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April 17, 1985

To: Members of the Executive Board

From: *The Secretary*

Subject: Burundi - Staff Report for the 1985 Article IV Consultation

Attached for consideration by the Executive Directors is the staff report for the 1985 Article IV consultation with Burundi. A draft decision appears on page 20.

This subject will be brought to the agenda for discussion on a date to be announced.

Mr. Diogo (ext. 6516) or Mrs. Devaux (ext. 6521) are available to answer technical or factual questions relating to this paper prior to the Board discussion.

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INTERNATIONAL MONETARY FUND

BURUNDI

Staff Report for the 1985 Article IV Consultation

Prepared by the Staff Representatives for the
1985 Consultation with Burundi

Approved by A.D. Ouattara and W.A. Beveridge

April 16, 1985

I. Introduction

The 1985 Article IV consultation discussions were held in Bujumbura during the period January 22-February 7, 1985. The Burundi representatives included Messrs. P. Ngenzi, Minister of Finance, M. Sinamenye, Minister at the President's Office in charge of Planning, A. Ntahonkiriye, Governor of the Central Bank, as well as other senior officials concerned with economic and financial matters. The staff representatives were Mr. I. Diogo (head), Mrs. G. Devaux, Messrs. P. Duran, A. Faria, and Miss M. Earll (secretary), all of AFR. The previous consultation with Burundi was concluded by the Executive Board on February 29, 1984. As of end-March 1985, there are no Fund holdings of Burundi francs subject to repurchase. Burundi continues to avail itself of the transitional arrangements of Article XIV. Summaries of Fund and IBRD relations with Burundi are included in Appendices I and II, respectively.

II. Recent Economic and Financial Developments

Over the past three years Burundi's real gross domestic product (GDP) has decreased by about 6 percent, with a fairly large decline (4 percent) occurring in 1984 (Table 1). In the past year a severe and widespread drought caused foodcrop output to fall by about 10 percent, and output of the major cash crop, coffee, to drop by 27 percent during the 1984/85 crop year. Moreover, the drought-induced fall in agricultural production led to a sharp reduction in the output of agro-processing industries. In the secondary sector, production levels were from 20 to 50 percent below capacity.

The current fourth Five-Year Economic and Social Development Plan (1983-87) calls for investment totalling FBu 107 billion (at 1981 prices). The Plan aims at diversifying production and increasing productivity in the agricultural sector. It includes several projects in the infrastructure, transport, and energy sectors to help alleviate the constraints imposed on production by the landlocked position of the

Table 1. Burundi: Selected Economic and Financial Indicators, 1980-84

	1980	1981	1982	1983	1984 Est.
	(Annual percent change, unless otherwise specified)				
National income and prices					
GDP at constant prices	3.4	10.5	-3.2	1.1	-4.1
GDP deflator	19.0	-6.8	6.6	8.0	15.4
Consumer prices (average)	9.4	12.0	5.7	8.4	14.3
External sector (on the basis of SDRs)					
Exports, f.o.b.	-37.6	26.7	25.0	-5.0	32.1
Imports, c.i.f.	9.3	6.0	41.9	-11.4	7.1
Non-oil imports, c.i.f.	1.8	-0.6	52.4	-13.0	4.9
Export volume	-31.7	47.0	11.3	-16.0	20.9
Import volume	-16.0	-5.2	32.1	-5.9	10.3
Terms of trade (deterioration -)	-16.0	-22.7	4.3	20.0	12.9
Nominal effective exchange rate (depreciation -) 1/2/	5.8	13.2	12.3	-15.0	3.4
Real effective exchange rate (depreciation -) 1/2/	1.5	15.3	14.3	-14.9	21.6
Government budget					
Revenue (excluding grants)	12.2	-4.0	24.8	-4.5	23.9
Revenue (including grants)	16.1	6.1	12.5	-3.0	24.5
Total expenditure and net lending (on a commitment basis)	38.5	8.6	12.0	26.3	-7.7
Total expenditure and net lending (on a cash basis)	21.0	9.5	9.3	24.1	3.4
Money and credit					
Domestic credit 3/	24.1	43.0	14.0	23.8	3.3
Government 3/	9.0	21.4	14.2	18.3	8.6
Private sector 3/	15.1	21.6	-0.2	5.5	-5.3
Money and quasi-money (M2)	23.2	25.1	-1.4	26.7	3.2
Velocity (GDP relative to M2) 4/	3.1	2.8	2.9	2.6	2.7
Interest rate (annual rate, one-year savings deposits)	5.0	7.0	7.0	7.0	7.0
	(In percent of GDP)				
Total revenue and grants	17.0	17.5	19.1	17.0	19.1
Total expenditure and net lending (on a commitment basis)	24.0	25.3	27.5	31.8	26.5
Consolidated overall deficit excluding grants (on a commitment basis)	-10.5	-12.8	-12.3	-18.5	-11.6
Consolidated overall deficit excluding grants (on a cash basis)	-9.5	-11.9	-10.7	-16.1	-12.6
Consolidated overall deficit (on a commitment basis)	-7.0	-7.8	-8.4	-14.8	-7.4
Consolidated overall deficit (on a cash basis)	-6.0	-6.9	-6.8	-12.4	-8.4
Domestic bank financing	0.7	3.0	2.4	2.8	1.5
Foreign financing (net)	3.3	2.6	4.6	9.7	6.2
External current account deficit					
Including public transfers	-5.1	-2.9	-8.5	-8.6	-7.1
Excluding public transfers	-13.3	-12.6	-17.2	-16.5	-16.1
External debt 5/	16.5	17.9	20.7	35.0	37.7
Debt service ratio 5/6/	8.5	6.4	7.3	14.4	19.4
Interest payments 5/6/	3.1	2.4	3.4	3.9	7.3
	(In millions of SDRs)				
Overall balance of payments	4.9	-25.9	-31.6	6.8	-2.8
Gross official reserves	82.0	58.5	33.9	32.0	26.4

1/ Trade-weighted.
2/ December to December.
3/ Expressed in percent of beginning of period money stock.
4/ Monetized GDP.
5/ Public and publicly guaranteed disbursed debt, including Fund credit, in terms of Burundi francs.
6/ Expressed as a ratio of goods and nonfactor services, and private transfers.

country. As initially about 70 percent of the planned investment was expected to be financed by foreign resources, a Donors' Conference was held in early 1984; however, it did not produce commitments commensurate with the financing requirements of the Plan. In general, donors (including the IBRD) urged that the Plan be trimmed to a level which reflected the reduced availability of external assistance, Burundi's absorptive capacity and its low level of domestic savings (0.1 percent of GDP during 1980-84). Subsequently, with due regard to these constraints, the Burundi authorities initially scaled down the planned investment target by about one fifth, without formally changing the Plan document.

During the first two years of the Plan only 30 percent of the revised total investment target (FBu 133.3 billion in current prices) is estimated to have been implemented. About FBu 32 billion is estimated to have been invested in the economic sectors, of which the more important allocations were those for infrastructure, mainly road construction (33 percent), the manufacturing and mining sectors (24 percent), and agriculture (22 percent). Reflecting these developments, gross fixed investment as a ratio to monetized GDP 1/ rose to about 26 percent in 1983-84 compared to an annual average ratio of 19 percent in the last three years of the third Development Plan (1978-1982). As the domestic savings ratio was low, the investment has resulted in a large resource gap in goods and nonfactor services (equivalent to 23 percent of monetized GDP).

The rate of inflation, as measured by the consumer price index for Bujumbura, 2/ averaged about 9 percent during 1980-83, reflecting in part the strong appreciation of the Burundi franc along with the U.S. dollar to which it was pegged. In 1984 however, the average rise in consumer prices accelerated to about 14 percent, mainly due to a drought-induced rise in food crop prices and an exchange rate adjustment in late 1983. 3/ Between December 1983 and December 1984 the acceleration was more pronounced as prices rose by 23 percent compared to an increase by 6 percent in the preceding period.

After averaging about 7 percent of GDP during 1981-82, the overall cash deficit of the Central Government rose to the equivalent of

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1/ In 1984 nonmarketed production is estimated to have accounted for 44 percent of GDP at factor cost and 39 percent of GDP at market prices.

2/ The index does not provide a fully adequate measure of inflationary pressures for the economy as a whole and includes prices of commodities that are subject to official controls.

3/ In November 1983 the rate of the Burundi franc was depreciated by about 30 percent in domestic currency terms.

12 percent of GDP in 1983. 1/ Fiscal performance has been weak because of a continued growth in capital outlays and net lending, sizable transfers to loss-making public enterprises, 2/ insufficient restraints on current expenditures, and an inadequate growth in government revenue. In 1983, current revenues (excluding grants) fell by about 5 percent, reflecting a 27 percent decline in tax receipts from foreign trade transactions, which accounted for just over one quarter of total tax revenue, compared to one third in 1982. As a result, the tax ratio (relative to monetized GDP) declined from an average of 27 percent in 1980-82 to 24 percent in 1983. In sharp contrast, total expenditures and net lending rose by 24 percent, as compared with an average annual increase of 13 percent during 1980-82; this was mainly due to a sharp rise in capital expenditures and net lending. Current expenditures increased at a more modest pace of 11 percent. To finance the resulting substantially enlarged cash deficit in 1983, the Government more than doubled its recourse to net foreign borrowing and increased its use of domestic bank credit by 27 percent. The bank financing was obtained mainly from the Central Bank.

Preliminary data suggest that in 1984 the Government's overall cash deficit was reduced to about 8 percent of GDP. This deficit was financed by lower levels of both foreign financing (FBu 6.9 billion, 6 percent of GDP) and domestic bank financing (equivalent to 1.5 percent of GDP). This marked improvement in budgetary performance was due to a significant increase in budgetary revenues, and a sharp reduction in budgetary expenditures (especially of capital outlays). Budgetary revenues rose by 24 percent, as coffee export receipts increased sharply from FBu 0.2 billion in 1983 to FBu 2.4 billion; the latter reflected a higher export volume and average price, as well as the impact of the currency devaluation of November 1983. The growth rate of total expenditure and net lending decelerated, from 24 percent in 1983 to 3 percent in 1984. This was principally due to a sharp reduction (24 percent) in foreign loan-financed capital outlays partly associated with delays in project preparation and implementation. This decline largely offset the rise in current expenditures (18 percent), that was in part attributable to the impact of the more depreciated exchange rate on debt-service payments and expenditures for materials and supply.

Monetary and credit developments during the period under review were dominated by the financing needs of the government and the fluctuating requirements of financing the coffee crop and exports. In the three-year

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1/ Discussion of public finance developments is based on cash data. Comparative commitment data are also provided in Table 1. The overall deficit is consolidated to include extrabudgetary capital outlays financed with foreign loans.

2/ In an IDA financed study in 1982, some of the more important enterprises were reported to be experiencing financial problems due to weak management and inadequate pricing and personnel policies.

period to 1983, domestic credit expanded in terms of beginning money stock by 27 percent annually, with net claims on Government growing twice as fast as credit extended to the private sector. Net foreign assets declined by 22 percent on average, and broad money grew by about 17 percent annually, compared to a 5 percent annual growth rate in nominal GDP during the period. Owing to the compulsory savings scheme for government and private sector employees and the requirement that part of profits and rental income be held in domestic bank deposits prior to transfer abroad, quasi-money expanded at an annual rate of 43 percent during the period under review. In 1984 the rate of credit expansion slowed down considerably, as economic activity was depressed and the financing requirement of the government budget was sharply reduced. As a result, money supply increased by only 3 percent, with a 7 percent increase in money (narrowly defined) being largely offset by a decline of about 5 percent in quasi-money.

Developments in the external sector closely paralleled the deteriorating trends in government finance. As a ratio to GDP, between 1981 and 1983 the current account deficit tripled to reach about 9 percent. While in 1983 imports fell faster than export receipts, payments for invisibles increased sharply with a marked rise in payments for nonfactor services. As foreign borrowing to finance government capital outlays rose, official capital inflows more than doubled. A large increase in the capital account surplus, in line with increased official capital inflows to finance public investment outlays, and the intensification of restrictions on certain current international payments and transfers, resulted in a small overall balance of payments surplus (equivalent to 0.7 percent of GDP). At end-1983 gross official reserves were equivalent to 10 weeks of imports. In 1984 the current account deficit declined to about 7 percent of GDP. Total export receipts rose by 32 percent, reflecting a 21 percent increase in the volume of exports and a 9 percent increase in average export prices. Imports rose by 7 percent largely due to a 10 percent increase in volume, owing to a relative liberalization of import licensing to enable some reconstitution of stocks. 1/ The net services deficit declined as there was a substantial reduction in foreign-financed project studies. The net inflows of transfers rose slightly but the surplus in the capital account decreased by about one half due to reduced drawings on official loans. The overall balance of payments shifted to a small deficit (0.3 percent of GDP) and gross official reserves declined to a level equivalent to seven weeks of 1984 imports.

Until recently, Burundi had traditionally maintained a relatively liberal exchange and trade system, permitting most current transactions without restrictions. However, in response to balance of payments

1/ In an attempt to conserve foreign exchange resources without unduly affecting availability of imports, the authorities have allowed, in 1984, foreign importers established in Burundi to use their external holdings of foreign exchange to finance imports without restrictions.

difficulties beginning in 1981, and the attendant loss of reserves, the authorities tightened the trade and payments system by adopting new restrictive practices and intensifying existing restrictions on payments and transfers for current international transactions (see EBS/84/186). At present Burundi maintains exchange restrictions on transfers of earned income by foreign nationals, on remittances of profits and dividends, rental income and certain fees, and on allowances for travel abroad, all of which are subject to approval under Article VIII of the Fund's Articles of Agreement. In addition, Burundi's trade system is characterized by the existence of selective import controls under which capital and intermediate goods are given priority in the issuance of licenses, while ad hoc restrictions are applied on other imports.

Burundi's outstanding public and publicly guaranteed external debt rose nearly threefold from SDR 124 million in 1980 (17 percent of GDP) to SDR 341 million in 1984 (38 percent of GDP). The composition of the debt has changed little over the period, with multilateral agencies accounting for nearly 60 percent of the debt in 1984. The debt owed to bilateral donors accounted for most of the remainder, as suppliers' credit and borrowing from financial institutions represented less than 1 percent of the debt in 1984. The bulk of Burundi's debt is on concessional terms, and, during the period 1979-1984, the average interest rate was about 3.3 percent. However, debt service payments (including repurchases from the Fund) have risen from 8.5 percent in 1980 to 19 percent of exports (of goods, nonfactor services and private transfers) in 1984, owing to the termination of grace periods on earlier contracts.

As a result of the devaluation of the Burundi franc in November 1983, the real effective exchange rate at end-1983 depreciated below the level reached at end 1981, when the current account deficit was equivalent to about 3.0 percent of GDP, and was considered to be broadly in equilibrium. However, as more recently domestic prices have risen at an accelerated pace, between November 1983 and end-1984 the effective exchange rate has appreciated in real terms by about 22 percent (Chart 1).

III. Report on the Discussions

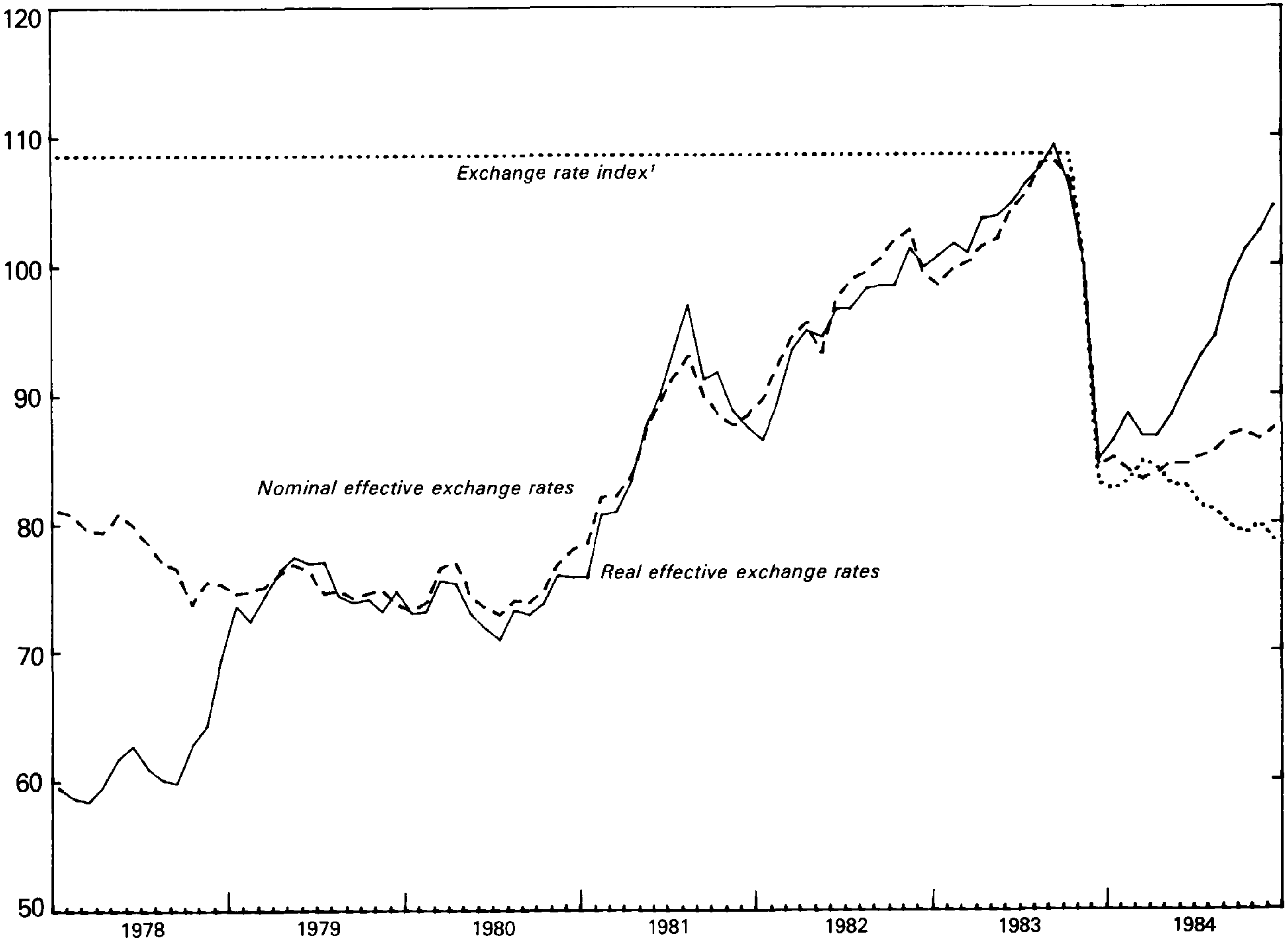
1. Production prospects and policies

The Burundi authorities indicated that economic and financial management have been made difficult by the yearly fluctuations in output, particularly in the level of the coffee crop, which affects private sector incomes, government receipts and the external accounts. In this connection, they stressed that the 1984 drought had adversely affected primary production leading to an acceleration in domestic prices, despite the efforts through international food assistance to alleviate shortages. With the return of normal weather conditions in 1985, the Burundi authorities considered that real GDP would grow by about 4 percent, but they recognized that this recovery could be jeopardized by a plague of parasites which was adversely affecting some crops.

CHART 1
BURUNDI

REAL AND NOMINAL EFFECTIVE EXCHANGE RATES, 1978-84

(Index average Nov. 1983 = 100)



[1] U.S. dollars per Burundi franc.

Regarding agricultural prices, the authorities indicated that food crop prices will generally continue to be market-determined, with the Government, as before, providing free extension services to farmers and charging the full cost of fertilizers and pesticides. As for cash crop prices (for coffee, tea, and cotton), they stated that it had not been possible to ascertain fully the impact on output of the price increases put into effect for the 1984-85 crop year, because of the intervening drought conditions. However, they noted that the quality premium being granted for coffee, and the coming on stream of two new modern coffee processing plants had brought about an increase in the share of higher grades of coffee in total coffee production and exports. The authorities confirmed that they considered prevailing producer prices for export crops to be sufficiently remunerative. In response to the staff's observation that the producer price for coffee nevertheless has declined in real terms since 1980/81 the authorities confirmed their intentions of reviewing all producer prices periodically in order to ensure that adequate incentives are maintained. Regarding the price of coffee in particular, the authorities informed the mission that they had approached the French authorities (CCCE) for technical assistance to conduct a study of the coffee sector with a view to putting in place a more realistic price policy in this sector.

The mission expressed some concern about the stagnation in the manufacturing sector's activities, apparently as the result of inappropriate pricing, trade, and exchange rate policies. In their response, the authorities indicated that installed capacity for most firms was designed before independence to take advantage of broader markets. Thereafter, as production became limited solely to the much smaller domestic market, these firms have not profited from economies of scale to the extent anticipated and large excess capacity had emerged leading to high unit costs. They agreed, however, that the current system of price control also tends to lead to inefficient production and results in high final consumer prices.

With regard to these matters, the mission remarked that the various benefits accorded some firms (particularly public enterprises) through exemptions under the tax code and the trade and industrial licensing systems were not conducive to their improved performance. The mission also stressed that if the real appreciation of the Burundi franc were allowed to persist, it could reduce the sector's competitiveness in the neighboring export markets, thereby inhibiting the growth and diversification sought by the authorities. In reply, the Burundi authorities explained that the decision to create and retain a number of public enterprises for activities considered important for the national interest did not reflect any ideological considerations; rather, it resulted from a lack of interest and initiative exhibited by the private sector. They confirmed that the Government was ready to turn these enterprises over to the private sector if it showed any interest; indeed, active negotiations are currently under way to sell off one enterprise to private entrepreneurs. Discussions were also under way with the IBRD to frame a technical assistance program for rehabilitating the public enterprise sector.

The staff noted the serious reservations of the World Bank about the size and realism of planned public investment expenditures under the Fourth Development Plan. In their response, the Burundi authorities explained that the Plan document could be implemented in a flexible manner. They had been reviewing the level and composition of planned expenditures in the light of the reactions emerging from the Donors' Conference in May 1984. Initial steps had been taken to reduce and rephase original Plan expenditure levels, and the authorities now expect to begin discussions with interested donors on sectoral requirements, starting with projects in the rural sector.

In response to a staff inquiry about the sharp rise in extrabudgetary capital outlays in 1983 and their reduction in 1984, the authorities stated that the rise in 1983 resulted from a bunching of projects under the last and the current Development Plans. As for the sectoral distribution of outlays during 1983 in favor of infrastructure projects, the authorities conceded that not all such projects immediately added to productive capacity for export. They felt strongly, however, that the country's landlocked position required that all efforts be undertaken to lessen the constraints imposed on production activities by an inadequate transportation system. While noting that this growth in investment expenditure appears to have been checked in 1984, the mission urged the authorities to adopt a more selective approach in their investment decisions and to tailor the size and nature of projects to the need for increased production for export as well as diversification of the economy, rather than to the mere availability of foreign resources even if obtained on concessional terms.

2. Domestic financial prospects and policies

a. Government finance

The mission underscored the need to reduce the level of aggregate demand so as to contain the internal and external imbalances in the economy. In this connection, it emphasized that budgetary policies had to play a major role, and that government outlays in particular needed to be sharply reduced. Consequently, the mission expressed concern about the deterioration in fiscal performance expected in 1985.

The 1985 budget, which was adopted before the arrival of the consultation mission, suggests that the improvement in government operations observed in 1984 may not continue. The mission estimated that tax receipts will increase by FBu 2.2 billion to a level equivalent to 14.6 percent of GDP, owing mainly to (i) an increase in the development tax of FBu 5 per bottle of beer (to yield an estimated FBu 459 million);

(ii) the introduction of a duty on tea exports (with a yield of FBu 350 million); (iii) an increase of the rate of the statistical tax from 3 to 4 percent (to yield an estimated FBu 349 million); and (iv) other discretionary measures relating to indirect taxes on tobacco products, soft drinks, and imports (for a combined revenue increase estimated at FBu 439 million). Taking into account a projected rise of 19 percent in nontax revenue and grants, total receipts are expected to rise by 16 percent to FBu 24.5 billion. By contrast, total expenditure and net lending are expected to rise much more rapidly from FBu 30.5 billion in 1984 to FBu 37 billion (on an estimated cash basis), or an increase of 21 percent. Current expenditures are projected to rise by about 22 percent to FBu 17.8 billion, owing to increases of 22 percent in personnel expenditures, 41 percent in transfer payments, and 10 percent in interest payment on public debt. Moreover, capital outlays and net lending are projected to increase by 20 percent to FBu 19.2 billion, 1/ owing mainly to a sharp rise (35 percent) in foreign loan-financed extrabudgetary outlays. As a result, the overall cash deficit is projected to rise by 34 percent to FBu 12.48 billion (10.3 percent of GDP) The financing of this deficit is to require an increase of 35 percent in drawings on foreign loans and of 49 percent in recourse to domestic financing, presumably from the Central Bank.

In the mission's view, the projected deficit and its financing were clearly unsustainable and it urged the authorities to consider prompt steps to substantially reduce the deficit. More specifically, the mission reiterated that projected extrabudgetary capital outlays should be reviewed by the authorities, to ensure that emphasis is given to productive projects, especially those likely to contribute to export growth. Moreover, such outlays should be integrated in the overall government budget, and the traditional practice of allowing for a build-up of domestic arrears should be eliminated through better control and monitoring of expenditure. On the revenue side, the mission stressed the importance of implementing expeditiously the recommendations of the recent FAD technical assistance mission, including in particular a proposed reduction in the generous tax exemptions on imports which have adversely affected government receipts.

The authorities recognized the need to take measures to reduce the projected 1985 deficit and expressed their determination to continue policies which had been initiated in 1984 to control government expenditures. These include a prudent wage and salary policy, with no general wage increase or new recruitment. They advised that the projected increase in personnel expenditures was mainly attributable to a repayment

1/ This includes a provision of FBu 2.0 billion in respect of capital expenditure commitments brought forward from 1984 without a corresponding appropriations provision. This annual adjustment was made because the ordinary and capital investment budget cycles cover overlapping periods of 12 and 18 months, respectively.

of arrears, arising from previous nonpayment of government employee contributions to the social security fund. The Government is also phasing out current subsidies and transfers to public enterprises, and capital transfers would only be granted in limited cases. The authorities stated that, to ensure that current expenditures do not exceed government revenue, the Minister of Finance has been granted the legal power to reduce approved expenditures below the levels of appropriations. This power can also be used by the Minister to prevent the accumulation of any further expenditure arrears by the Government. As for capital expenditures, they agreed with the mission on the need to include in the overall government budget the extrabudgetary outlays currently executed by the Ministry of Planning. In addition, projected capital expenditure for 1985 is being reviewed by the authorities with a view to eliminating those projects for which concessional foreign financing is currently not available.

Regarding the need to raise additional revenue, the authorities indicated that they needed to study more fully the recommendations of the FAD technical assistance mission before adopting any new tax measures. They cautioned, however, that the issue of tax exemption of imports must be approached carefully in the light of the government investment program, the incentives provided to the private sector under the Investment Code and the fact that donors generally made tax exemption on project-related imports a prior condition for their aid.

b. Monetary and credit policies

Burundi's authorities indicated that in recent years monetary and credit policies had been largely determined by the need to finance the government deficit and the requirements of the coffee sector. Monetary policies have been accommodating and the monetary authorities have been reluctant to exercise tight control over credit to Government in order to avoid possible delay in the payment of government expenditures, especially wages. Indeed, since 1981 some efforts have been made to constrain the Government from borrowing for less politically sensitive outlays, and as a result, the Government has accumulated domestic payment arrears. The mission inquired about the policy of consolidating the outstanding balances under ordinary advances extended to the Government into long-term loans. In their reply, the authorities indicated that up to 1981 ordinary advances had been promptly repaid each year by the Government. Subsequently, as the Government's financial position weakened the balance on such advances outstanding at the end of the fiscal year had to be consolidated into long-term loans, at a considerable interest cost to the budget. The authorities are making efforts to reduce such outstanding balances.

Turning to credit to the private sector, the mission noted that the level of noncoffee crop credit had stagnated in recent years, and inquired whether this was due both to the Government crowding out other sectors from access to credit and to the complexity of the system for rediscounting credit. In their reply the authorities accepted that such

such a stagnation had occurred, but asserted that this trend reflected the banking sector's preference for financing low-risk activities, including consumer goods imports, rather than for productive activities in the manufacturing sector. Also, as restrictions have tended to constrain the expansion of imports, the need for bank financing was reduced. Moreover, most of the firms operating in that sector are branches of overseas establishments that rely largely on financing provided by their parent companies. Given this situation, the authorities felt that the financing requirements of the Government had not crowded out the private sector from access to bank financing. While asserting that the rediscounting system did not (per se) inhibit private sector credit demand, they nevertheless agreed with the staff that the rediscounting system was complex. The objectives and instruments of credit policy in Burundi are being reviewed by the authorities, and in this context they have requested technical assistance from the Fund to conduct a study of the existing system.

The mission expressed concern about the contraction that had taken place for the first time since 1980 in the level of time and savings deposits, and suggested to the authorities that this was probably attributable to the significant erosion of real interest rates that had taken place since the last increase in nominal interest rates in October 1981. In this connection, the mission indicated that an appropriate interest rate policy should aim at rewarding depositors with adequately remunerative levels of positive real interest rates. Such a policy would not only encourage domestic savings but also contribute to the financing of development projects, thereby reducing the need for foreign borrowing. Although the authorities could not commit themselves to establishing an interest rate structure with positive rates for depositors, they indicated that a proposal for an upward adjustment in interest rates is under active consideration by the Government.

3. External prospects and policies

In consultation with the authorities, the staff prepared medium-term projections for the balance of payments and debt as the basis for discussions of external sector prospects and policies (Table 2). Between 1985 and 1989 Burundi's external current account deficit is forecast to widen by about 8 percent per year to reach SDR 99.3 million by 1989. Exports are likely to grow at an average annual rate of about 7 percent, with prices rising annually by 1-2 percent and export volume growing annually by about 5-6 percent. The main source of export growth would be the coffee sector, where past investments have been substantial and where the Government is committed to providing adequate producer price incentives. In the event that Burundi's quota 1/ under the International Coffee Agreement (ICO) does not rise as fast as domestic production, it is assumed that a growing part of the increased output would be sold in

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1/ Presently amounts to 28,000-30,000 tons.

Table 2. Burundi: Balance of Payments Projections, 1985-89

(In millions of SDRs)

	1985	1986	1987	1988	1989
Current account	-74.1	-84.0	-90.4	-92.2	-99.3
Merchandise	-83.1	-91.3	-97.8	-98.6	-106.8
Exports, f.o.b.	118.2	123.9	132.8	145.9	154.0
Of which: coffee	(98.6)	(98.6)	(105.1)	(112.5)	(119.8)
Imports, c.i.f.	-201.3	-215.2	-230.6	-244.5	-260.8
Services (net)	-87.2	-95.4	-101.0	-107.6	-113.2
Nonfactor services (net)	-47.3	-52.2	-55.4	-59.5	-61.9
Factor services (net)	-39.9	-43.2	-45.6	-48.1	-51.3
Transfers (net)	96.2	102.7	108.4	114.0	120.7
Private transfers	6.5	7.3	7.3	8.1	9.0
Public transfers	89.6	95.4	101.1	105.9	111.7
Capital account	60.2	60.3	65.2	65.2	71.8
Medium- and long-term official loans (net)	63.5	62.7	66.8	66.8	73.4
Disbursements	78.2	83.1	89.6	93.7	97.8
Amortizations	-14.7	-20.4	-22.8	-26.9	-24.4
Other capital	-3.3	-2.4	-1.6	-1.6	-1.6
Overall balance	-13.9	-23.7	-25.2	-27.0	-27.5
Financing gap		11.2	25.2	27.0	27.5

nonquota markets at a discount which currently approximates 30 percent. On the payments side, mainly reflecting the needs of the government investment program, imports are projected to rise by 7 percent annually. Concurrently, the deficit in the services account is projected to rise as a result of increases in payments for both interest charges and nonfactor services. The net surplus in transfers is forecast to rise only marginally.

In their projections of the external capital account for the period 1985-89, the authorities expected the net inflow to show little or no growth; the forecast rise in loan drawings would be offset by a sharp increase in repayments. Since the current account deficit is likely to rise more rapidly, a financing gap of some SDR 11 million is projected to emerge by 1986, 1/ and thereafter, such gaps are expected to amount to about SDR 25-28 million annually during the period 1987-89. The Burundi authorities expressed concern about these prospects and recognized the need to put in place adequate corrective measures.

The Burundi representatives stated that, while external borrowing has risen significantly in the last few years, most of the loans had been obtained from multilateral agencies on concessional terms. Even so, they recognized that the debt service ratio has risen markedly, and they were concerned that it is projected to reach some 24 percent of exports of goods, nonfactor services, and private transfers by 1988, against a ratio of 8.5 percent in 1980 (Table 3). The staff pointed out that in the absence of corrective policies the debt service ratio (of exports of goods, nonfactor services, and private transfers) would be even higher, assuming that the balance of payments gap would be financed through additional borrowing on commercial terms. 2/ In this event tentative staff calculations indicate that the debt service ratio could reach 35 percent by 1989. Given that in the past most of Burundi's debt has been project-related borrowing, the staff expressed the view that it was unlikely that Burundi would be able to mobilize the necessary gap filling external financing. Accordingly, the staff urged the authorities to initiate appropriate demand-management policies that will allow a better control of gross domestic expenditure and external borrowing requirements.

The staff expressed concern that in 1984 the balance of payments position had worsened despite a substantial pick up of exports and an intensification of restrictions on current payments and transfers. In its view, this was essentially due to the strong demand pressures and to the real appreciation of the Burundi franc (about 22 percent) since November 1983. In their response, the Burundi representatives pointed out that measures had been adopted in 1984 to reduce domestic demand, since there was a significant reduction in the consolidated budget deficit. The Burundi representatives stated further that the real

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1/ The net official reserves position worsened from SDR 42 million at end-1981 to SDR 19.2 million by end-1984.

2/ See Table 3.

Table 3. Burundi: Public External Debt Service Projections, 1985-89

	1985	1986	1987	1988	1989
			(In millions of SDRs)		
Amortization	14.7	20.4	22.8	26.9	24.4
Interest payments	12.2	13.0	13.9	14.7	16.3
Total	26.9	33.4	36.7	41.6	40.7
			(Debt service ratio)		
As a percentage of merchandise exports	22.8	27.0	27.6	28.5	26.4
As a percentage of exports of goods, nonfactor services, and private transfers	18.9	22.3	22.7	23.6	21.9
Memorandum item:					
Including debt service on financing of balance of payments gap, 1/ as a percentage of exports of goods, nonfactor services, and private transfers	18.9	22.4	25.7	31.5	34.9

1/ Assumes borrowing for balance of payments purposes on commercial terms, five-year maturity, six-month grace period, and 10.6 percent interest rate. The projected borrowing requirements are: SDR 11.5 million in 1986, SDR 30.0 million in 1987, SDR 40.9 million in 1988, and SDR 51.6 million in 1989.

appreciation of the Burundi franc should be viewed in the light of the drought-induced food shortages experienced in 1984, which had resulted in a sharp rise in domestic food prices. With the return of normal weather conditions they expected output to pick up in 1985 and lead to a decline in prices.

The mission stressed that, following the November 1983 devaluation, it would have been desirable to prevent any further real appreciation of the Burundi franc through the adoption of a flexible policy of periodic adjustments in the exchange rate. In their response, the Burundi authorities noted that the exchange rate does play an important role in encouraging both traditional and nontraditional exports and containing imports. They assured the mission that, while they were not wedded to the maintenance of an unchanged exchange rate, nonetheless, they felt the need to be cautious in implementing a flexible exchange rate policy because of the likelihood of encouraging domestic speculation against the Burundi franc with attendant adverse effects on domestic prices and real wages. They also felt that the method used to assess the real appreciation of the currency needed to be better adapted to Burundi's particular circumstances. The staff, while noting the Burundi authorities' views, reiterated that, in the country's circumstances, a flexible exchange rate policy remained a key instrument.

The Burundi representatives stated that the intensification in 1984 of restrictions on current payments and transfers was temporary in nature and designed to protect the balance of payments. They were concerned that the continued weakness of the balance of payments and reserve position did not make it possible for them to remove restrictions imposed earlier on certain current payments and transfers. They agreed with the staff that appropriate financial policies can better help contain imports and strengthen the external accounts. They also stated that under the regulation governing trade among members of the Preferential Trade Area (ZEP) 1/ a tariff reduction was implemented in July 1984 as a first step toward the complete elimination of trade barriers and the eventual formation of a customs union. In these circumstances, the authorities stated that they have little scope for using tariffs as a means for discouraging imports. The mission expressed concern that an intensification of restrictions had taken place in 1984. In its view, this intensification represented a clear indication of the inappropriateness of prevailing economic policies, including the exchange rate for the Burundi franc. The mission urged the authorities to take prompt steps to correct the overvaluation of the currency and to support this with strong demand management policies, coupled with a more flexible exchange rate policy, which would permit a timely phasing out of existing restrictions.

1/ The Zone d'Echanges Préférentiels set up in 1981 regroups 18 Eastern and Southern African states to facilitate intraregional trade. Burundi became a member in 1983.

4. Data-related problems

The mission discussed with the authorities the data problems it encountered during the consultation discussions. In the area of government finance it was difficult to identify the trends in domestic arrears. This was due in part to the fact that the Treasury did not not keep an accurate account of payment orders issued (dépenses ordonnancées). Thus arrears had to be estimated considering the difference between expenditure commitments (dépenses engagées) and actual payments; this measure tends to overstate the new accumulation of arrears. Furthermore, the fact that the investment budget runs on an 18-month cycle and the ordinary budget on a 12-month cycle also complicates the task of determining the actual payments arrears accumulated by the Government.

Regarding foreign financing of the consolidated deficit, there are three different sets of data relating to foreign loan drawings. These data need to be reconciled, since they have important consequences for the budget, for the debt situation, and, to a lesser extent, for the overall balance of payments position. Data on the balance of payments also need to be improved so that the relatively large "errors and omissions" item can be further reduced or better explained.

The authorities are taking steps to initiate accounting and budgetary procedures which will enable a better determination of domestic arrears accumulation and a reconciliation of the various ministries' external debt data.

These issues and other statistical issues are further discussed in Appendix III.

IV. Staff Appraisal

Economic performance in Burundi has been characterized in recent years by sharply fluctuating growth rates. In addition, production has been constrained by the landlocked position of the country (in particular, the lengthy, costly, and unreliable trade routes to the sea), the limited size of the domestic market, and a high population density. In addition to these structural constraints, in 1984 a severe drought caused real GDP to decline for the third successive year (by 4 percent). Moreover, as a result of a reduced availability of food crops, and to some extent the devaluation of the currency in 1983, domestic prices rose sharply in 1984.

As a result of high levels of investment and budgetary subsidies granted to the public enterprises, the deficit in central government operations (excluding grants) averaged about 13 percent of GDP in the last three years. As domestic savings have been negligible to meet its financing requirements, the Government's borrowing from the Central Bank and from external sources has increased significantly. The expansionary policies have also contributed to an acceleration in the rate of inflation and to rising current account deficits, which (excluding official transfers) averaged 17 percent of GDP during this period. Although net inflows of transfers and capital (mostly on official account) increased substantially, the balance of payments came under persistent pressure. External debt and the debt service ratio increased, while holdings of gross reserves were sharply reduced.

In 1984, however, the authorities were able to follow up the exchange rate adjustment implemented in November 1983 with a reduction in the overall government deficit, as the growth rate of capital expenditure and net lending was slowed and government revenue from the tax on coffee exports rose sharply. Nevertheless, the reduction in domestic excess demand pressures was not adequate, and hence the external current account deficit, (excluding public transfers) remained high (16 percent of GDP), despite the intensification of restrictions on transfers of invisibles. The external prospects for 1985 and the medium term are worrisome, particularly because of the expansionary budget adopted for 1985 which is likely to worsen existing imbalances.

The staff believes that given the size of Burundi's medium-term financial imbalances and its structural supply-side problems, the authorities should take early action to implement a comprehensive and effective adjustment program that adequately restrains aggregate demand, addresses the issue of relative pricing, strengthens competitiveness, and effects other structural changes to improve production possibilities over the medium term. The authorities recognize the need to improve economic performance through a better allocation of public sector resources and by adequate pricing, interest rate, and exchange rate policies. To move in this direction, they have already taken some initial actions, including a depreciation of the exchange rate in 1983 and a reduction of the fiscal deficit in 1984. Furthermore, they are expecting to put in place appropriate policy reforms that can be supported by a structural adjustment loan from the IBRD; preliminary discussions on a possible SAL program are expected to start before the end of April. The authorities have also recently renewed their request for possible use of Fund resources.

The Government's budgetary policies should play a critical role in bringing about a better balance between aggregate demand and available resources. As an initial step, measures should be put in place to continue the reduction of the budgetary deficit started in 1984. More specifically, the staff believes that the overall deficit in 1985, which is currently projected to reach 10.3 percent of GDP (compared to 8.4 percent in 1984) should be reduced below the average level of 6.8 percent reached during 1981-82 and rapidly eliminated thereafter. To this end, tax revenue needs to be increased, expenditure and net lending reduced, and budgetary controls over expenditure commitments substantially improved to avoid any build-up of domestic arrears.

On the revenue side, the measures included in the 1985 budget would raise the tax to GDP ratio only marginally to 14.6 percent in 1985. The staff believes that this ratio can be significantly increased by the Government's adoption of new tax measures along the lines recommended by the recent FAD technical assistance mission. In particular, the reduction of the overly generous tax exemptions on imports, the replacement of the transaction tax by a tax on import and manufacturing output, and improvements in tax administration, can make an important contribution to government revenue.

As for government outlays, the authorities need to persevere with the prudent wage and recruitment policies started in 1983. In addition, a major effort must be made to curtail capital outlays financed by foreign borrowing. These outlays, which had been reduced by 24 percent in 1984, can and should be reduced further in 1985. In this connection, the staff urges the authorities to carry out expeditiously their intention to review the extrabudgetary investments that are to be implemented in 1985 and over the medium-term. This review should enable the authorities to eliminate or postpone projects for which foreign financing on concessional terms has not yet been secured, or which are not likely to contribute rapidly to productive capacity, exports, and/or to an improvement in the balance of payments over the medium term. The staff shares the World Bank's reservations about the size and realism of the public investment program and believes it should be governed by the amount of non-inflationary resources that the Government can mobilize through budgetary savings and foreign grants. A serious effort should be made by the Government to scale down long-term borrowing from the central bank and to generate the budgetary savings necessary to finance the local counterpart of foreign-financed investment outlays. The staff urged the authorities to improve the expenditure procedures to avoid any further build-up in domestic arrears and, indeed, to make explicit room in their budget for the orderly retirement of domestic arrears outstanding. At the same time, the implementation of an appropriate interest rate policy would help both to increase private savings and to encourage a more productive use of financial savings. The staff believes that these steps will also contribute to reducing the external current account deficit to a sustainable level and to keeping the foreign debt service payments within reasonable limits.

On the supply side, the authorities should continue to provide adequate price incentives to farmers to encourage them to increase both the level and the quality of export production. The staff welcomes the significant nominal increases in producer prices effected during the 1984/85 crop year but believes that these increases may not have fully compensated for the recent acceleration in prices and the erosion of real return over the past few years. In this connection the staff welcomes the decision of the authorities to request bilateral assistance to review producer costs and prices especially in the coffee sector. The authorities should continue efforts to improve the quality of coffee and tea output in order to remain competitive with other producers and obtain higher export prices. In the cotton sector steps should be taken to increase output to a level that would enable both the quality and capacity needs of the domestic textile industry to be met and cotton exports to be increased. As regards the manufacturing sector and the public enterprises, the staff welcomes the authorities' decision to eliminate virtually all current transfers and subsidies to these sectors, starting in 1985. Beyond this initial step, however, the staff feels that a rehabilitation program should be promptly reactivated with technical assistance from the IBRD along the lines initiated in 1982. Enterprises that are not viable should be closed down and their assets used to strengthen the operations of those that can be rehabilitated through appropriate financial and managerial reforms. While financially sound public utilities can remain under government control, the authorities should seriously consider opening up other production units (mostly those in industry and commerce) to private sector interests and management wherever feasible. The staff believes that these policies would strengthen the productive sectors and help achieve the goal of diversification of the economy sought by the authorities. Action in this area would have to be accompanied by appropriate domestic financial and exchange rate policies to improve resource allocation and foster increased production for exports and import substitution purposes.

An appropriate exchange rate policy would aim first at correcting the appreciation of the Burundi franc that has taken place since the last devaluation, taking into account any prospective long-term reduction in Burundi's external terms of trade. In addition, it would be important to adopt a flexible exchange rate policy designed to strengthen the competitiveness of Burundi's traditional and nontraditional exports (especially to regional markets), as well as the domestic import-substitution manufacturing sector. Such a policy would also enable the Government both to increase budgetary revenues from the export sector and to maintain remunerative prices for agricultural cash crops and strengthen its reserve position.

Burundi maintains restrictive practices in its exchange and trade system. Exchange restrictions subject to approval under Article VIII arise from the existence of limits on transfers of earned income by foreign nationals, profits and dividends, rental income and certain fees, and allowances for travel abroad. It is the view of the staff that the elimination of restrictive practices is an important element in any effort to revive private sector confidence and to encourage foreign investors' interest in the economy. The staff also believes that the objective of maintaining a viable balance of payments and adequate reserves over the medium term would be best served by the prompt implementation of a strong adjustment program with appropriate fiscal, monetary, and pricing (including exchange rate) policies. In the meantime, the staff does not recommend Board approval for the maintenance of existing exchange restrictions. The proposed decision appears on page 20.

It is recommended that the next Article IV consultation discussions with Burundi take place within the standard 12-month cycle.

Proposed Decision

The following draft decision is submitted for consideration by the Executive Board:

1. The Fund takes this decision relating to Burundi's exchange measures subject to Article VIII, Section 2 and in concluding the 1985 Article XIV consultation with Burundi and in the light of the 1985 Article IV consultation with Burundi conducted under Decision No. 5392-(77/63), adopted April 29, 1977 ("Surveillance over Exchange Rate Policies").

2. Burundi continues to maintain restrictions on payments and transfers for certain current international invisible transactions, as described in SM/85/111. The Fund encourages the authorities to pursue policies which will permit the prompt elimination of existing exchange restrictions.

BURUNDI - Fund Relations
(As of March 31, 1985, amounts in SDRs
unless otherwise indicated)

I. Membership Status

(a) Date of membership: September 28, 1967
(b) Status: Article XIV

(A) Financial Relations

II. General Department (General Resources Account)

(a) Quota: 42.7 million
(b) Total Fund holdings of currency: 33.56 million
(78.59 percent of quota)
(c) Fund credit: Nil
(d) Reserve tranche position: 9.16 million
(e) Current operational budget (maximum use of currency): None
(f) Lending to the Fund: None

III. Current Stand-By and Special Facilities

(a) Current stand-by: None
(b) Previous stand-by arrangements approved in 1965, 1966, 1967, 1968, 1969, 1970, and 1976
(c) Special facilities: CFF, approved in 1979

IV. SDR Department

(a) Net cumulative allocation: 13.70 million
(b) Holdings: 0.22 million
(c) Current designation plan (amount of maximum designation): None

V. Administered Accounts

(a) Trust Fund loan:
(i) Disbursed: 18.57 million
(ii) Outstanding: 15.57 million
(b) SFF Subsidy Account: None

VI. Overdue Obligations to the Fund: None

VII. Use of Fund Resources: None

(B) Nonfinancial Relations

VIII. Exchange System

Pegged to the SDR at FBu 122.70 = SDR 1.

Burundi maintains restrictions on payments and transfers for current international transactions subject to Article VIII, Section 2.

IX. Last Article IV Consultation

1983 Article IV consultation (SM/84/12 and SM/84/33) discussed by the Executive Board on February 29, 1984. The following decision has been taken:

1. The Fund takes this decision relating to Burundi's exchange measures subject to Article VIII, Section 2, and in concluding the 1983 Article XIV consultation with Burundi, in the light of the 1983 Article IV consultation with Burundi conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (surveillance over Exchange Rate Policies).

2. Burundi continues to maintain restrictions on payments and transfers for certain current international invisible transactions. The Fund encourages the authorities to pursue policies that will enable them to remove the remaining restrictions described in SM/84/33 as soon as possible.

X. Technical Assistance

1982 - Experts on foreign exchange, research, bank supervision and audit.
1983 - Experts on foreign exchange, research, bank supervision and audit (up to August) -
1984 - Experts on foreign exchange, research, bank supervision and audit (from September): no expert

XI. Resident Representative: None

BURUNDI - Status of the World Bank Group
(As of January 31, 1985)

1. Bank loans and IDA credits

Loans or credit Number	Year	Purpose	Amount US$ million (less cancellations) IDA	Undisbursed
One loan and 11 credit fully disbursed			48.43	
918 BU	1979	Forestry	4.30	0.16
976 BU	1980	Second Education	15.00	0.73
1049 BU	1980	Urban Development	15.00	6.98
1058 BU	1980	Telecommunications	7.70	2.41
1132 BU	1981	Third Highway	25.00	0.39
1154 BU	1981	Nickel Exploration	4.00	0.65
1165 BU	1981	Kirimiro Rural Development	19.30	10.35
1192 BU	1982	Integrated Rural Development/Ngozi III	16.00	10.59
1230 BU	1982	Local Construction Industry	5.20	3.27
1358 BU	1983	Third Education	15.80	8.13
1419 BU	1983	Ruzizi II	15.0	12.12
1456 BU 1/	1984	Third Technical Assistance	5.10	4.15
Total			195.83	59.93
Of which has been paid			-36	
Total now held			195.47	
Total undisbursed			59.93	

2. IFC has committed US$0.9 million in equity and US$4.8 million in loans to a glass bottling plant, of which US$0.8 million and US$3.7 million had been disbursed as of July 31, 1984.

3. The World Bank has maintained a Resident Representative in Bujumbura since 1983. It has also provided technical asssistance to Burundi in a number of sectors, notably the public enterprises sector.

Source: The World Bank.

1/ Not yet effective.

Burundi - Statistical Issues

1. Outstanding statistical issues

a. Public sector finances

The government finance data published in IFS differ from those in the GFS Yearbook mainly because the former have a more limited coverage than the latter. The latest data in the GFS Yearbook refer to 1981. The data for 1982 supplied by the GFS correspondent in response to the latest questionnaire presented a number of problems which have not yet been clarified.

Government arrears are presently defined in Burundi as the difference between expenditures committed and paid. Payment orders are not recorded. This definition tends to result in an overestimatation of government arrears. The authorities have been urged to establish accounting procedures for recording payment orders in order to have a more correct estimation of arrears.

At present, information on public enterprises by the central government and the banking system is neither comprehensive nor up-to-date. With regard to public and publicly guaranteed external debt, there is a need to reconcile the data from the Ministry of Planning, the Ministry of Finance, and the Banque de la République du Burundi so as to arrive at a consistent series.

b. Monetary accounts

The Bureau provided technical assistance in February 1983 to review the money and banking data compiled by the Central Bank. A number of recommendations were made concerning the detailed accounts of the monetary authorities, the monetary survey, and reporting of other financial institutions.

Following the recent receipt of correspondence on these matters from the Central Bank, it is expected that revised monetary sections can soon be introduced in IFS. The Central Bank has also indicated that it will adopt a similar presentation of monetary aggregates in its national publications.

c. Merchandise trade

IFS calculates imports f.o.b. by applying an estimated freight and insurance factor of 15 percent. This figure may be low since Burundi is a landlocked country and it needs to be reviewed in consultation with the authorities.

d. Balance of payments

Burundi does not report balance of payments data to the Bureau. Data series obtained by the mission gave rise to relatively large errors and omissions which were not fully explained. Balance of payments statistics is considered a priority area for Fund technical assistance.

2. Coverage, currentness, and reporting of data in IFS

The table below shows the currentness and coverage of data published in the country page for Burundi in the March 1985 issue of *IFS*. The data are based on reports sent to the Fund's Bureau of Statistics by the Banque de la République du Burundi, which during the past year have been provided on a timely basis. There are, however, some inadequacies in the coverage of data.

Status of IFS Data

		Latest data in March 1985 IFS
Real sector	- National accounts	1983
	- Prices	Oct. 1984
	- Production	n.a.
	- Employment	n.a.
	- Earnings	n.a.
Government finance	- Deficit/Surplus	July 1984
	- Financing	July 1984
	- Debt	Sept. 1984
Monetary accounts	- Monetary authorities	Sept. 1984
	- Deposit money banks	Sept. 1984
	- Other financial institutions	Sept. 1984
External sector	- Merchandise trade: values	Sept. 1984
	- Merchandise trade: coffee export prices	1982
	- Balance of payments	n.a.
	- International reserves	Jan. 1985
	- Exchange rates	Jan. 1985

BURUNDI - Basic Data

Area, population, and GDP per capita

Area	27,866 square kilometers
Population:	
Total (1982)	4.4 million
Growth rate	2.7 percent
GDP per capita (1983)	SDR 243

	1980	1981	1982	1983	1984 Prelim.
National accounts 1/	(In billions of Burundi francs)				
Gross domestic product at 1970 factor cost	24.8	28.3	26.8	27.5	26.1
Primary sector	15.8	18.5	16.7	17.3	15.4
Secondary sector	3.7	4.0	4.0	4.2	4.4
Tertiary sector	5.3	5.8	6.1	6.0	6.3
GDP at current market prices	86.5	89.1	91.9	100.4	111.0
Imports of goods and nonfactor services	17.9	17.9	23.3	23.9	28.5
Total supply of resources Total use	104.4	107.0	115.2	124.3	139.5
Exports of goods and nonfactor services	6.8	7.9	9.2	9.2	14.0
Domestic demand	97.6	99.1	106.0	115.1	125.5
Private consumption	75.2	71.5	79.2	78.7	90.8
Public consumption	10.9	12.8	13.6	14.3	14.4
Gross fixed capital formation 2/	11.5	14.8	13.2	22.1	20.3
Resource gap	-11.1	-10.0	-14.1	-14.7	-14.5
	(As percent of GDP at market prices)				
Gross fixed capital formation	13.3	16.6	14.4	22.0	18.3

Sources: Data provided by the Burundi authorities; and staff estimates.
1/ Including the subsistence sector.
2/ Including changes in stocks.

BURUNDI - Basic Data (continued)

	1980	1981	1982	1983	1984 prelim.
Annual rate of growth and prices			(Change in percent)		
Real GDP 1/	3.4	10.3	-3.2	1.7	-4.1
GDP deflator	19.0	-6.8	6.6	8.0	15.4
Consumer price index 2/	9.4	12.0	5.7	8.4	14.0
Central government operations			(In millions of Burundi francs)		
Revenue plus grants	14,733	15,632	17,588	17,056	21,237
Revenue	11,669	11,201	13,975	13,342	16,537
Capital grants 3/	3,064	4,431 4/	3,613	3,714	4,700
Expenditure and net lending 5/ 6/	20,789	21,838	25,282	31,922	29,460
Current	9,701	10,046	12,047	13,718	13,572
Capital and net lending (commitment basis)	11,088	11,792	13,235	18,204	15,888
Overall deficit (-) 6/	-6,056	-6,947	-7,694	-14,866	-8,223
Change in expenditure arrears (decrease -)	903	800	1,486	2,386	-1,077
Overall deficit (cash basis)	-5,153	-6,147	-6,208	12,480	-9,300
Financing					
Foreign (net)	2,861	2,296	4,273	9,781	6,909
Domestic (net)	2,292	3,851	1,935	2,699	2,391
Banking system	590	2,693	2,244	2,848	1,692
Other	1,702	1,158	-309	-149	699
			(As percent of GDP)		
Revenue	13.5	12.6	15.2	13.3	14.9
Capital grants 3/	3.5	5.0	3.9	3.7	4.2
Current expenditures 6/	11.2	12.1	13.1	13.7	12.2
Capital expenditure and net lending 5/ 6/	12.8	13.2	14.4	18.1	14.3
Total expenditure and net lending 6/	24.0	25.3	27.5	31.8	26.5
Overall deficit (commitment basis)	7.0	7.8	8.4	14.8	7.4
Overall deficit (cash basis)	6.0	6.9	6.8	12.4	8.4

1/ At market prices.
2/ Cost-of-living index for households in Bujumbura (base 100 in 1980).
3/ Including foreign grants passed on to public enterprises.
4/ Including grant from STABEX of FBu 967 million.
5/ Including externally financed off-budget expenditures and on-lending of the Central Government and foreign capital grants passed on to public enterprises.
6/ On a commitment basis.

BURUNDI - Basic Data (continued)

	1980	1981	1982	1983	1984 Prel.
Money and credit	(In millions of Burundi francs, end of period)				
Foreign assets (net)	7,558	4,694	1,481	2,642	2,380
Domestic credit	12,880	18,297	20,500	24,804	24,842
Government (net)	4,604	7,297	9,541	12,389	14,081
Credit to economy	8,276	11,000	10,959	11,815	10,761
Money and quasi-money	12,592	15,754	15,530	19,684	20,317
Other items (net) 1/	7,846	7,257	3,295	7,162	6,395
	(As percent of GDP)				
Credit to Government (net)	5.3	8.2	10.4	12.3	12.7
Credit to economy	9.6	12.3	11.9	11.8	9.7
Money and quasi-money	14.6	17.7	16.9	19.6	18.3
Balance of payments 2/	(In millions of SDRs)				
Current account (including transfers)	-38.0	-24.4	-78.7	-86.7	-64.2
Merchandise	-78.8	-73.2	-114.5	-96.3	-84.3
Exports, f.o.b.	50.2	63.6	79.5	75.5	99.7
Of which: coffee	(44.7)	(56.0)	(71.1)	(65.8)	(84.9)
Imports, c.i.f.	-129.0	-136.7	-194.0	-171.8	-184.0
Services (net)	-25.4	-38.1	-50.9	-76.1	-67.9
Transfers (net)	66.2	86.8	86.7	85.6	88.0
Capital account (net)	52.2	21.6	51.0	115.3	46.9
Medium- and long-term (including direct investment)	29.0	23.2	43.4	100.9	54.7
Short-term and monetary capital	23.2	-1.5	7.5	14.4	-7.8
SDR allocation	2.4	2.3	--	--	--
Errors and omissions 3/	-11.7	-25.5	-3.9	-21.8	15.2
Overall balance	4.9	-25.9	-31.6	6.8	-2.8
Gross official reserves (in weeks of imports)	33	22	9	10	7

1/ Includes net deposits of the Coffee Equalization Fund, medium- and long-term loans and SDR allocations.

2/ Converted from the original data in Burundi francs at the following annual average exchange rates: SDR 1 = FBu 117.1 for 1980; SDR 1 = FBu 106.1 for 1981; SDR1 = FBu 99.4 for 1982; and SDR 1 = FBu 122.7 for 1983.

3/ Reflects mainly discrepancies between imports on customs basis and their financing, especially regarding imports financed by official loans and grants.

BURUNDI - Basic Data (concluded)

	1980	1981	1982	1983	1984 Prel.
			(As percent of GDP)		
Exports, f.o.b.	6.8	7.6	8.6	7.5	11.0
Imports, c.i.f.	-17.5	-16.3	21.0	17.0	20.3
Current account (including transfers)	-5.1	-2.9	-8.5	8.6	7.1
Overall balance	0.7	-3.1	-3.4	0.7	-0.3
Debt service			(In millions of SDRs)		
Debt service payments	5.8	5.6	7.7	15.2	24.0
Of which: to IMF	0.5	0.5	1.2	4.9	4.8
Amortization	3.7	3.5	4.1	11.1	15.0
of which: Fund repurchases	(--)	(--)	(--)	(4.8)	(4.7)
Interest payments	2.1	2.1	3.6	4.1	9.0
of which: Fund charges	(0.5)	(0.5)	(1.2)	(0.1)	(0.1)
Debt service ratio (in percent) 1/	8.5	6.4	7.3	14.4	19.4
of which: Use of Fund credit	(0.7)	(0.5)	(1.1)	(4.6)	(3.9)

1/ Debt service payments as a percentage of receipts from export of goods and nonfactor services and private transfers.