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To: Members of the Executive Board

From: The Secretary

Subject: Burundi - Medium-Term Economic and Financial Policy
Framework, 1988-90

Attached for consideration by the Executive Directors is the policy framework paper under the structural adjustment facility for Burundi which, together with Burundi's request for a second annual arrangement under the structural adjustment facility (EBS/88/76, 4/4/88), is tentatively scheduled for discussion on Monday, May 2, 1988.

Mr. Diogo (ext. 6521) or Mrs. Devaux (ext. 6519) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

BURUNDI

Structural Adjustment Facility

Medium-Term Economic and Financial Policy Framework, 1988-90

Prepared by the Burundi authorities in collaboration with
the staff of the Fund and the World Bank

April 27, 1988

I. Introduction

1. This is the second medium-term economic and financial policy framework paper (PFP) prepared by the Government of Burundi (GOB) in collaboration with the staffs of the International Monetary Fund and the World Bank. It reviews the progress made under the first year of the initial PFP and outlines the Government's objectives and program for the 1988-90 period.

2. The first PFP, covering the period July 1, 1986-June 30, 1989, described the structural adjustment program that the Government of Burundi began implementing in 1986 with the support of the World Bank's first structural adjustment loan (SAL) and purchases from the newly established structural adjustment facility (SAF) of the Fund. The program included a wide-range of policy measures aimed at laying the basis for a sustained economic growth in the medium and long-term, while attaining a viable external financial position. It comprised the adoption of a flexible exchange rate policy and prudent fiscal and monetary policies, reform of the incentive system, and improvement in public resources management.

3. Overall, policy performance during the first year of the PFP has been in line with the program objectives. The program had a number of positive effects, notably in reorienting economic activities towards exports and in increasing domestic competition. On the financial front, however, the results were weaker than anticipated, mainly because coffee export revenues were much lower than expected. Not only were average realized coffee export prices lower than initially estimated, but because of transport and marketing problems, Burundi failed to profit from an exceptional year of high world market prices and the absence of quotas by not exporting all of its coffee production.

4. The present PFP reaffirms the GOB's commitment to strengthening its external financial position and to laying the foundations for a sustained growth in the medium term, with more reliance on market forces and a more outward orientation. The policy program builds on the measures initiated in 1986 but incorporates additional measures as required by the deterioration of the country's medium-term outlook, following the downturn in the international coffee market. Export prices for coffee are estimated to have declined from SDR 3.2/kg in 1986 to SDR 1.8/kg in 1987, leading to a deterioration in Burundi's terms of trade of about 40 percent (in SDR terms)--more than twice the fall anticipated in the initial PFP. As this deterioration is not expected to be reversed in the medium-term, the Government has revised its initial quantitative objectives and has adopted a series of measures to ensure that the revised objectives are attained.

II. The First-Year SAF Program: Objectives and Performance

5. The Government's objectives for the 1986-89 period (as included in the first PFP) were to achieve a real GDP growth rate of at least 4 percent per annum, while avoiding inflationary pressures and improving the balance of payments position. In particular, the authorities aimed at reducing the external debt service ratio from 23 percent of exports in 1985 to about 18.5 percent by 1989 and increasing the net official foreign assets to the equivalent of at least three months of imports starting from 1986. This improvement required that the external current account deficit (excluding transfers) be limited to 10.1 percent of GDP in 1986 and 12.6 percent in 1987-89. In public finance, the objective was to contain the overall budget deficit (on a commitment basis and excluding grants) to 4.1 percent of GDP in 1986, to 6.4 percent in 1987, and to a level compatible with the balance of payments objectives in subsequent years.

6. The strategy underlying the Government's economic program is based on promoting private sector activities, favoring export diversification to reduce dependence on coffee, and managing public sector resources more efficiently. To this end, the authorities are committed to improve the environment in which private enterprises operate, to facilitate the influx of private capital by offering adequate guarantees, to provide the private sector with an increasing share of domestic credit, and to maintain a flexible exchange rate policy. The Government also aims to rehabilitate the most important parastatals, to improve public sector management, and to promote decentralization of economic decision-making process.

A. Reforms in Place

7. In order to implement the above strategy, a coherent set of policies was put in place.¹ In the external sector, the Government undertook to correct the appreciation of the Burundi franc since 1980, and to avoid subsequent appreciation of the real effective exchange rate. Between July 1986 and mid-March 1987, the Burundi franc was devalued by 24 percent in foreign currency terms against the SDR to which it is pegged, and the real effective exchange rate reached a level that was considered broadly appropriate in the 1980 base year. Moreover, in order to stimulate foreign private investment, the limits imposed in 1984 on transfers of foreigner's income (salaries, dividends and profits) were raised. In order to improve the efficiency of its industrial sector and promote development of internationally competitive activities, the Government undertook a comprehensive import liberalization program. Most quantitative restrictions were eliminated and replaced by tariffs (with the exception of three groups of locally-manufactured products, namely cotton textiles, glass bottles, and pharmaceuticals) and import licensing became automatic, except for a group of luxury goods. The decree regulating importers was also revised to eliminate the provisions which led to monopolization. In order to further reduce the anti-export bias of the trade regime, taxes on manufacturing exports were eliminated.

1/ The reforms in place are highlighted in the new policy matrix accompanying this PFP (Attachment I).

8. In the area of external debt management, the Government decided to use external borrowing only on concessional terms, and created an interministerial committee with the mandate of monitoring Burundi's external debt and providing advice on new debt contracting.

9. In order to increase the confidence of private investors and encourage activities in line with the country's factor endowment, the incentive structure was substantially modified. The authorities implemented an important tariff reform with the aim of reducing the high rates of effective protection enjoyed by many import-intensive industries and providing a more uniform rate of protection for production of intermediate goods based on domestic resources. To this end, the number of duty rates was reduced from 57 to 5 and their range narrowed to 15-50 percent (except for luxury goods, which are taxed at 100 percent). The Investment Code was also revised in order to favor investments with relatively high rates of return and eliminate the previous anti-labor bias. Most of the price controls have been abandoned, and firms and importers are now free to set retail prices in light of market-related factors. The producer prices for coffee and tea, which had declined in real terms in the preceding few years, were also increased by more than the local inflation, thereby improving producers' purchasing power. Furthermore, in an effort to mobilize domestic savings and encourage an efficient utilization of credit, interest rates were raised to real positive levels.

10. As part of the effort to improve public resource management, the Government embarked on the preparation of the first three-year Public Expenditure Program (PEP) for 1987-89, which will become a rolling program to be revised each year in the light of project implementation and availability of external and domestic resources. In the public enterprise sector, a comprehensive reform program was initiated. Four loss-making enterprises were closed down, and a Service in Charge of Public Enterprises (SCEP) was created to supervise the activities of the sector and oversee the rehabilitation programs which are being prepared with assistance from the World Bank. The SCEP started preparing rehabilitation programs for five enterprises: CADEBU (public savings institution), OTRACO and OTRABU (transport agencies), ONAPHA (pharmaceuticals), and VERRUNDI (glass products). Along with the tariff reform, additional fiscal measures adopted by the Government included a reform in the transaction tax -- from a "cascade tax" to a single stage sales tax, at a higher rate, levied on production and imports.

B. Impact of the Program.

11. The economic impact of the program has been felt in several areas and it has been, by and large, positive. There are indications that it has led to increasing domestic competition; encouraged export-oriented activities; helped in maintaining broad financial discipline; and improved the competitiveness of Burundi's exports. Faced with increased competition, firms are now looking for cheaper sources of imports (notably in the regional market) and showing an interest in exports. This positive development in the export front, which began in early 1986, benefitted from increased regional economic cooperation (in the context of PTA) and led to a doubling of manufactured exports in 1986. At the same time, the currency adjustment, together with price liberalization, has contributed to containing the growth of merchandise imports.

12. GDP growth (at market prices) in 1986 is estimated at about 4.4 percent, due to good agricultural performance as well as expansion of manufacturing and construction activities. Private investment has responded more slowly than expected partly because of the significant increase in interest rates (on loans). For most of the program period, these were quite high in real terms due to a lower-than-expected inflation rate. A favorable agricultural output and reduced trader margins (a consequence of the liberalization measures) helped to limit the inflation rate to about 2 percent. In 1987, GDP growth (at factor cost) reached 4.7 percent. However, due to the severe decline of budget revenues from coffee, the growth of GDP at market prices was limited to 1.7 percent. Domestic inflation rose to 7 percent on an annual basis.

13. In 1986, the overall financial position of the central government also improved in relation to 1985. The budget deficit (on a commitment basis and excluding grants) declined from 7.5 percent of GDP in 1985 to 6.5 percent in 1986; and the external current account deficit (excluding public transfers and on the basis of a constant real effective exchange rate) was reduced from 11.2 percent of GDP to 10.2 percent. This improvement was, however, less important than that envisaged under the PFP mainly because developments in the coffee sector were less favorable than anticipated. Both the coffee export volume and the average realized price fell short of the program estimates by 18 percent. The combined result of these factors was a shortfall of about SDR 49 million (or 31 percent) in programmed export earnings. Despite a lower-than-programmed level of imports, the external current account deficit was contained at 10.2 percent of GDP, compared with the 10.1 percent anticipated. Since medium- and long-term loan disbursements were also below the program estimates, the overall balance of payment surplus was SDR 43.7 million below the program's target (SDR 57.9 million). Net official foreign assets rose from the equivalent of 1.3 months of imports at end-1985 to 2.2 months at end-1986, in contrast to the anticipated level of at least three months. Furthermore, the debt service ratio² rose to 26.1 percent, compared with 16.3 percent programmed, an increase which reflects the weaker export performance rather than an increase in short-term debt.

14. In 1987, the serious deterioration in the terms of trade, combined with a weaker demand management policy, led to a deterioration in the external position. Despite a substantial increase in net foreign aid borrowing (almost 60 percent), the overall deficit of the balance of payments reached about SDR 7 million, and net foreign reserves fell to 1.8 months of import equivalent, compared with 2.2 months at end-1986. The overall deficit of the central government operations (on a commitment basis and excluding foreign grants) increased to 12.8 percent of GDP as the coffee-induced shortfall in revenues was too large to be offset by either an increase in non-coffee revenue or a reduction in total expenditure and net lending. As for the first annual SAF supported program ended June 30, considering the low coffee prices in 1987 (para. 4), the overall deficit at end-June 1987 reached 6.3 percent of GDP compared with a 2.5 percent

2/ As a proportion of exports of goods and non-factor services and private transfers.

surplus programmed. The unexpected size of these deficits led to increased recourse to central bank financing instead of the programmed reduction in the Government's indebtedness to the banking system. In addition, the Government accumulated domestic areas amounting to FBu 2.7 billion for the year as a whole. ³

15. The program's goal to increase private financial savings and expand credit to the economy was also not achieved. On the deposit side, the high level in interest rates, combined with the excess of liquidity faced by most banks, discouraged them from accepting new term deposits. The increase in credit to the economy during the first period of the program was also lower than anticipated, which explains partly the lower-than expected investment growth.

16. In summary, diversions from the program objectives resulted from the cascading effects of the coffee revenue shortfall which the Government was unable to adjust. As both the export volume and realized price were lower than anticipated, the objectives retained for the balance of payments, public finance, and the monetary sector were not reached. In most of the remaining policy areas, performance was in line with the program.

III. Medium-Term Objectives and Policies

A. Growth Potential and Constraints

17. Burundi has a long-run development potential based on the strength of its relatively good agricultural resources, favorable climate, adequate physical infrastructure (transport and energy), a relatively developed financial system, good trade prospects with neighboring African countries, and a hard-working population. Exploiting that potential, however, will be a long-term process. Burundi has the second highest demographic density in Africa, and, as the Government is aware, in the absence of an effective population policy, demographic growth will accelerate from the present 3 percent annual rate to 3.3 percent in the next two decades: total population (4.8 million in 1986) would reach about 12 million by 2015 and would double in another twenty years. Such growth, a clear threat to a rapid improvement in per capita income and consumption, will also hinder the Government's capacity to finance appropriate social programs to improve living conditions and the development potential of its human resources. So far, the agricultural sector has been able to cope with increasing population pressure, and average caloric intake has remained adequate. Whether this can continue in the future is uncertain, given the increasing intensification of land use, depletion of forest resources, and decline in soil fertility, in the absence of higher use of cash inputs and improved varieties. The authorities have adopted a policy of containing demographic growth which includes provision of family planning services through Maternal and Child Care Programs. In addition, to promote employment generation and local entrepreneurship, the Government is committed to promote private sector participation in non-traditional activities by means of reviewing administrative procedures and direct incentives.

3/ Including FBu 0.4 billion in arrears on domestic amortization.

18. The long-run development of Burundi will depend, in addition to the population growth policy, on the effective implementation of policy actions aimed at: (a) strengthening agricultural services; (b) improving the functioning of the labor market with the objective to accelerate employment generation and to stimulate the creation of small and medium enterprises; (c) effective management of natural resources (e.g., forestry) to avoid the depletion which is unavoidable at the present rates of population growth and fuelwood consumption; (d) improving the country's human resources through expanded education and health services, taking into account the financial constraints and the potential for additional cost recovery; and (e) creating a favorable environment for private investment. In many of these areas, Government has initiated programs with the assistance of the World Bank and other donors.

B. Objectives and Strategy

19. The Government continues to be committed to both the growth strategy and the structural policies contained in the first PFP. The objectives have, however, been revised in the face of the weaker outlook for coffee prices and are significantly dependent on aid prospects as well as on the adjustment program. The Government has prepared two scenarios: a base scenario, built on most likely levels of aid and an alternative scenario which includes additional funding being requested from donors under the Special Program of Assistance for the low-income debt-distressed countries in Sub-Saharan Africa. The objectives of the alternative scenario based on additional financial resources include the following: (i) achieving a real average GDP growth rate of 5 percent per year during the 1988-91 period to ensure some real growth in per capita incomes and private consumption; (ii) reducing the inflation rate from 7.1 percent in 1987 (partly as a result of the cumulative devaluation) to about 3.5 percent by 1991 (5 percent in the initial PFP); (iii) improving the balance of payments position in line with the objective of reducing the external debt service ratio from 44 percent in 1987 to about 30 percent in 1991 (18 percent in the initial PFP) and a buildup of net international reserves to the equivalent of four months of imports starting in 1988; (iv) limiting the overall budget deficit (on a commitment basis and excluding grants) to 5 percent by 1991; and (v) limiting expansion of domestic credit in line with the balance of payment objectives. To achieve these objectives, the policy reforms initiated during the first year of the SAF will be expanded and strengthened, particularly those concerning pricing policies, export incentives, public resource management, and the financial sector.

20. In the agricultural sector, growth (projected at an average rate of 3.3 percent) is expected to come from continuing expansion of traditional export crops (coffee, tea), as well as food crops. This would be achieved through an improvement in the support services to farmers, especially the availability of improved seed varieties, fertilizers and other cash inputs, which will enable higher productivity levels in the sector. The growth of the manufacturing sector (which has decelerated from 14 percent a year during 1978-81 to 6 percent in 1982-86) is expected to average 10 percent, as a result of the improved availability of foreign exchange for imports of inputs, spare parts and equipment, and the implementation of the incentive measures put in place at the start of the program. There is a good potential to increase non-traditional exports

such as construction materials, textiles, and some metallic products towards neighboring countries (e.g., Kenya, Zaire, Uganda, and Rwanda) and to the Preferential Trade Arrangement Zone (comprising 15 Eastern African countries). The construction sector would also grow significantly, in line with the projected increase in investment. Total investment is expected to average about 20 percent of GDP during 1988-91, compared with 15 percent during 1984-87, agriculture and industry having the highest share. Given the Government's commitment to follow prudent policies and avoid recourse to domestic bank financing, the private sector is expected to increase its participation in total investment. Public investment (including public enterprises) is projected to average 14 percent of GDP between 1988-90, while private investment rises from 2.4 percent of GDP in 1987 to 4.0 percent in 1991. With the deterioration in coffee revenues experienced in 1987, and the difficulty to compensate it totally with other revenues in the short run, the savings-investment balance of the public sector is expected to improve slowly, thus requiring a continued participation of foreign financing in the public investment program.

21. On the basis of current estimates of the most likely levels of external financial assistance (see paras. 46 and 47), it is uncertain that the Government objectives under the alternative scenario as described in para. 19 could be achieved. The estimated resource availability under that scenario would allow an average growth of real GDP of about 4 percent during the 1988-90 period. Given the estimated population growth, this would result in a modest increase of per capita income and per capita private consumption. Attaining the Government objective of an annual GDP growth 5 percent and a faster increase in per capita consumption in real terms would require higher levels of concessional external aid, as will be discussed in Section V. This additional financing would help to achieve a higher growth of investment (5 percent a year against 2 percent in the absence of additional resources) as well as of imports of intermediate and capital goods. A higher GDP growth rate during the program period would also make it possible to attain higher sustained growth rates in the later years (estimated at 5 percent a year between 1991-95). The policy measures envisaged by the Government are consistent with its growth objective during 1988-90: they are highlighted below and specified in Appendix I. The Government is, however, prepared to reinforce the ongoing measures and to take additional actions as required by new economic conditions.

C. Policy Measures to be Taken

C.1. External Sector Policies

22. The Government will continue to pursue an appropriate exchange rate policy that will help achieve a structural improvement in the balance of payments over the medium term. To limit and offset the impact of the projected deterioration in the external terms of trade, the authorities will undertake discrete and periodic adjustments of the exchange rate, as in the past, taking into account the developments in the net foreign assets, relative to the program's objectives and the trends in the real effective exchange rate. As part of this process, the Burundi franc was depreciated by 10 percent on February 1988, which more than offset the real appreciation that occurred since March 1987.

23. The Government will proceed with the import and exchange controls liberalization launched in 1986. The remaining quantitative restrictions on luxury products will be removed and replaced by customs duties during 1988. The restrictions on imports competing with domestic infant industries, namely the products of VERRUNDI (glass bottles), COTEBU (textiles) and ONAPHA (pharmaceuticals), will be eliminated as a result of the rehabilitation program of these public enterprises (para. 7), the objective being to complete the liberalization process by August 1990. To encourage foreign private investment, the present limits on foreign remittances will be kept under review. Moreover, the requirement that foreigners make a deposit of FBU 10 million to qualify as importers, will be waived if they have invested in productive activities. The Government recognizes that in the past labor policies were discretionary and unfavorable both to foreign and local entrepreneurs. It endeavors now to re-examine these policies with the objective to protect Burundian citizens as well as the fundamental rights of foreigners. The foreign investors which work within the Burundian Labor Law will continue to be allowed to hire expatriates, and will be eligible to receive the same guarantees available to the national entrepreneurs provided that they contribute to the training of national technicians and high-level staff. These measures will be reviewed and implemented during 1988, in the context of the proposed World's Bank second structural credit (SAL II).

24. Although Burundi's external debt service ratio is projected to decline from 44 percent in 1987 to 30 percent by 1991, it will remain a significant burden constraining development. However, the country's debt structure does not lend itself to a classic type of rescheduling: 41 percent of the debt service due in 1987 is owed to preferred creditors and is not eligible for rescheduling. Debt service owed to Paris Club countries represents only 26 percent of the total. Moreover, the average terms of Burundi's outstanding debt are rather favorable -- 1.5 percent interest rate, 38 years maturity, 9 years of grace period, which corresponds to a 72 percent of grant element. Because of these factors, Burundi does not plan to reschedule its debt at the current Paris Club terms. While reinforcing its structural adjustment policy, Burundi would like to benefit from increased financial aid on highly concessional terms from its traditional bilateral donors.

25. The recently established external debt committee has played a useful role in debt monitoring. Debt statistics, which are prepared by different sources and lack centralization, are being improved with technical assistance from UNCTAD. Moreover, in order to ensure a better coordination and monitoring of the debt strategy, the Government will strengthen the supervision and management capabilities of the current Committee.

C.2. Management of Public Expenditures and Public Enterprises

26. The Government has prepared a core public investment program for the period 1987-89 which has been reviewed with the World Bank. The program was prepared in the Fall of 1986 and was compatible with the available resources, as estimated at that time. It appropriately focuses on projects in agriculture (34 percent) and on investments in the transportation system (21 percent). The weakening of Burundi's financial

prospects has created some uncertainties about the Government's ability to generate the budgetary counterpart funds required to execute the program as envisaged. The Government will review the program with World Bank assistance, giving priority to ongoing viable projects and to new projects that are likely to have a rapid impact on Burundi's exports, and ensuring that its level is compatible with the availability of concessional foreign aid and of domestic fiscal resources. The Government will also prepare, in collaboration with the World Bank, a Public Expenditure Program (PEP) for the period 1989-91. This program, which will include both current expenditures (including those financed by special funds and those associated with public investment program) and capital outlays irrespective of sources of financing, will provide the basis for the preparation of a consolidated budget, as a working document, beginning in 1989.

27. Concerning the public enterprise sector, the Government will implement the rehabilitation programs already prepared. The rehabilitation programs for ten other enterprises will be prepared according to the following schedule: REGIDESO (the power utility) and three parastatals in charge of importing consumer goods and construction materials, by mid-1988; COTEBU, Minoterie de Muramvya (Flour Mill), and the dairy factory, by end-1988; and ONL/SIP (housing), ONATEL (telecommunications) and Hotels, in 1989. Particular attention will be given to the coffee marketing agency (BCC), in view of the problems mentioned earlier (para.3) and taking into account the dominant role that coffee exports will continue to play in Burundi's economic and financial situation. In order to improve BCC's efficiency, urgent measures will be taken so as to: (i) ensure rapid and reliable transport of the coffee to the shipping ports, such as the utilization of wagons-blocs on the Tanzania Railway Company and strengthening of the BCC office in Dar-es-Salaam; (ii) equip BCC with an information system to allow it to follow systematically the developments in world coffee prices; (iii) strengthen its managerial capacity, with assistance from the main donors; and (iv) undertake the necessary investments to improve the coffee classification system, which will permit Burundian coffee to be sold at the best possible price in the world market. In the context of the SAL II, the Government will examine the opportunity of including the private sector in the coffee export activities.

C.3. Production and Investment Incentives

28. The Government expects that the rehabilitation of VERRUNDI and, to the extent possible, that of ONAPHA will contribute to increasing non-traditional exports, and that the new incentive structure in place will continue to encourage existing enterprises to sell to neighboring countries as well as promote export-oriented investments. In this connection, the drawback scheme will be simplified to ease its application, and actions will be taken to improve the capacity of the Chamber of Commerce to assist potential or current exporters in areas such as marketing and quality control. At the same time, the authorities will simplify the formalities applying to travel by exporters overseas and allow marketing-related expenses to be deducted from the taxed profits.

29. The Government expects that the Guarantee Fund to be set up for the benefit of small- and medium-scale enterprises will provide additional incentives for production of manufactured goods both for local market and

export. With assistance from the World Bank, the Government will ensure that the Guarantee Fund will be adequately managed and that the projects eligible for Fund support will be economically sound. Moreover, the IDA-financed Small and Medium Enterprises Project will support Government's efforts to develop this sector, notably by: (a) helping to promote the development of Burundian entrepreneurs through entrepreneurship development programs and technical assistance to enterprises; (b) introducing the participation of financial intermediaries other than the National Development Bank in SME financing and strengthening their appraisal and supervision capabilities; and (c) decentralizing economic activities by using the network of commercial banks' regional offices. The Government will also develop a program to assist potential investors to prepare projects and applications for bank financing. Incentives for foreign investors were mentioned in para. 23.

30. The authorities will continue the policy of market-determined prices. As regards petroleum prices and parastatal tariffs, the authorities will ensure that prices reflect actual costs. In early 1988, the price structure for petroleum products was revised to take into account the evolution of import costs associated with changes in world market prices and the exchange rate adjustment. The tariffs for water, electricity and transportation will be kept under periodic review and adjusted on a timely basis to ensure financial viability of the corresponding parastatals.

31. To stimulate growth and investment in agriculture, the Government will take the following measures: (i) strengthen the agricultural services; (ii) review its agricultural research policy so as to make it more responsive to the farmer needs and more adapted to the characteristics of the small holding production systems; (iii) revise the policy concerning agricultural inputs (fertilizers and pesticides) in order to encourage increased competition and greater participation of the private sector in their distribution; (iv) carry out a well-designed program of fertilizer trials as a basis to transmit the lessons learned to farmers; and (v) encourage marketing of foodcrops by revising current regulations on specialization of traders and examining the structure of communal taxes. The Government will also continue its policy of non-intervention in the pricing and marketing of foodcrops.

32. For the main export crops (coffee, tea, and cotton), given the uncertainty that characterizes the international markets for them, the Government will take the necessary measures to improve the efficiency of the sub-sectors and reduce operating costs, while trying to maintain adequate production incentives. Particular attention will be given to the mechanism for setting producer prices for coffee. The present system determines ex ante prices to be paid to each of the intermediaries involved in coffee marketing from the farm gate to export markets. The Government retains the difference between the estimated total costs and the realized export price that is apportioned between the Stabilization Fund and the government budget. The Government will ensure that: (i) to the extent possible, producer prices will assure adequate incentives for expanding and improving the quality of coffee, taking into account the conditions in the external markets, and provided that the financial position of the sector is not jeopardized; and (ii) the pricing mechanism is flexible and efficient

so as to reduce handling costs and increase budgetary revenue. Moreover, the recommendations of the coffee sub-sector study, recently prepared by the CCCE (Caisse Centrale de Cooperation Economique), will be used for improving the existing coffee pricing mechanism. Further actions to improve the flexibility of the pricing system will be prepared with assistance of the World Bank.

C.4. Fiscal Policies

33. Over the medium term, the Government's fiscal policies will continue to aim at reducing the overall deficit to avoid inflationary pressures and to improve the balance of payments position. The objective would be to lower the ratio of the overall central government deficit (on a commitment basis and excluding grants) to GDP to 5 percent by 1991. To achieve this goal on a sustained basis, the Government will: (i) identify alternative revenue sources that will shield total government revenue from the fluctuations in the world coffee export market, and (ii) study the possibility of establishing a revenue stabilization mechanism.

34. Measures will be adopted to progressively raise non-coffee revenue by the equivalent of two percent of GDP between 1988-1991. To this end, the Government has reviewed the tax system, with technical assistance from the IMF, in order to make it more elastic and easier to administer. The revisions aim, in particular, at: (i) broadening the transaction tax base by, *inter alia*, extending its coverage to services, defining the turnover limit above which activities will be taxed, applying the tax to the import gate, limiting the exemptions, and implementing a system of deductions to eliminate the cascade effect still existing in some cases; (ii) ensuring that the revenue from the beer tax does not fall below the average level of the past three years and, if needed, re-adjust the transaction tax on beer; in this connection, the beer company will be allowed to freely set the sale price of beer; (iii) pursuing the tariff reform put in place in 1986; undertake a study on the possibility of replacing the high custom duties on luxury goods by excise taxes, strengthen the import valuation process and the monitoring of exemptions from import duties; and (iv) rationalizing the income tax system by simplifying the deduction scheme and reducing the number of brackets. The administrative procedures will be reinforced to minimize fiscal fraud and accelerate tax recovery. The authorities will explore the possibility of computerizing the Customs Department's records. This would help to improve not only collection and clearance procedures, but also information on taxpayers and cross-checking between customs entries, sales-tax returns, and income-tax returns.

35. The Government will continue a prudent spending policy consistent with the need to reduce the overall fiscal deficit, thus limiting recourse to bank financing and avoiding the accumulation of new domestic arrears; meet the debt service obligations; and generate local counterpart funds for public investment financing. With this objective, the Government is prepared to adjust the global level of expenditure and net lending in line with any shortfall in government revenue and to strengthen budget management. In the context of the Public Expenditure Program, and in collaboration with the World Bank and the IMF, the authorities will review the major current expenditure components to ensure that their level and growth is compatible with the trends in government revenue and that

budgetary resources are allocated according to pre-determined priorities. In particular, the Government will analyze the rising trends in the wage bill due to increases in the civil service force and seek ways to contain it at appropriate levels. More selective recruitment policies will be put in place based on technical qualifications. The practical procedures to be put in place will be defined and implemented in the context of the second SAL. Capital expenditures and net lending will be in line with the objectives retained for the PEP.

C.5. Monetary and Credit Policies

36. Monetary growth will be kept in line with the objectives set for the balance of payments and internal price stability. In this context, Government's recourse to bank credit will be reduced over the program period so that adequate credit can be allocated to the private sector. Moreover, the program includes several measures to improve the efficiency of the financial sector and its role in promoting economic activities and in mobilizing domestic savings. A new interest rate policy will be adopted to encourage domestic financial savings, improve credit allocation, and ensure the attainment of the balance of payment objectives in the context of trade and foreign exchange liberalization. The central bank rediscount rate will be adjusted regularly in order to promote real interest rates on deposits with a view to allowing all other interest rates to be market-determined during 1988. To encourage the banks to accept term deposits in a situation of excessive liquidity, the Government has already approved the issue of Treasury bills through the Central Bank; their interest rates will be determined by an open auction system. In order to increase competition between banks and the stability of their deposits, public enterprises will be allowed to reduce their deposits with the Central Bank and to invest their excess liquidity in more profitable financial assets.

37. In recent years, the Central Bank's ability to control monetary and credit aggregates has been limited in spite of an array of credit control instruments at its disposal. This situation has been due mainly to the large financing needs of the budget. The Government has conducted a comprehensive review of the operations of the banking system with a view to strengthening monetary and credit controls. The review addresses in particular the possible simplification of existing credit control mechanisms, the establishment of limits to the global credit to be rediscounted with the Central Bank, and the introduction of new and more effective liquidity control instruments such as compulsory reserves.

38. To reinforce the role of supervisory agencies, the Department of Supervision of the Central Bank has been strengthened, and all financial institutions will be audited annually. The cost structure of the banks will be reviewed in order to identify possible measures to increase their efficiency. The Government will ensure the continuing good management of the financial institutions, notably through the strengthening of professional training programs.

39. The Government will try to stimulate the mobilization of domestic savings, especially in the rural sector, by improving access to savings institutions and strengthening the security of savings deposits. To these ends, the Government will strengthen and progressively expand the savings

and credit cooperatives network that operates in the rural areas, assure adequate management and control, and grant them the legal and financial status applied to other financial institutions. Special attention will be given to CADEBU, the main savings institution, in order to improve its difficult financial and managerial situation.

IV. Social Dimensions of the Program

40. The social implications of the Government's program during its first year were clearly positive, especially in two areas: (i) the increase in producer prices (28 percent for coffee and 13 percent for tea) resulted in a shift of incomes to the rural sector (where the poorest and most vulnerable groups are concentrated); and (ii) the urban population benefited from the trade liberalization measures, as the profit margins previously allowed for by the monopoly situation of major importers and traders were reduced, therefore offsetting the effect of the exchange rate adjustment in the retail prices of essential imported goods. In some cases (e.g., sugar, cement) the prices declined. In addition, the program did not call for any reduction in the number of civil servants: only a slow-down in the growth of public employment and wage bill. No food subsidies were in place. Moreover, in the context of a more rational allocation of public resources, higher priority is being given to social sectors such as education, health and family planning, which in the long run will have the greatest impact on the welfare of the population at large.

41. In the medium term, the program is expected to have a positive social impact on both the urban and rural population by promoting more labor intensive investments, improving agricultural productivity, and, in general, making it possible to achieve higher levels of per capita consumption and income. The Government is, however, aware that in the face of the deterioration in the external sector, tighter monetary and fiscal policies will be necessary in the short-run, which may lead to social costs. For example, the Government's fiscal policies call for a strict control of the size of the civil service and the level of public investment, which in the past provided a main source of employment. The exchange rate policy may also lead to higher prices of imported consumer goods, thereby reducing the purchasing power of the public servants. Moreover, unemployment may increase as a result of lags in supply responses.

42. In this context, Government intends to shelter (in the context of the PEP) the resources allocated to social sectors such as education -- with emphasis on primary education (with the objective of attaining universal primary education in the shortest period compatible with the Government's financial situation and the level of external debt) -- and assure the effective use of budget resources for health coverage, focusing on primary services for the rural population and Mother and Child Health Programs. In addition, many of the programs being prepared (some with IDA assistance) will have a positive impact on the poor segment of the population, notably those aimed at improving agricultural productivity, facilitating the access of small entrepreneurs to credit, supporting activities and promoting employment in secondary centers, liberalizing the labor market, favoring development of the informal sector, and strengthening the role of rural credit cooperatives.

43. Moreover, the authorities are eager to strengthen their capability to integrate the social dimension in the design of future structural adjustment programs. With assistance from the World Bank and UNDP, efforts will be made beginning in 1988 to (i) develop and maintain adequate statistical data to assess socio-economic conditions of different population groups affected by the adjustment process; (ii) carry out studies on the socio-economic implications of structural adjustment (the terms of reference of which will be prepared by the Government in consultation with the World Bank); and (iii) identify and design poverty alleviation programs to be implemented in conjunction with structural adjustment programs. As a preliminary step, an assessment of data availability is being carried out, and the 1980 household survey is being updated for a small number of households in order to provide a better understanding of the most vulnerable groups in the country.

V. External Assistance Requirements

44. The initial PFP anticipated that Burundi would need to mobilize about SDR 95 million in net capital inflows annually in order to finance its current account deficit and build up adequate external reserves during the period 1986-89. Net inflows from the existing pipeline were estimated to average SDR 45 million annually; after taking into account net lending from the IDA (including SAL I) and the IMF (SAF), SDR 33.5 million remained to be mobilized annually from major bilateral and multilateral sources. In 1986, net medium and long term disbursements reached SDR 57 million and gross disbursements SDR 75 million: SDR 36 million from IDA (of which SDR 14 million under SAL I); and SDR 24 million and 15 million from other multilateral and bilateral institutions, respectively. In addition, disbursements of the IMF SAF represented SDR 8.5 million. Net disbursements in 1987 are estimated at SDR 91 million, equivalent to gross disbursements of SDR 114 million, of which SDR 39 million from IDA and SFA (SDR 21 million of it from SAL I), SDR 48 million from multilateral sources, and SDR 27 million from bilateral sources.

45. As mentioned before, Burundi's balance of payments is likely to remain under severe pressure over the medium term. Following the decline in coffee prices in 1987, export earnings declined by 31 percent (in SDR terms) in relation to 1986. Although export earnings are estimated to grow at an annual rate of 6.7 percent in real terms between 1988-1991 (assuming rising coffee output and expansion of non-traditional exports, as incentives to produce and export are strengthened), the 40 percent deterioration in the terms of trade in 1987 is not likely to be reversed. Moreover, despite a prudent borrowing policy and average favorable terms, Burundi's debt service burden will remain high throughout the program period. In this context, and given the need to finance the necessary imports, Burundi will need to rely on its major donors for increased concessional aid, even beyond the period covered by the SAF, in order to be able to sustain economic growth and meet its debt service obligations. The program is geared at progressively reducing this reliance and will form the basis for returning to balance of payments viability by mid-1990s.

46. In the base scenario (para. 21), merchandise imports are estimated as growing at 4.1 percent per year in real terms during 1989-91, a level which is consistent with the present projections of available external aid,

and would enable an average GDP growth to about 4 percent, slightly above the projected population growth. Taking into account the continuation of a liberal trade and exchange regime, the external current account deficit (including public transfers) under the same scenario is estimated to fall from 13 percent of GDP in 1987 to 9.9 percent in 1991 (in terms of constant effective exchange rate). To finance the external current account deficits, to meet amortization payments, and build up gross official international reserves to a level equivalent to four months imports in 1990 (equivalent to 2.4 months of net reserves), financing needs are estimated at some SDR 196 million annually during the period 1988-1990.

47. Between 1988 and 1990, drawings on foreign loans and grants are projected to average SDR 190 million annually (SDR 110 million in loans and SDR 80 million of grants) compared with an annual average of SDR 164 million a year in 1984-87. Medium- and long-term loan disbursements from existing commitments would average SDR 47 million per year. An annual average of SDR 64 million in additional disbursements is expected from new commitments from concessional sources⁴ (see Attachment III), in support of Government's adjustment effort. Of this amount, the disbursements under possible new commitments from IDA are estimated at SDR 43 million a year, assuming one quick disbursing IDA adjustment operation every two years.

48. Under the Government's alternative medium-term scenario (para. 19), which assumes a higher GDP growth averaging 5 percent a year, supported by higher levels of investment and imports, and a more rapid accumulation of net foreign reserves (to reach 4 months of import equivalent beginning in 1988), the required additional concessional external financing would amount to about SDR 64 million during the program period, or SDR 21 million a year. To attain this level of additional resources would, however, require a joint effort by the Government in implementing and strengthening its adjustment program and by Burundi's principal donors in providing larger amounts of financial flows, in the form of quick disbursing aid (grants and highly concessional loans). These additional resources would be used in priority to favor investments and to finance the needed supplies to ensure the efficient functioning of governmental services found deficient in the three-year public expenditures program.

49. Burundi's dependence on coffee, as its main source of export earnings, makes the country extremely vulnerable to abrupt changes in the world prices for coffee. For example, a decline of 10 percent in coffee prices during the 1988-91 period would lead to an additional financing need of about SDR 20 million. A rapid and flexible response by the main donors would certainly be necessary in such circumstances, as a complement to the adjustment effort which the Government is committed to pursue.

50. The mobilization of the SFA resources in support of the First Structural Program has been hindered by lengthy procedures concerning the

4/ Not taking into account the additional resources sought under the Special Program of Assistance for the low-income debt-distressed countries in sub-Saharan Africa.

release of the approved credits. The Government would like to have the support of the World Bank and the IMF to ensure that the bilateral and multilateral resources committed to the Government's program will be available with the shortest delay possible.

BURUNDI - POLICY MEASURES AND CALENDAR OF GOVERNMENT PROGRAM

Policy Area and Related Objectives	Actions Already Taken	Date	Actions to be Taken	Dates
1. Exchange rate policy				
Correct the real effective appreciation since 1980 and achieve a structural improvement in the balance of payments.	Adoption of a flexible exchange rate and initial adjustment of 13 percent in foreign currency terms.	August 1986	Additional exchange rate adjustment.	Before start of 2nd year SAF program and during the program period
	Additional regular adjustments to correct the past appreciation of the real effective exchange rate.	August 1986-March 1987		
2. Liberalisation of import controls				
Eliminate distortions resulting from quantitative import restrictions; improve the supply of imports to productive sectors; and foreign exchange.	Automatic granting of import licences for all products, except glass, textiles and pharmaceuticals, and a few luxury products.	August 1986	Elimination of remaining restrictions on: - luxury items and replacement by import tariffs	(*) June 1988
			- imports of glass, textiles and pharmaceuticals	Before August 1990
Increase incentives for private foreign investment.	Increase limits on outward foreign remittances.	May 1986, Jan. 1987	Elimination of the requirements imposed on foreign importers to deposit FBu 10 million in case they invest in productive activities.	(*) June 1988
3. Comprehensive reform of the structure of import tariffs				
Reduce progressively the prevailing high level of tariff protection; and narrow the range of tariffs.	Consolidation of fiscal and import duties; and establishment of a new range of tariff rates: luxury products, 100 percent; manufactured products, 50 percent; food products, 25 percent; intermediate goods and other primary products, 15 percent; and essential and equipment goods, 15 percent.	July 1986	Further modification of the tariff structure: manufactured products - 45 percent; intermediate goods and other primary products - 20 percent; and equipment goods - 15 percent.	(*) January 1988
			Further modification of the tariff structure.	1989-1990

(*) Measures addressed under Bank Operations, including SAL II, APEX, Export Crop Projet.

BURUNDI - POLICY MEASURES AND CALENDAR OF GOVERNMENT PROGRAM

Policy Area and Related Objectives	Actions Already Taken	Date	Actions to be Taken	Dates
4. Liberalization of price controls				
Avoid distortions in the price structure, and allow enterprises to establish financial equilibrium.	Liberalization of price of all products except (a) eight strategic products, for which price ceilings can be imposed in case of acute shortages (for a maximum of 4 months); and (b) petrol and cement.	July 1986	Review and adjustment of water and electricity tariffs (to strengthen REGIDESO financial position) and of petroleum products prices (to reflect increased costs and ensure adequate fiscal revenues).	(*) 1988-1989
	Adjustment of tariffs for water and electricity.	July 1986		
5. Reform of the investment code.				
Reduce import duty exemptions; facilitate small enterprises access to the Code's benefits; shorten the procedural delays in working out agreements under the code; and grant the code's benefits to productive projects using local labor.	Introduction of revised code.	July 1986		
Improve the access of small and medium enterprises to banking credit in order to stimulate their contribution to production and exports.	Re-activation of the Guarantee Fund	July 1986	Implementation of internal procedures to ensure efficient use of the Fund.	(*) June 1988
6. Review of the public expenditure program including public investment program				
Ensure efficient allocation of public resources and the economic justification of public investment projects.	Preparation of PIP for 1986-89 taking into account available resources and fiscal policy objectives.	Nov. 1985/ Dec. 1986	Review of the composition and level of the 1988 tranche du PIP	(*) February 1988
			Preparation of a PEP for 1989-91 and review of the composition and level of the 1989.	(*) December 1988
7. Agricultural producer prices				
Maintain the incentives to improve quality and production of main export crops	Increase in producer prices for coffee (28 percent) and tea (20 percent) for the 1986/87 crop year.	March 1986	Review of export crop producers' prices	During program period

(*) Measures addressed under Bank Operations, including SAL II, APEX, Export Crop Project.

BURUNDI - POLICY MEASURES AND CALENDAR OF GOVERNMENT PROGRAM

Policy Area and Related Objectives	Actions Already Taken	Date	Actions to be Taken	Dates
			Formulation with the World Bank of a producer price policy for export crops.	End 1988
8. Development of the coffee sector				
To improve coffee production and export potential	Measures to reduce humidity levels of fully washed coffee.	Feb. 1986	Technical assistance to BCC in order to improve its marketing capability, notably to prepare an adequate export strategy, study the main markets and solve transport problems and implement training programs.	(*) April 1988
	Launching of a census (OCIBU) of coffee trees to assess the potent- ial of coffee production	1986		
	Study (CCCE) on the pricing system to improve efficiency.	1987	Reinforcement of BCC office in DSM	June 1988
9. Public enterprises				
- Follow up on the evolution and performance of the PE sector	Creation of the service in charge of public enterprises (SCEP).	June 1986	Establishment of a management information system	(*) December 1988
- Rehabilitate the PE sector	Closure of four enterprises.	Aug. 1986	Negotiation of performance contracts with CADEBU, ONAPHA, OTRACO and OTRABU.	(*) June 1988
			Negotiation of performance contract with VERRUNDI	(*) End-1988
			Launching of rehabilitation studies for 10 additional enterprises	(*) June 1988
10. Budgetary policies	Tax measures:			
Improve the tax structure, strengthen the customs and tax, administration, and increase revenue collection.	Reform of the transaction tax.	Oct. 1986	Enlargement of the basis of the transaction tax, application to the import gate, definition of ceilings on taxable turnover implementation of deduction mechanism to avoid cascade effects.	June 1988
	Reduction of import duty exemp- tions.	July 1986		
	Reform of import tariff structure	July 1986		
			Increase in tax on beer and soft	March 31, 198

Measures addressed under Bank Operations, including SAL II, APEX, Export Crop Projet.

BURUNDI - POLICY MEASURES AND CALENDAR OF GOVERNMENT PROGRAM

Policy Area and Related Objectives	Actions Already Taken	Date	Actions to be Taken	Dates
			drinks.	
			Strengthen monitoring and control of customs duty exemptions.	June 1988
			Creation of duty exemption monitoring committee; decisions on exemptions to be made by MinFinance only.	March, 1988
			Extension of statistical tax of to 3 percent on all imports without exemption possibility except those granted to diplomats.	June 1988
			Study to simplify the income tax system; introduction of a zero tranche and reduce number of taxes; globalization of taxable revenue; revision of exonerations and deductions; revision of tax code, notably concerning dispositions on stocks, general expenditures and fixed assets.	End 1988
			Simplification and improvement of the drawback procedure.	(*) April 1988
			Feasibility study of computerization of customs operations.	December 1988
			Strengthening of import valuation system; establishment of a system of management by quotas for imports under diplomatic status.	June 1988
			Improvement of information flow and cross-checking systems between Customs and Tax Departments.	During the program period
			Strengthening of custom administration in order to reduce fraud and improve collection of tax revenues.	During the program period
			Expenditures control:	

(*) Measures addressed under Bank Operations, including SAL II, APEX, Export Crop Project.

BURUNDI - POLICY MEASURES AND CALENDAR OF GOVERNMENT PROGRAM

Policy Area and Related Objectives	Actions Already Taken	Date	Actions to be Taken	Dates
Control and rationalization of expenditures	Increase participation of public enterprises in their debt servicing	1987	Further increased participation by public enterprises in their debt servicing.	During the program period
	Elimination of arrears.	Dec.1986	Elimination of arrears on domestic payments and avoidance of new arrears.	During the program period
	Elimination of transfers to public enterprises of a commercial character.		Adjustment of global expenditure to revenue shortfall.	During the program period.
	Limit investment expenditure commitments to disbursement of grants and concessional loans and to available fiscal revenues.		Introduction of a selective recruitment system for civil service and rationalization of the civil service.	(*) January 1989
			Evaluation and programming of recurrent expenditures associated with ongoing and new investment projects.	(*) January 1989
			Preparation of 1989 budget based on the relevant annual tranche of the PEP	(*) Starting with 1989 budget
11. Credit policy of the banking system				
Improve the system of allocation credit and mobilization of domestic savings	Adoption of a flexible interest rate policy	Aug.1986	Establishment of a system of Treasury Bonds	(*) April 1988
	Increase of 5 percentage points in rate on twelve months savings deposits and revision of the interest rate structure	July 86	Periodical review and adjustment of rediscount rates taking market conditions into account.	During the program period
	Reduction of 5 percentage points de interest rate on savings deposits at 12 months and adjustment of interest rate structure.	May 1987	Liberalization of other interest rates: 1st phase: 2nd phase: 3rd phase: 4th phase:	(*) April 1988 Sept. 1988 December 1988 July 1989

(*) Measures addressed under Bank Operations, including SAL II, APEX, Export Crop Projet.

BURUNDI - POLICY MEASURES AND CALENDAR OF GOVERNMENT PROGRAM

Policy Area and Related Objectives	Actions Already Taken	Date	Actions to be Taken	Dates
To encourage domestic savings and improve allocation of resources			Authorize public enterprises to place their deposits in the most profitable way.	(*) April 1988
			Expansion and strengthening of rural credit cooperatives	(*) During the program
			Adjustment of the revised Code Foncier	(*) June 1988
			Reimbursement by Gov't of BRB's particular, extraordinary and special advances, according to agreed upon timetable and prompt reimbursement of ordinary advances.	During the program
			Preparation of banking regulations for the COOPECs granting them financial institution status.	(*) Start: June 8 completion: June 89
			Improvement in BRB's risk control and supervisory capabilities.	During the program period
			Implementation of compulsory yearly external audits for deposit money banks.	(*) Early 1989 for FY 88.

BURUNDI
ECONOMIC INDICATORS

ATTACHMENT II
BASE SCENARIO

	Actual		Prelim		Projection						
	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
GDP (market price) growth rate	-0.4%	3.1%	-0.1%	7.4%	4.4%	1.7%	4.1%	3.9%	4.0%	4.1%	4.2%
GDP (factor cost) growth rate	-2.0%	4.0%	-0.3%	7.5%	3.8%	4.7%	3.7%	3.8%	4.0%	4.2%	4.3%
GDY growth rate 1/	-3.4%	3.6%	2.9%	3.1%	7.0%	-2.4%	4.7%	4.2%	4.1%	4.1%	4.2%
GDY/ capita growth rate 1/	-6.0%	0.8%	0.0%	0.2%	4.0%	-5.2%	1.6%	1.1%	1.0%	1.0%	1.1%
Consumption per capita growth rate	0.9%	-8.1%	4.9%	2.7%	0.3%	-6.8%	2.1%	0.3%	0.9%	0.9%	0.7%
Debt service (US\$)	11.2	12.2	17.9	28.0	32.6	47.2	49.3	50.4	50.9	53.7	56.5
Debt service/XGS	10.7%	12.5%	16.7%	23.2%	26.1%	43.8%	38.2%	34.7%	31.4%	29.9%	28.4%
Debt Service/GDP	1.1%	1.1%	1.8%	2.5%	2.7%	3.8%	4.1%	3.9%	3.6%	3.5%	3.4%
Gross Investment/GDP 2/	13.9%	17.8%	18.4%	13.6%	13.6%	19.9%	19.0%	19.2%	19.0%	18.9%	18.9%
Domestic savings/GDP	-1.4%	.0%	4.1%	4.7%	5.8%	7.7%	6.2%	6.3%	6.6%	7.0%	7.5%
National savings/GDP	5.3%	6.4%	9.9%	9.3%	10.1%	10.0%	10.0%	10.3%	10.6%	11.0%	11.5%
Marginal savings Rate	..	104.0	-19.1	-64.3	21.6	6.2	9.8	14.0	14.6	16.5	18.1
Public investment/GDP	13.5%	17.8%	14.5%	11.7%	13.4%	15.7%	14.3%	14.1%	13.7%	13.3%	13.0%
Public savings/GDP	0.8%	-0.4%	3.0%	3.4%	4.4%	-1.4%	2.1%	3.2%	3.2%	3.5%	3.5%
Private investment/GDP	1.2%	1.1%	2.7%	2.4%	2.4%	2.4%	2.7%	3.2%	3.4%	3.5%	3.9%
Private savings/GDP	4.5%	6.8%	6.9%	5.9%	5.7%	11.4%	7.9%	7.1%	7.4%	7.5%	8.0%
Ratio of Public/Private Invest.	11.5	..	5.3	4.9	5.6	6.6	5.4	4.4	4.0	3.8	3.3
Government Revenues/GDP 3/	14.9%	12.5%	14.1%	13.9%	15.8%	12.2%	14.5%	15.5%	15.3%	15.2%	16.4%
Government Expenditures/GDP 4/	27.6%	30.6%	25.7%	21.5%	22.3%	25.0%	24.2%	23.6%	21.8%	20.2%	21.4%
Deficit (-)/GDP	-12.7%	-18.1%	-11.5%	-7.5%	-6.5%	-12.8%	-9.7%	-8.1%	-6.5%	-5.0%	-5.0%
Export (GNFS) Growth Rate	7.9%	-15.8%	-7.9%	32.3%	-12.6%	12.3%	4.7%	6.8%	7.3%	7.8%	8.2%
Exports/GDP	9.5%	9.8%	10.1%	10.7%	10.4%	8.6%	10.6%	11.2%	11.6%	11.8%	12.2%
Import (GNFS) Growth Rate	32.4%	-7.3%	9.1%	-2.5%	2.4%	-4.5%	4.2%	4.1%	4.0%	4.1%	4.1%
Imports/GDP	24.8%	27.7%	24.2%	19.6%	18.2%	20.8%	23.3%	24.6%	24.4%	24.2%	24.0%
Current Account (in mn.US\$)	-174.3	-179.4	-163.2	-128.2	-151.3	-214.4	-216.1	-221.8	-229.5	-237.2	-243.5
Cur. Account/GDP	-8.6%	-12.0%	-8.5%	-4.3%	-3.5%	-9.8%	-9.0%	-8.9%	-8.4%	-7.9%	-7.3%
excl. Official Transfers	-17.1%	-19.7%	-16.2%	-11.0%	-11.5%	-17.0%	-17.6%	-17.7%	-16.9%	-16.2%	-15.4%
adj. for exchange rate	-17.0%	-19.9%	-16.2%	-11.2%	-10.2%	-13.0%	-11.9%	-10.8%	-10.4%	-10.0%	-9.2%

1/ GDY per capita = GDP per capita adjusted for changes in the terms of trade.

2/ Includes variation of stocks

3/ Excluding public transfers

4/ On a commitment basis. Includes investment expenditures and on-lending to public enterprises.

BURUNDI
ECONOMIC INDICATORS

ATTACHMENT II
ALTERNATIVE SCENARIO

	1982	1983	Actual 1984	1985	1986	Prelim 1987	1988	1989	1990	1991	1992
CDP (market price) growth rate	-0.4%	3.1%	-0.1%	7.4%	4.4%	1.7%	5.6%	5.4%	5.6%	4.8%	5.1%
CDP (factor cost) growth rate	-2.0%	4.0%	-0.3%	7.5%	3.8%	4.7%	4.6%	4.6%	4.7%	4.8%	4.9%
GDY growth rate 1/	-3.4%	3.6%	2.9%	3.1%	7.0%	-2.4%	6.1%	5.5%	5.7%	4.8%	5.0%
GDY/ capita growth rate 1/	-6.0%	0.8%	0.0%	0.2%	4.0%	-5.2%	3.0%	2.5%	2.6%	1.7%	2.0%
Consumption per capita growth rate	0.9%	-8.1%	4.9%	2.7%	0.3%	-5.8%	2.3%	2.2%	2.5%	1.6%	1.7%
Debt service (US\$)	11.2	12.2	17.9	28.0	32.6	47.2	49.3	50.4	50.9	53.7	56.5
Debt service/XCS	10.7%	12.5%	16.7%	23.2%	26.1%	43.8%	38.0%	34.0%	30.4%	29.5%	26.9%
Debt Service/GDP	1.1%	1.1%	1.8%	2.5%	2.7%	3.8%	3.9%	3.7%	3.4%	3.3%	3.2%
Gross Investment/GDP 2/	13.9%	17.8%	18.4%	13.6%	13.6%	19.9%	20.0%	19.8%	19.6%	19.6%	19.6%
Domestic savings/GDP	-1.4%	.0%	4.1%	4.7%	5.8%	7.6%	8.3%	8.5%	8.6%	8.8%	9.0%
National savings/GDP	5.3%	6.4%	9.9%	9.3%	10.1%	10.0%	11.4%	11.9%	11.9%	12.1%	12.4%
Marginal savings Rate	..	104.0	-19.1	-64.3	21.6	6.2	20.2	13.4	10.0	12.2	14.1
Public investment/GDP	13.5%	17.8%	14.5%	11.7%	13.4%	15.7%	15.0%	14.3%	13.6%	13.6%	11.9%
Public savings/GDP	0.8%	-0.4%	3.0%	3.4%	4.4%	-1.4%	1.4%	2.5%	3.8%	5.3%	4.2%
Private investment/GDP	1.2%	1.1%	2.7%	2.4%	2.4%	2.4%	3.0%	3.5%	3.8%	4.0%	5.7%
Private savings/GDP	4.5%	6.8%	6.9%	5.9%	5.7%	11.4%	9.9%	9.3%	8.2%	6.8%	8.2%
Ratio of Public/Private Invest.	11.5	..	5.3	4.9	5.6	6.6	5.0	4.1	3.6	3.4	2.1
Government Revenues/GDP 3/	14.9%	12.5%	14.1%	13.9%	15.8%	12.2%	14.5%	15.5%	15.3%	15.2%	16.4%
Government Expenditures/GDP 4/	27.6%	30.6%	25.7%	21.5%	22.3%	25.0%	24.2%	23.6%	21.8%	20.0%	21.1%
Deficit (-)/GDP	-12.7%	-18.1%	-11.5%	-7.5%	-6.5%	-12.8%	-9.7%	-8.0%	-6.4%	-4.8%	-4.6%
Export (CNFS) Growth Rate	7.9%	-15.8%	-7.9%	32.3%	-12.6%	12.3%	7.4%	9.1%	8.8%	8.8%	9.0%
Exports/GDP	9.5%	9.8%	10.1%	10.7%	10.4%	8.6%	10.4%	10.8%	11.1%	11.4%	11.8%
Import (CNFS) Growth Rate	32.4%	-7.3%	9.1%	-2.5%	2.4%	-4.5%	5.8%	5.3%	5.7%	5.5%	5.5%
Imports/GDP	24.8%	27.7%	24.2%	19.6%	18.2%	20.8%	23.6%	23.6%	23.5%	23.5%	23.7%
Current Account (in mn.US\$)	-174.3	-179.4	-163.2	-128.2	-151.3	-214.4	-226.6	-232.4	-244.6	-258.2	-271.3
Cur. Account/GDP	-8.6%	-12.0%	-8.5%	-4.3%	-3.5%	-9.8%	-9.7%	-8.9%	-8.6%	-8.3%	-8.1%
excl. Official Transfers	-17.1%	-19.7%	-16.2%	-11.0%	-11.5%	-17.0%	-18.1%	-17.0%	-16.3%	-15.7%	-15.3%
adj. for exchange rate	-17.0%	-19.9%	-16.2%	-11.2%	-10.2%	-13.0%	-10.9%	-9.8%	-9.5%	-9.3%	-9.1%

1/ GDY per capita = GDP per capita adjusted for changes in the terms of trade.

2/ Includes variation of stocks

3/ Excluding public transfers

4/ On a commitment basis. Includes investment expenditures and on-lending to public enterprises.

BURUNDI: EXTERNAL FINANCING REQUIREMENTS
(In millions of SDR)

ATTACHMENT III
BASE SCENARIO

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Current Account (deficit) (excluding official transfers)	159.0	167.1	159.2	126.2	129.0	165.8	158.2	161.2	165.0	169.0	172.0
Amortization	4.1	6.4	8.9	16.9	18.6	22.4	22.1	22.4	22.2	23.6	25.1
Change in gross reserves	28.4	-6.9	-1.7	-8.9	-22.7	7.2	-10.9	-12.8	-12.2	-4.9	-5.1
Repurchases (IMF)	--	4.8	4.7								
Total Financing Requirements	134.7	180.4	169.8	152.0	170.3	181.0	191.2	196.4	199.4	197.5	202.2
Disbursements:											
Existing Commitments (1)	134.7	180.4	169.8	152.0	170.3	181.0	65.5	43.6	31.1	16.9	6.2
Grants	80.0	80.0	76.1	77.2	89.5	70.1					
Loans	53.4	100.0	92.8	74.3	69.7	113.6	65.5	43.6	31.1	16.9	6.2
Bilateral creditors	21.1	36.3	16.1	24.3	15.2	26.6	19.5	11.5	7.5	2.8	0.5
Multilateral creditors	26.3	49.7	49.7	44.0	60.2	85.7	45.5	31.7	23.3	13.9	5.6
of which: IDA project	18.1	27.4	28.1	20.2	22.2	18.0	18.1	13.4	9.2	6.4	2.8
of which: adjustment lending (2)					13.6	21.5					
Private creditors	6.0	14.0	27.0	6.0	-5.7	1.2	0.6	0.4	0.3	0.3	0.1
IMF Purchases											
SAF					8.5						
Direct foreign investment	1.3	0.4	0.9	0.5	2.6	1.1					
Capital N.i.e.						-3.7					
Disbursements:											
Expected New Commitments							125.6	147.8	162.7	180.7	195.0
Grants							77.0	80.1	83.3	86.6	90.1
Loans							40.5	66.4	83.9	101.8	114.1
Bilateral creditors							9.7	18.9	24.7	26.3	28.0
Multilateral creditors							30.8	47.6	59.1	75.5	86.1
of which: IDA project							3.3	10.8	19.1	30.4	40.6
of which: adjustment lending (2)							22.6	22.4	18.5	18.3	18.2
Private creditors											
IMF Purchases											
SAF							12.8	5.6			
Direct foreign investment							1.2	1.5	2.0	2.3	2.3
Capital N.i.e.							-5.9	-5.8	-6.5	-10.0	-11.5
Total identified financing	134.7	180.4	169.8	152.0	170.3	181.0	191.1	191.4	193.8	197.6	201.2
Financing gap						.0	0	5.0	5.6	0	1.0

(1) Commitments through mid-1987

(2) Includes SFA funds.

BURUNDI: EXTERNAL FINANCING REQUIREMENTS
(In millions of SDR)

ATTACHMENT III
ALTERNATIVE SCENARIO

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
Current Account (deficit) (excluding official transfers)	159.0	167.1	159.2	126.2	129.0	165.8	164.5	169.6	178.0	186.5	194.3
Amortization	4.1	6.4	8.9	16.9	18.6	22.4	22.1	22.4	22.2	23.6	25.1
Change in gross reserves	28.4	-6.9	-1.7	-8.9	-22.7	7.2	-46.7	-17.7	-7.1	-7.2	-7.6
Repurchases (IMF)	--	4.8	4.7								
Total Financing Requirements	134.7	180.4	169.8	152.0	170.3	181.0	233.3	209.7	207.3	217.3	227.0
Disbursements:											
Existing Commitments (1)	134.7	180.4	169.8	152.0	170.3	181.0	55.5	43.6	31.1	16.9	6.2
Grants	80.0	80.0	76.1	77.2	89.5	70.1					
Loans	53.4	100.0	92.8	74.3	89.7	113.5	65.5	43.6	31.1	16.9	6.2
Bilateral creditors	21.1	36.3	16.1	24.3	15.2	26.6	19.5	11.5	7.5	2.8	0.5
Multilateral creditors	26.3	49.7	49.7	44.0	60.2	85.7	45.5	31.7	23.3	13.9	5.6
of which: IDA project	18.1	27.4	28.1	20.2	22.2	18.0	18.1	13.4	9.2	6.4	2.8
of which: adjustment lending (2)					13.6	21.5					
Private creditors	6.0	14.0	27.0	6.0	-5.7	1.2	0.6	0.4	0.3	0.3	0.1
IMF Purchases											
SAF					8.5						
Direct foreign investment	1.3	0.4	0.9	0.5	2.6	1.1					
Capital N.i.e.						-3.7					
Disbursements:											
Expected New Commitments							125.6	147.8	162.7	180.7	194.9
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of which: adjustment lending (2)							22.6	22.4	18.5	18.3	18.2
Private creditors											
IMF Purchases											
SAF							12.8	5.6			
Direct foreign investment							1.2	1.5	2.0	2.3	2.3
Capital N.i.e.							-5.9	-5.8	-6.5	-10.0	-11.5
Total identified financing	134.7	180.4	169.8	152.0	170.3	181.0	191.1	191.4	193.8	197.6	201.2
Financing gap						.0	42.2	18.3	13.5	19.7	25.8

(1) Commitments through mid-1987

(2) Includes SFA funds.