under the new central bank charter, in line with international best practice. They welcomed the progressive strengthening of central bank operations and its adoption of a proactive monetary policy stance. In this regard, Directors noted that reinforced cooperation between the central bank and the Ministry of Finance on liquidity forecasting would add to the effectiveness of monetary policy. They underscored the value of ongoing work to bolster the banking system by improving supervision and raising bank capitalization norms.

Directors stressed the importance of accelerating the structural reform process, including through privatization, in key productive sectors of the economy, especially the coffee sector, and of improving the investment climate. They observed that a more supportive business environment, alongside with privatization initiatives, could contribute to attracting private investment and spurring economic growth. The increasing frequency of poor coffee harvests, reflecting weak investment and poor producer incentives, underscores the importance of such efforts.

Directors noted that Burundi is in debt distress and that progress toward the HIPC completion point has been slower than envisaged. They called on the authorities to improve their debt-service payment procedures to avoid external arrears. Directors urged the authorities to accelerate efforts to meet the HIPC completion point triggers and avoid recourse to any borrowing that is not highly concessional.

Directors encouraged the authorities to strengthen implementation of Fund-provided TA recommendations on a timely basis and pursue efforts to improve the quality of national statistics.

Directors welcomed the Burundian authorities' interest in a successor arrangement.