International Monetary Fund

Burundi and the IMF

Press Release:
IMF Executive Board Completes Second Review Under Burundi's PRGF Arrangement, Approves US$10.4 Million Disbursement and Agrees in Principle on Burundi Reaching its Decision Point Under the Enhanced HIPC Initiative
July 29, 2005

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Burundi: Letter of Intent, Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding

June 30, 2005

The following item is a Letter of Intent of the government of Burundi, which describes the policies that Burundi intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Burundi, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Bujumbura, June 30, 2005

Mr. Rodrigo de Rato
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. de Rato,

1. On behalf of the Burundi authorities, we hereby transmit the attached memorandum of economic and financial policies (MEFP) that sets out the objectives and policies under the program that the authorities intend to implement for the remainder of 2005. The attached technical memorandum of understanding (TMU) defines the terms and conditions of the program.

2. Burundi continues to make progress with national reconciliation and economic recovery aided by the Fund's advice and support under the Poverty Reduction and Growth Facility (PRGF) put in place in January 2004.

3. The program's quantitative performance criteria at end-December 2004 were all observed, as were the indicative targets at end-March 2005, except for a slight overrun on bank credit to government (Table 1). The program's structural performance criterion on the lifting of the remaining foreign exchange export surrender requirement (March 2005) was met on January 10, 2005 (Table 2). The structural benchmarks on the liberalization of marketing and trade at all levels of the coffee sector (March 2005) and the initiation of the audit of the 2004 government accounts by the audit court (May 2005) were observed.

4. In support of our macroeconomic and financial objectives and policies for the remainder of 2005, we hereby request completion of the second review under the PRGF and disbursement of SDR 7.15 million (9.3 percent of quota).

5. The objectives and policies in the updated MEFP remain consistent with Burundi's Interim Poverty Reduction Strategy Paper (I-PRSP—*Cadre stratégique intérimaire de croissance économique et de lutte contre la pauvreté*). Preparation of the full-PRSP is well under way with the aim of completion by end-2005.

6. We are requesting access to external debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and have provided all the necessary information to the staff in support of their request for a decision by the IMF and World Bank for Burundi to qualify for enhanced HIPC assistance.

7. The Burundi authorities will provide the Managing Director with all the information he may request as necessary to monitor developments and achieve the objectives of the PRGF-supported program in a timely manner.

8. The authorities believe that the economic and financial policies set forth in the attached MEFP are adequate to achieve the objectives of the 2005 program, supported by the PRGF, but will take any further measures that may become appropriate for this purpose. Burundi will consult with the Managing Director on the adoption of these measures in advance of revisions to the policies contained in the MEFP, in accordance with the Fund's policies on such consultations.

9. The quantitative performance criteria for end-June and end-December 2005 and the indicative targets for September are set out in Table 1 of the MEFP. The structural performance criteria and structural benchmarks for 2005 are shown in Table 2 of the MEFP. The third review of the three-year PRGF arrangement with the Fund will be based on end-June 2005 targets, as set at the time of the first PRGF review.

10. The Burundi authorities are keen to make this letter and the attached MEFP and TMU, as well as the staff report on the second review under the PRGF arrangement, available to the public in Burundi and elsewhere, and hereby authorize their publication and posting on the Fund's website subsequent to Executive Board consideration.

Sincerely yours,

/ s / / s /

Athanase Gahungu
Minister of Finance

Salvator Toyi
Governor, Bank of the Republic of Burundi

Attachments: Memorandum of Economic and Financial Policies for 2005
Technical Memorandum of Understanding

Memorandum of Economic and Financial Policies for 2005 of the Republic of Burundi

I. Introduction

1. This memorandum summarizes progress under the program at end-2004 and through the first quarter of 2005, and sets out economic and financial policies through end-2005. On the basis of these policies, the authorities request Fund support in the form of a third disbursement under the three-year Poverty Reduction and Growth Facility (PRGF) arrangement. The policies and objectives of the new program are consistent with the Interim Poverty Reduction Strategy Paper (I-PRSP).

II. Background

A. Political Transition and the Peace Process

2. Burundi crossed a historical threshold on February 28, 2005, when voters overwhelmingly approved the new constitution. In late April, the electoral and communal codes were promulgated. Communal elections were held on June 3 and parliamentary elections are scheduled for July 4, 2005. The political transition period, which began with the Arusha Agreement of August 2000, will end in August 2005 with the election of a new President of the Republic by the newly elected parliament.

3. Armed hostilities have all but ceased and negotiations with the last holdout rebel group, the FNL, resulted in a ceasefire agreement in mid-May. United Nations (ONUB) peacekeeping troops are in place in Burundi. The disarmament, demobilization, and reintegration (DDR) of former combatants and the armed forces is well under way, supported by the World Bank-led Multi-Country Demobilization and Reinsertion Program (MDRP) for the Great Lakes region. Operations began in December 2004 and, as of end-May 2005, have resulted in the demobilization of 9,960 personnel. ONUB and bilateral donors are also supporting the associated security sector reform (SSR) involving the creation, training, and equipping of a new national police force.

B. Recent Economic Developments

4. Macroeconomic developments in 2004 and early 2005 have fallen somewhat short of program objectives. Real economic growth in 2004 was somewhat below target at 4.8 percent, reflecting a severe drought and crop disease in two northern provinces, which reduced agricultural output. Real GDP growth in 2005 is projected at about 5 percent, reflecting a much smaller coffee harvest, tempered by continued strong recovery in the service sectors. CPI inflation was not reduced as planned in 2004, reflecting the drought in two northern provinces considered the granary of the country, the surge in imported petroleum prices, and pressures on rents and prices from the increased presence of the international community, notably of ONUB. Consumer prices rose 11.8 percent and further in the first quarter of 2005 to 15.6 percent at end-March 2005. Broad money growth was

somewhat below projection in 2004 at 15.7 percent, despite much higher-than-programmed reserve money growth of 37 percent.

5. Preliminary data suggest that the external current account deficit in 2004 was much smaller than expected at about 7 percent of GDP, as exports rose 28 percent and imports expanded at a much less-than-expected rate. The lower import growth was accounted for by delays in humanitarian assistance compared to program projections. The export performance was based on the strength of a recovery in coffee prices and the bumper coffee harvest of some 38,000 tons. Coffee exports during the first quarter of 2005 fetched the highest prices in the last five years, however, this was offset by the impact of record world prices for imported fuel. The Burundi franc was broadly stable against the U.S. dollar in 2004, depreciated about 5 percent in early 2005, but has since recovered. In real effective terms, the franc depreciated 4.1 percent in 2004. The differential between the parallel and the official exchange rates has remained at about 3-4 percent.

C. Performance Under the Program

6. **Performance relative to program targets at end-2004 was good**. All end-December 2004 quantitative performance criteria, as adjusted under the program, were observed (Table 1). Program implementation in early 2005 was broadly on track. The indicative targets for March 2005 were observed, except for a slight overrun on bank credit to government. The program's structural performance criterion on the lifting of the remaining surrender requirement on the foreign exchange from exports (March 2005) was met on January 10, 2005 (Table 2). All prior actions have been implemented. The structural benchmarks regarding the decree for the liberalization of establishment and trade at all levels of the coffee sector (March 2005) and on the initiation of the audit of the 2004 government accounts by the audit court (May) were observed.

7. The government registered a **primary fiscal deficit** of 3.5 percent of GDP in 2004, compared to the program indicative target of 3.2 percent, owing entirely to much higher-than-anticipated counterpart outlays to foreign-financed project spending. This overrun was offset in part by a smaller-than-anticipated wage bill and buoyant revenues. Overall revenue performance (20.1 percent of GDP) exceeded the program target by 0.7 percent of GDP, reflecting strong tax recovery efforts in the final quarter and the impact of steps to strengthen revenue administration. Overall, spending and net lending was contained at close-to-program levels as domestic interest payments, and transfers and subsidies were less than expected. The wage bill was lower than the program indicative target reflecting delays in filling new teaching positions and the nonpayment of merit increases. Social spending increased slightly from 6.5 percent to 6.7 percent of GDP. The overall fiscal deficit, on a commitment basis, before grants, was below target at 19.7 percent of GDP. Domestic arrears on 2004 budget commitments, which had risen steadily through midyear, were sharply reduced to FBu 2.3 billion (0.3 percent of GDP) by end-December and other arrears were also cleared. The cash deficit was also below the program objective at 27.7 percent of GDP. Reflecting delays into early 2005 of disbursements of external budget support, bank financing of the government reached FBu 57 billion.

8. **Fiscal performance in the first quarter of 2005** has continued to be broadly satisfactory and in line with programmed targets. Revenue performance, adjusted for a delay in receiving the annual central bank (BRB) dividend, was stronger (by 10 percent) than programmed. Spending was somewhat lower than programmed, reflecting the pace of integration of ex-combatants into the army and police, and a lower wage bill owing to strikes. The residual domestic arrears at end-2004 were cleared in early 2005. The delayed disbursement of the EU and World Bank external assistance from late 2004 to early 2005 contributed to the decline in bank credit to government by FBu 8.8 billion in the quarter, somewhat better than the adjusted program target.

9. Strikes by civil service unions, most notably by teachers, to unfreeze advancements and promotions blocked since 2002, led to **a wage agreement (regularization) with the teachers** in January 2005, which has been costed at FBu 16.6 billion, of which FBu 5.4 billion is owed for 2005 salaries. In May 2005, the authorities completed an inventory of domestic payment arrears. The inventory found FBu 41.4 billion in verified unpaid bills dating back to 1979. An additional FBu 14.6 billion in claims was not yet fully documented. An external audit is to begin shortly.

10. **Monetary and banking developments** in 2004 were mixed, as the large bank financing of the budget (some 32 percent of beginning 2004 money stock), reflecting the delay in disbursement of external assistance drove liquidity expansion. Credit to the economy rose by only 2 percent, a decline in real terms, in part reflecting the repayment of outstanding 2003 coffee credit arrears. The high reserve money growth was not taken up by private sector borrowing and banks were left with excess liquidity.

11. Pressure on **reserve money** continued in early 2005 as the BRB was unable to contain the monetary impact of the sharp rise in external reserves (from the bunching of external assistance inflows in January 2005) until the second half of March, when it accelerated foreign exchange sales to reduce liquidity. Reflecting these operations, reserve money growth was halted at end-March 2005, although year-on-year it rose 57 percent. Gross official international reserves stood at US$101 million (5½ months of imports) at end-March. Reflecting reserve money creation in late 2004, broad money growth accelerated sharply in the first quarter of 2005 to 34.8 percent at end-March. The BRB's ceilings on credit to the financial institutions were simplified in late 2004 and abolished in March 2005, preceding the introduction of the weekly liquidity auctions in mid-April 2005. The liquidity auctions have significantly reinforced the BRB's ability to manage domestic liquidity.

12. The BRB has energetically pursued its objective of **liberalizing the exchange regime**. In mid-December 2004, the BRB abolished the mandatory nature of its foreign exchange auction reference price and changed the determination of the official exchange rate from the weekly auction rate to the daily weighted average of transactions in the banking system. On January 10, 2005, the BRB abolished the remaining foreign exchange surrender requirement on export earnings (50 percent on coffee, tea, and cotton exports). The limit on the turnover of foreign exchange bureaus, introduced in late December 2004, was rescinded

in February 2005, and the frequency of the BRB foreign exchange auctions was doubled to twice a week.

13. The implementation of **structural reforms** also moved ahead despite the complex political environment and limited administrative capacity. The audit court began operations in late 2004 and one of its first activities was to review the 2005 budget submission to parliament. The court's plan of activities for 2005 was approved by parliament in February 2005. The examination of the 2004 public finances began in April 2005 and specific audits of the ministries of defense and civil service are planned. The law on the statute of the magistrates of the audit court was signed into law on May 12, 2005

14. Following the approval of a **coffee sector reform** strategy by the council of ministers on October 28, 2004 and the reform of OCIBU's auction committee, a decree liberalizing private entry and investment in the sector and operations at all levels of the supply chain was issued on January 14, 2005 (structural benchmark for March 2005). A national conference on coffee sector reform, supported by the World Bank, and bringing together international coffee experts and domestic operators was held on March 22-24, 2005 in Bujumbura. A ministerial order was issued on June 16, freeing direct sales in the coffee sector. With the strong recovery of coffee prices in world markets, the sector turned an operating surplus for the 2004/05 crop year, estimated at FBu 15.6 billion, for the first time since 1998/99.

15. Through the ministerial order of May 6, 2005, the government has lifted the restrictions on **the sugar sector** (structural benchmark for September) by eliminating minimum import valuations, lifting export restrictions, and liberalizing domestic prices. These measures are expected to result in lower sugar prices for consumers, stimulate investment in the sector, and increase production and exports.

16. Burundi has completed bilateral rescheduling agreements on its **external debt** with its Paris Club creditors and remains current on its nonreschedulable external debt obligations. Discussions are ongoing to secure at least comparable treatment from other bilateral creditors. Agreements to clear multilateral arrears were reached in 2004.

III. The 2005 Program

A. Macroeconomic Objectives

17. The strategy for the remainder of 2005 is to reduce macroeconomic and financial imbalances, reduce inflation and deepen needed financial and structural reforms to support sustained growth. Developments in late 2004 and early 2005 on inflation and growth were less favorable than expected but the authorities are committed to achieving the program's macroeconomic objectives for 2005 of 5 percent real growth and reducing inflation to about 10 percent. With cumulative inflation of 5.7 percent in the first three months, achieving the inflation objective in 2005 will require tightened monetary management together with firm budgetary discipline as described below. The external current account deficit is expected to remain at about 7 percent of GDP in 2005.

B. Fiscal Policy

18. **Fiscal policy in 2005 will be in transition.** The security sector projects (military integration and national police), vital to securing a durable peace, will raise the share of security spending in the short term, while the demobilization effort will progressively effect a shift, from mid-2005 onwards, from military spending to increasing social outlays. The 2005 fiscal program also aims at supporting the inflation reduction objective by reducing financing from the banking system. Revenues are conservatively projected to rise by at least 10 percent but would decline somewhat to about 18¼ percent of GDP, reflecting the impact of inflation. Expenditure increases involve primarily outlays for the security sector reforms. Primary expenditure will be maintained at about 24 percent of GDP, through the elimination of transfers for coffee sector losses and by containing the **wage bill** (net of the new police force) and expenditures on goods and services. Any increase in the wage bill (including from regularizations) will need to be matched by budget savings and/or higher tax revenue, which would be confirmed in a revised 2005 budget in consultation with Fund staff in the context of discussions for the third review under the PRGF program. The overall deficit, on a commitment basis and after grants, is expected to decline to about 0.2 percent of GDP, in part reflecting an increased share of grants in external financial support. Project expenditure (FBu 108 billion, 12¼ percent of GDP) will continue to be financed mostly from external aid disbursements and will give priority to rehabilitating and rebuilding the social and economic infrastructure. Aggregate poverty-related expenditure (as defined in the I-PRSP) would ease from 28 percent of primary expenditure in 2004 to 27 percent in 2005 or 6.4 percent of GDP, before HIPC debt relief spending (paragraph 23) and payment of retroactive wage adjustments for teachers.

19. The **DDR and SSR programs** are vital not only for a successful political transition and public security, but also for poverty reduction by generating a substantial "peace dividend." In this respect, the government is committed to achieving budgetary savings as described in its Policy Letter to the World Bank of February 2004 on Demobilization, Reinsertion and Reintegration, through the reduction in the size of the army to its targeted level. As the numbers of ex-combatants and soldiers to be demobilized is much smaller than initially estimated, it will be possible to reach the final army size more quickly by maintaining the rate of demobilization. The expenditure limits in the 2005 budget are sufficient to cover the cost of the security sector reforms (police and army) and some savings on the budgeted amounts for police and army costs are possible. The authorities are committed to implementing these projects so as to obtain the potential savings, which could be redirected toward social outlays in the context of a revised 2005 budget. The authorities are also committed to ensuring that no amounts additional to the agreed severance payments under the MDRP-supported program will be paid. The authorities intend to seek the assistance of the ONUB in assessing the appropriate ultimate size and composition of the new police and defense forces, taking into account budget constraints. In the interim, recruitments to the police force will be strictly limited.

20. As regards **tax policy**, a number of measures have been taken to reinforce revenue performance. A single taxpayer identification number will be introduced effective July 1,

2005 in all revenue services (prior action) and cooperation between the tax and customs administrations will be reinforced. The authorities have begun the full application of the income tax legislation to Burundians employed by international agencies operating in Burundi (prior action). As regards **customs**, a modification in procedures has been made to close loopholes to avoid the import pre-inspection regime and to de-link this requirement from the exchange control regulations by introducing a generalized pre-import declaration requirement (prior action).

21. The authorities are committed to pursuing efforts to improve the **management of public finances.** We are also committed to budgetary transparency and have begun preparations to close the extra-budgetary funds (except for the road fund) and fold their operations into the budget with effect from the 2006 budget. To enhance civil service payroll management, in June the Ministry of Finance posted a budget control unit at the ministry of the civil service to monitor wage bill commitments and payments (prior action). The Ministry of Finance will also undertake a rationalization of its accounts annexed to the general treasury account at the BRB in 2005. Building on the new accounts system, a computerized financial management system (IFMIS), with a direct link to the central bank, will be put in place in the Ministry of Finance by October 2005 (structural performance criterion). This system is designed to reinforce the monitoring of budget execution, including social outlays and the production of timely financial operations reports. In respect of this effort, the authorities have requested additional technical assistance from the IMF.

22. The government is committed to normalizing the government's financial relations with suppliers and establishing the nature and extent of its **domestic arrears**, which weigh heavily on the private sector, including the banking system. The government is committed to developing a macroeconomically viable repayment schedule on all domestic arrears with Fund staff in the context of the third review of the program.

23. External debt-service relief under the **enhanced HIPC Initiative** would allow an increase in pro-poor budgetary spending. The additional expenditures would be identified in consultation with World Bank and IMF staff and will be in line with the priorities identified in the I-PRSP and the full PRSP, which is expected to be completed later this year. The main sectors to be covered would be health, education, infrastructure, agriculture, refugee and displaced persons resettlement, the reintegration of victims of civil strife, and judicial reform. The additional expenditures would be incorporated in the 2006 budget (or a supplementary budget for 2005). A special treasury sub-account will be established in the central bank where the budgetary savings from the debt relief will be deposited. An Independent Oversight Committee will monitor these expenditures. It will include national and local representatives, as well as members of the international donor community. The use of enhanced HIPC Initiative assistance would be subject to independent technical and financial audits to ensure the effective use of resources for poverty reduction. All such audits would be made publicly available. Several measures are near completion that will strengthen the monitoring and tracking of poverty-reducing expenditures. A new budget nomenclature is in place, to be supported by the new IFMIS system (see above), to track resources allocated by activity and region.

C. Monetary and Exchange Policies

24. Monetary policy for 2005 aims at a large slowdown in liquidity growth, supported by the liberalized exchange system, to effect a reduction in inflation to about 10 percent. A sustained reduction in the level of credit to government from the banking system from the end-2004 level, combined with the elimination of direct central bank credit to the coffee sector, is expected to lead to a sharp decline in reserve money growth in the second half of 2005. The increased efficiency of the financial system, resulting from the various reform efforts, would lead to a significant increase in the money multiplier and broad money growth of about 17 percent in 2005, assuming broadly stable velocity. Credit to the private sector would grow by about 14 percent, somewhat below nominal GDP growth. Assuming the external financing gap is closed, gross international reserves of the BRB would increase further to US$125 million or about 6½ months of imports by end-2005.

25. The BRB will continue to **reinforce monetary policy** in 2005 in support of the program's inflation objective. Critical to this effort are the measures taken under the program to enhance the efficiency and effectiveness of liquidity management. The BRB, supported by IMF technical assistance, has enhanced its liquidity forecasting capability with the cooperation of the Ministry of Finance, and introduced weekly liquidity auctions and a new rediscount facility in April 2005. The BRB and the Ministry of Finance will also work to reform the treasury bills and bonds securities to make them tradable by end-2005. This will enable better liquidity management in the banking system and support a more active monetary policy. Following the completion of its first external audit, the BRB has developed an action plan to respond to the auditors' recommendations. In particular, it intends to strengthen the management of its foreign exchange operations, internal audit procedures, and computerized accounting systems. The BRB is also committed to improving its own governance and transparency, including by publishing the 2004 external audit and other decisions on its website.

26. Burundi's **financial sector** is relatively concentrated, with the major financial institutions generally sound. Some of the smaller banks have experienced difficulties and are in process of recovery notably through increasing their capital and improving their management in consultation with the BRB. Banking supervision is being strengthened and the BRB is rigorously enforcing prudential requirements, which will be strengthened further toward international standards in 2005.

27. The BRB is committed to pursuing **further exchange system liberalization** and the lightening of exchange control mechanisms, in line with the important changes introduced in late 2004 and early 2005. The BRB will limit its intervention in the foreign exchange market to achieving the NIR targets and preventing short-term volatility. The restrictions and reporting requirements on foreign exchange transactions will be further reduced in 2005. The BRB is preparing a unified set of exchange regulations, supported by IMF technical assistance, reflecting the objective of reaching full convertibility in 2005 for current international transactions. The BRB is also actively supporting efforts to de-link the customs pre-import inspection procedures from the remaining exchange control requirements.

D. Structural Reforms

28. Building on the progress achieved in 2004, the authorities are committed to pressing ahead with the implementation of structural reforms needed to support the economic recovery, ensure its sustainability, and reduce poverty. Key steps for 2005 include the liberalization of key productive sectors, the initiation of the privatization of state assets in the financial, coffee, and other sectors, and further progress in governance and transparency.

29. The implementation of **the reform strategy for the coffee sector,** supported by the World Bank and the EU, remains vital to poverty reduction in Burundi, in particular among the approximately 800,000 small rural producers. In late March, a national colloquium on coffee sector reform won broad support from participants in the sector for the liberalization and privatization strategy. The privatization will begin by end-June with the launching of tenders for an initial lot of individual washing stations not covered by the STABEX-financed washing station rehabilitation project. As the rehabilitation of individual washing stations under the STABEX project is completed, individual stations will be offered for sale without delay. The authorities have also begun distribution of part of the 2004/05 operating surplus to producers through a second payment of FBu 30 per kg (FBu 6.1 billion). The remaining portion of the surplus is to be used to finance the new crop (FBu 6.7 billion), and the purchase of phyto-sanitary products and fertilizers for sale to producers (FBu 2.7 billion). The ministry of finance will monitor closely the use by OCIBU of the funds for the financing of the crop, notably through the use of a business plan. The government guarantee of crop credit has been abolished.

30. Conscious of the need to give a clear signal to producers of the government's commitment to liberalize the sector, on April 8, 2005, the rental tax on orchards ("loyer verger") of FBu 30 per kg of coffee beans was abolished (prior action). The government, with the assistance of the World Bank, will adopt an action plan defining the new roles of coffee sector institutions (including OCIBU) to be in place for the start of the 2006 crop season (April 2006), consistent with the coffee sector reform strategy by November 2005 (structural benchmark). Further reforms will be pursued to complete the transition to a liberal private sector so as to attract much needed private investment and financing, improve product quality, bolster incomes of small producers, and eliminate the large losses accruing to the budget.

31. The **privatization program**, significantly delayed by security concerns, will be launched before end-December 2005 with the initiation of tenders for state assets in the financial, industrial, and other sectors. The government intends in this way to jump-start private sector activity, which will be the engine of economic growth. The objective is to progressively and completely disengage the state from the productive and financial sectors of the economy.

32. **The audit court** officially received the 2004 government financial statements in April 2005 and has initiated its audit. The audit is expected to be completed by September 2005 and the report will be published (structural benchmark). Specific inspections of the

defense and civil service ministries are also planned for 2005. In an effort to improve **transparency** and public knowledge of, and support for, economic reform, further efforts will be made by the government and the BRB to publicize decisions, decrees, and laws in the area of economic reform, including through the internet. The government, in cooperation with the BRB, intends to expand and update on a timely basis its website with key government decisions, decrees, and economic reform strategies, including its memoranda of economic and financial policies transmitted to the Managing Director of the Fund.

33. A draft **anti-money laundering** (AML) law has been prepared and was presented to the council of ministers in June. The law will be submitted to the new parliament for approval before end-2005. It has benefited from comments from the IMF and other agencies. The authorities intend to request further technical assistance from the IMF/World Bank to ensure the consistency of the legal framework and with best international practice. The new bankruptcy law was approved by the council of ministers and submitted to parliament in February 2005. Passage by the new parliament is expected in late 2005.

34. As regards the need to restore Burundi's **national economic statistics capacity**, in February 2005, the authorities officially communicated their intention to participate in the General Data Dissemination Standards (GDDS) initiative of the IMF. The authorities are working to prepare their metadata, which they expect to have ready by the fourth quarter of 2005, supported by additional IMF technical assistance.

E. Program Financing and External Debt Management

35. For 2005, the external nonproject financing need is estimated at US$245 million. This external financing requirement is expected to be covered by disbursements under the IMF's PRGF (US$22 million), World Bank (US$51 million, including a US$35 million first tranche of a second ERC operation totaling US$50 million); AfDB program grants and loans from FAD of US$25 million; the EU (FED program of US$35 million); bilateral creditors (US$11 million); and traditional debt relief (US$86 million), including on current maturities (US$7 million); and HIPC debt relief (US$16 million). The above amounts include commitments of additional support from the original program assumptions from the EU (US$10 million), the World Bank (US$5 million), and bilateral donors (US$2 million). Funding for the national elections (a total of about US$23 million). It is expected that Burundi will be in a position to meet its external nonreschedulable debt-service payments and the authorities are determined to pursue prudent debt management policies and to strive to reach a sustainable external debt position.

36. The authorities believe that successful implementation of the PRGF-supported program will serve as a catalyst for a further increase in foreign assistance and **debt relief** under the enhanced HIPC Initiative. Notwithstanding the debt relief already obtained from the Paris Club in March 2004, Burundi's debt burden remains unsustainably high. A debt sustainability analysis prepared jointly by IMF and World Bank staff in consultation with the authorities, indicates an external debt-to-exports ratio, on a present value basis, of about 1,772 percent (after the full use of traditional debt relief mechanisms) at end-2004.

Substantial relief will thus be needed to bring Burundi's debt burden down to sustainable levels and free resources for much needed social and poverty reduction spending.

F. The PRSP Process

37. The authorities have prepared a PRSP Preparation Status Report on the progress achieved in preparation of a full PRSP, which has taken longer than expected. The participatory process for the preparation of the full PRSP is continuing. Consultations with public and private stakeholders at the local level have been concluded and will be followed by sectoral consultations at the national level that are expected to continue until mid-August. The full PRSP is scheduled to be completed in late-2005. We intend to initiate the costing of the priorities identified in the PRSP in 2005.

G. Safeguards, Statistical Issues, and Technical Assistance

38. The BRB is committed to improving its operations consistent with the principles of good governance included in **the IMF's safeguards guidelines**. In view of constrained administrative and technical capacity, a two-step approach to the safeguards assessment was adopted. The first stage, which has been completed, involved an assessment of the areas considered critical to preventing the possibility of misreporting and safeguarding Fund resources, namely, the BRB's external audit, financial reporting mechanisms, and system of internal controls. The second stage, which is expected in the second half of 2005, will evaluate the BRB's legal framework and internal audit mechanism. In line with the staff recommendations under the first stage, the BRB is acting to improve financial reporting mechanisms and strengthen its system of internal controls. The audit firm of Ernst and Young conducted the first external audit that was completed in June 2005. The external auditor has made recommendations on the adoption of International Financial Reporting Standards (IFRS) and improvements in BRB operations, which the BRB is actively addressing.

39. Burundi has extensive **technical assistance needs**, and the authorities will continue to work closely with multilateral and bilateral partners to rebuild administrative capacity in priority areas. IMF technical assistance has been provided in 2004-05 in the areas of tax administration, public expenditure management, monetary and exchange rate policy, banking supervision, and on national economic statistics. Follow-up work will be needed, notably as regards the national accounts, the balance of payments, and social/poverty indicators. The authorities recognize that **the statistical base** has been seriously eroded and are seeking additional technical and financial assistance from the international community in this area. The authorities are committed to implementing the recommendations of the IMF multi-sector statistics missions.

IV. Program Monitoring

40. Table 1 summarizes the quantitative **performance criteria** (end-December 2004, end-June and end-December 2005) and quantitative indicators for March and September 2005 for program monitoring purposes. The prior actions, structural performance criteria, and

benchmarks under the program for 2005 are presented in Table 2. The definitions of the program's performance targets, external assistance adjustors, and underlying assumptions, as well as Burundi's reporting requirements, are discussed in the attached TMU. Burundi will avoid incurring overdue financial obligations to the Fund, as well as introducing new exchange restrictions, multiple currency practices, bilateral payments agreements inconsistent with Article VIII of the Fund's Articles of Agreement, and import restrictions for balance of payments purposes. In addition, the authorities stand ready to adopt any new financial or structural measures, in consultation with Fund staff, which may become appropriate to ensure program success.

41. **The third review** under the PRGF arrangement is scheduled to be completed by December 2005 and will be conditional upon the observance of quantitative performance criteria at end-June 2005, and the structural performance criterion on the introduction of a computerized system at the Ministry of Finance designed to track spending (IFMIS) at end-October 2005. The third review will focus on the coffee sector reform, progress in privatization of state assets, the strengthening of public financial management, and a plan for domestic arrears liquidation.

Table 1. Burundi: Performance Criteria and Indicative Targets for 2004-05
(In billions of Burundi francs, unless otherwise indicated)

	2004			2005											
	Dec.			Mar. 2/			June			Sep. 2/			Dec. 2/		
	Prog. 1/	Prog. Adjusted	Act.	Prog. 1/	Prog. Adjusted	Act.	Prog. 1/	Prog. Adjusted	Proj	Prog. 1/	Prog. Adjusted	Rev. Prog.	Prog. 1/	Prog. Adjusted	Rev. Prog.
Performance criteria for end-December 2004 and end-June 2005 (indicative targets otherwise)															
Net foreign assets of the BRB (floor; in millions of U.S. dollars) 3/	31.9	3.8	19.9	23.5	12.1	45.2	15.2	-7.7	36.9	13.3	-17.9	18.1	32.5	18.3	43.4
Net domestic assets of the BRB (ceiling) 3/	35.0	66.0	53.8	43.7	56.7	40.8	57.6	81.6	45.8	57.5	82.1	56.1	41.4	56.3	27.3
Net credit from the banking system to the government (ceiling) 3/ 4/	78.1	106.7	102.2	82.2	93.1	93.5	81.3	102.9	101.5	88.5	110.7	111.4	68.6	83.1	80.8
External payments arrears of the government (ceiling; in millions of U.S. dollars)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term external debt of the government (ceiling; in millions of U.S. dollars) 5/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonconcessional external debt contracted or guaranteed by the government or the BRB (ceiling; cumulative; in millions of U.S. dollars) 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets															
Primary balance of the government (ceiling; cumulative from beginning of calendar year) 7/	-23.8	...	-25.4	-4.2	...	1.9	-4.9	...	-13.6	-25.8	...	-24.9	-35.0	...	-31.0
Government's wage bill (ceiling; cumulative from beginning of calendar year)	61.8	...	58.6	16.3	...	14.7	32.6	...	38.2	48.9	...	56.9	65.2	...	75.5
Adjustors															
External nonproject financial assistance (cumulative from end 2003; in millions of U.S. dollars) 7/ 8/	93.2		65.1	106.3	...	94.8	135.3	...	112.4	154.3	...	130.9	207.6	...	193.4
Net accumulation of fiscal arrears (cumulative from end-2003)	-11.9	...	-9.5	-12.9	...	-10.8	-13.9	...	-11.5	-14.9	...	-12.5	-26.9	...	-26.5

1/ As per EBS/04/179
2/ Indicative targets. December 2005 target to be set in the context of the second review.
3/ The ceiling or the floor will be adjusted to accommodate 100 percent of any deviation from the projected disbursements of external nonproject financial assistance shown in the memorandum item. In case of, respectively, a financing excess (shortfall), the floors on the stock of net foreign assets of the central bank will be adjusted upward (downward), and the ceilings on the stock of net domestic assets of the central bank and on the stock of net credit from the banking system to the government will be adjusted downward (upward). External financing will be converted in terms of Burundi francs on a quarterly basis, using the average official exchange rate.
4/ The ceiling on net credit to the government from the banking system will be adjusted downward for any accumulation of domestic arrears as defined in the Technical Memorandum of Understanding.
5/ Excluding short-term, import-related trade credits.
6/ With a grant element of less than 35 percent.
7/ As defined in the TMU and revised to reflect a reclassification of spending on the new police force from projects to recurrent expenditures.
8/ Nonproject assistance includes debt relief on current maturities and net cash payments to clear arrears.

Table 2. Burundi: Prior Actions for the Second Review Under the PRGF and Structural Performance Criteria and Benchmarks for 2005

Measure	Timetable (End-month deadline)	Status
Prior actions		
• Abolish the "loyer verger" on coffee sector producers.		Done. OCIBU Board decision of April 8, 2005
• Publish ministerial order on the freedom of direct sales in the coffee sector.		Done. June 16, 2005
• Finalize preparations for the introduction of a single taxpayer identification number for all government revenue services on July 1, 2005.		Done. Preparations in final stage for July 1, 2005 introduction.
• Reinforce civil service wage bill management through the posting of a budget control unit at the ministry of the civil service to monitor wage bill commitments and payments.		Done. Budget control unit created on June 22, 2005
• Begin implementation of provisions for effective assessment and collection of income tax on Burundians working in local offices of all international agencies and institutions established in Burundi.		Done
• Modify import pre-inspection regime: (i) abolish levy for private sector development fund; (ii) modify the 10 percent fine for non-pre-inspection to a graduated rate and apply it; and (iii) ministerial order instituting a generalized pre-import declaration obligation at customs thereby delinking it from the exchange regulation regime.		(i) done by BRB June 8, 2005. (ii) done June 20, 2005. (iii) done by ministerial letter, June 24, 2005.
• Passage by parliament of a law on the status of magistrates of the audit court.		Done. Signed into Law on May 12, 2005
Structural performance criteria		
• Abolish remaining export surrender requirement (50 percent of coffee, tea, and cotton exports).	March 2005	Completed January 10, 2005
• Install a computerized financial management information system (IFMIS) of moderate size in the Ministry of Finance, with a link to the BRB, designed to monitor budget implementation (notably social spending), and produce summary fiscal tables.	October 2005	

Table 2. Burundi: Prior Actions for the Second Review Under the PRGF and Structural Performance Criteria and Benchmarks for 2005 (concluded)

Measure	Timetable (End-month deadline)	Status
Structural benchmarks		
• Issue decree for the liberalization of coffee sector marketing and trade at all levels of the production chain.	March 2005	Done. Decree 100/012 of January 14, 2005 established the liberty of investment and operation at all levels of the sector.
• Begin privatizing coffee sector assets by launching tenders for Sogestals, washing stations, and the state share in SODECO.	June 2005	
• Initiate audit, by the audit court, of the 2004 government accounts.	May 2005	Done. Audit initiated April 2005
• Complete audited inventory of domestic arrears.	June 2005	Inventory completed May 20, 2005. Tender for the external audit launched in June.
• Lift trade restrictions and price controls on sugar.	September 2005	Done. Export restrictions, minimum import prices, and domestic price controls abolished by ministerial decree May 6, 2005.
• Publication of the audit court's audit report of the 2004 government accounts.	September 2005	
• Adopt an action plan defining the new roles of coffee sector institutions (including OCIBU) to be in place for the start of the 2006 crop season (April 2006), consistent with coffee sector reform strategy.	November 2005	
• Begin privatization program (with launch of tenders) of state shares in enterprises in the financial, industrial, and other sectors.	December 2005	

Burundi: Technical Memorandum of Understanding
June 30, 2005

1. This technical memorandum of understanding sets out the definitions of program variables to monitor the implementation of the program and the reporting requirements for the government of Burundi and the Bank of the Republic of Burundi (BRB). It defines (i) the quantitative performance criteria and indicative targets and the applicable adjuster; and (iii) the key assumptions used in formulating the economic program for 2005 set out in the memorandum of economic and financial policies (MEFP) of the government of Burundi annexed to the letter of June 30, 2005 from the Minister of Finance and the Governor of the BRB to the Managing Director of the International Monetary Fund.

2. The prior actions, the structural performance criteria and the structural indicators are listed in Table 2 of MEFP.

A. Quantitative Program Targets

Quantitative performance criteria and indicative targets

3. Quantitative performance criteria under the program are set on the end-June and end-December 2005 stocks as set out in Table 1 of the MEFP, as follows:

- Net foreign assets of the BRB (floor);
- Net domestic assets of the BRB (ceiling);
- Net credit from the banking system to the government (ceiling);
- Central government's external payments arrears (ceiling);
- The outstanding stock of short-term external debt (maturity of less than one year) of the central government and the BRB (ceiling); and
- New nonconcessional medium- and long-term external debt contracted or guaranteed by the government or the BRB (ceiling).

The quarterly targets on the above variables for September 2005 are indicative.

4. Quantitative indicative targets under the program as set out in Table 1 of the MEFP, are as follows:

- Primary budget balance, excluding externally financed projects (floor); and
- The government's wage bill (ceiling).

Definitions and computation

5. The **net foreign assets of the BRB** are defined as the difference between (i) foreign exchange assets and gold holdings (valued at market prices), and (ii) foreign exchange liabilities to nonresident entities (including the use of Fund resources, but excluding the counterpart of SDR allocations). These amounts are valued in terms of U.S. dollars based on end-March 2005 exchange rate. The net foreign assets of the BRB totaled FBu 51.8 billion, equivalent to US$45.2 million, at end-March 2005, broken down as follows:

	In billions of FBu	In millions of U.S. dollars
Net foreign assets of the BRB	51.8	45.2
Foreign assets	119.7	104.5
Deposits with correspondents (excluding IMF)	114.2	99.7
SDR holdings	0.2	0.2
Reserve position with the IMF	0.6	0.5
Gold holdings	0.5	0.4
Cash on hand	4.2	3.7
Foreign liabilities	67.9	59.3
Liabilities vis-à-vis correspondents (excluding IMF)	8.3	7.3
Counterpart of the use of IMF resources	58.0	50.6
Other liabilities	1.6	1.4

6. The **gross official reserves of the BRB** are defined as those foreign assets that are liquid and freely available to the central bank. At end-March 2005, gross official reserves stood at US$101.1 million.

7. The **net domestic assets of the BRB** are defined as the difference between (i) reserve money, comprising currency in circulation, reserves of commercial banks and other deposits held at the BRB, and (ii) net foreign assets of the BRB. Net domestic assets of the BRB totaled FBu 36.5 billion at end-March 2005, broken down as follows:

Net domestic assets of the BRB	36.5
Reserve money	88.3
Currency in circulation	55.3
Reserves of commercial banks	31.4
Other nonbank deposits	1.6
Minus: net foreign assets of the BRB	51.8

8. **Net credit from the banking system to the government** is defined as the difference between (i) loans, advances, and other government credits from the BRB and all of Burundi's commercial banks, and (ii) government deposits held at those institutions. The relevant scope of government is defined as central government and any other special funds or operations that are part of the budgetary process or have an impact on the government's financial position. Net credit from the banking system to the government totaled FBu 93.5 billion at end-March 2005, broken down as follows:

Net credit from the banking system to the government	93.5
Central government	104.6
Loans, advances, and other credits	146.1
BRB	128.7
Commercial banks	17.4
Deposits	41.5
BRB	35.6
Commercial banks	5.8
Other government (net)	-11.1

9. The stock of **external payments arrears** for program monitoring purposes is defined as the end-of-period amount of external debt service due and not paid, including contractual and late interest, for which a clearance agreement is not in place or for which arrears are not reschedulable. Arrears for which a clearance framework has been agreed with the creditor or which are subject to rescheduling or restructuring are not considered arrears for program monitoring purposes. Program arrears would include any debt service due under such agreements that have not been paid. The external payments arrears at end-December 2004 are broken down as follows, showing the actual stock under the heading "technical arrears":

External payments arrears	Program definition	Technical arrears
Total	0	78.6
Multilateral	0	21.3
International Development Association	0	0.0
AfDB Group	0	12.2
African Development Bank	0	5.9
African Development Fund	0	6.0
Nigeria Trust Fund	0	0.3
International Monetary Fund	0	0.0
European Union	0	0.0
International Fund for Agricultural Development	0	0.0
Arab Bank for Economic Development in Africa (BADEA)	0	0.0
OPEC Fund	0	8.4
Development Bank of the Great Lakes States (BDEGL)	0	0.7
Bilateral and commercial	0	57.3
Paris Club	0	13.8
French Cooperation Agency (AFD)	0	0.0
Japan (FCEOM)	0	13.8
Russia	0	0.0
Other official bilateral	0	42.9
Abu Dhabi Fund	0	2.5
Kuwait Fund	0	18.4
Saudi Arabia Fund	0	16.6
Libyan Bank	0	5.4
Commercial	0	0.5
AD Consultants	0	0.0
Kreditanstalt für Wiederaufbau AMSAR	0	0.5

10. The program includes a ceiling on **new nonconcessional external debts** contracted or guaranteed by the government and the BRB, which precludes the contracting of any such debt. This performance criterion applies to the contracting or guaranteeing by the central government, local governments, or the BRB of new nonconcessional external debt (as specified below) with original maturity of more than one year, including commitments contracted or guaranteed for which value has not been received. The term debt shall be understood as defined in the Executive Board Decision No. 12274-(00/85) adopted August 24, 2000. Debt rescheduling and restructuring are excluded from the criterion. Included are financial leases and other instruments giving rise to external liabilities, contingent or otherwise, on nonconcessional terms. In determining the level of concessionality of these obligations, the definition of concessional borrowing shall apply. Concessional debt is defined as having a grant element of 50 percent or more. For loans with a maturity of at least 15 years, the 10-year average commercial interest reference rates (CIRRs) published by the OECD should be used as the discount rate for assessing the level of concessionality, while the 6-month average CIRRs should be used for loans with shorter maturities. To both the 10-year and the 6-month averages, the following margins for differing repayment periods should be added: 0.75 percent for repayment periods of less than 15 years; 1 percent for 15–19 years; 1.15 percent for 20–29 years; and 1.25 percent for 30 years or more. The performance criterion is defined to exclude the use of Fund resources.

11. The **stock of short-term external debt**, with a maturity of up to one year (one year included), owed by the central government is to remain at zero under the program. Normal import credits are excluded from this ceiling. Loans with an initial maturity, as recorded in the original loan agreement, of more than one year are considered medium term and long term. This performance criterion applies not only to debt, as defined in point No. 9 of the Guidelines on Performance Criteria with Respect to Foreign Debt, adopted August 24, 2000, but also to commitments contracted or guaranteed for which value has not been received (including leasing). Excluded from this performance criterion are rescheduling arrangements and borrowing from the Fund. The concessional nature of debt will be ascertained on the basis of the commercial interest reference rates (CIRRs), as laid out by the Organization for Economic Cooperation and Development (OECD). A debt is said to be at concessional conditions if, on the date of its initial disbursement, the ratio between the present value of the debt computed on the basis of reference interest rates, on the one hand, and the face value of the debt, on the other hand, is less than 65 percent (equivalent to a grant element of at least 35 percent). As of end-March 2005, the stock of short-term debt outstanding was nil, as was nonconcessional medium- and long-term debt contracted during the first half of the year.

12. A **transfer of dividends from the BRB to the central government** took place in June 2005, in the amount of FBu 5.6 billion. Any transfer from the BRB in excess of this amount will be treated as central bank financing (rather than government revenue) and counted against the program's credit from the banking sector ceilings.

13. **Receipts from privatization** during 2005 are projected to reach FBu 3.0 billion (equivalent to 0.3 percent of GDP). Any privatization receipts over and above the projected amount will be used to reduce domestic debt.

14. The government's **primary budget balance** is defined as the difference between total government revenue, excluding grants, on the one hand, and noninterest current government expenditure and domestically financed capital expenditure (including through the use of counterpart funds), on the other hand. The primary budget balance for the first trimester of 2005 was estimated at FBu 1.9 billion, broken down as follows:

Primary budget balance	1.9
Total revenue	41.2
Minus:	
Noninterest current expenditure	33.8
Domestically financed capital expenditure	5.5
Net lending	0.0

15. The **government's wage bill** is defined as total labor remunerations on a commitments basis for civil servants, contractual employees, and military personnel of the central government, including all allowances and bonuses. The government's wage bill for the first trimester of 2005 totaled FBu 14.7 billion, broken down as follows:

Government wage bill	14.7
Civilian personnel	8.1
New National Police Force (SSR Program)	0.7
Military personnel	6.0

External financial assistance adjustor

16. The program provides for a symmetrical adjustor for shortfalls or excesses in external financial assistance that is applied to quantitative targets on the net foreign assets and the net domestic assets of the BRB, and on net bank credit to the government.

17. External financial assistance (measured in terms of U.S. dollars) is defined to include the following: (i) nonproject loans and grants to the budget, (including payments made through the multi-donor trust fund managed by the World Bank for current debt service to multilaterals); (ii) debt relief on current maturities; minus (iii) any cash payments for external arrears clearance operations. Disbursements into blocked accounts by donors for the purpose of clearing arrears will not be included as foreign assistance for program monitoring purposes. The assumptions for 2004-05 are shown below.

18. The ceiling or the floor targets will be adjusted to accommodate 100 percent of any deviation from the projected cumulative external financial assistance. In case of, respectively, a financing excess (shortfall), the floor on the stock of net foreign assets of the central bank will be adjusted upward (downward), and the ceilings on the stock of net domestic assets of the central bank and on the stock of net credit from the banking system to the government will be adjusted downward (upward). External financial assistance will be converted in terms of Burundi francs on a quarterly basis, using the average official exchange rate.

Burundi: Adjustment of Performance Criteria and Indicative Targets Under the 2004/05 Program
(In millions of U.S. dollars, unless otherwise indicated)

	2004		2005			
	Sep. Act.	Dec. Act.	Mar. Prog.	June Prog.	Sep. Rev. Prog.	Dec. Rev. Prog.
External nonproject financial assistance (cumulative from January 2004)	49.1	65.1	106.3	135.3	130.9	193.4
Of which:						
EU	23.8	33.3	43.4	53.6	54.2	68.2
World Bank	0.0	0.0	14.8	14.8	16.4	51.4
AfDB	0.0	0.0	13.3	13.3	14.7	25.2
France	3.8	3.8	3.8	7.6	7.6	7.6
Belgium	5.7	8.3	8.3	10.9	12.1	12.1
Other (Gap)			0.0	9.7	0.0	0.0
Debt relief (current maturities)	3.8	6.0	7.1	9.8	10.2	14.9
Multidonor Trust Fund disbursements	12.0	13.7	15.6	15.6	15.6	15.6
Net accumulation of fiscal arrears (in Burundi francs; cumulative from end-2003)	...	-9.5	-12.9	-13.9	-12.5	-26.5

Sources: Burundi authorities and staff estimates.

Domestic payment arrears adjustor

19. The ceiling on net credit to the government from the banking system will also be adjusted to reflect 100 percent of any deviation from the projected net accumulation of fiscal arrears, as measured by the accumulation of nonexecuted payment orders older than 30 days. In case of, respectively, an increase (decline) in fiscal arrears, the ceiling on the stock of net credit from the banking system to the government will be adjusted downward (upward).

B. Key Program Assumptions

20. The main program assumptions are drawn from the WEO projections of June 2005 as follows:

	2004		2005			
	Jan.-June.	July-Dec	Jan.-Mar.	Jan.-June	Jan.-Sep.	Jan.-Dec.
Average export prices						
Coffee (cents per pound)	76.84	83.34	121.34	121.96	118.70	117.00
Tea (dollars per kg.)	190.64	205.66	245.43	222.75	214.28	211.50
Petroleum (US$ per barrel)	33.88	41.64	46.13	48.06	49.71	50.74
End of period						
Dollar per SDR exchange rate	1.50	1.50	1.50	1.50	1.50	1.50
Dollar per euro exchange rate	1.22	1.28	1.32	1.26	1.28	1.27
FBu per dollar exchange rate	1,120	1,150	1,050	1,050	1,075	1,100

C. Provision of Information to IMF Staff

21. To facilitate the monitoring of program implementation, the Burundi government will prepare a monthly report within five weeks from the end of each month, which will be sent to IMF staff. In addition, the staff of the monitoring committee (technical bureau of the Secrétariat Permanent de Suivi des Réformes Économiques et Sociales—SP/REFES) will forward to the African Department of the IMF, by facsimile or electronic mail, the data required for program monitoring. These data will include, in particular; on a weekly basis the following:

- A monitoring table (tableau de bord) containing the most recent weekly and monthly data on the main financial indicators.
- A table on the foreign exchange cash flow.
- The balance sheet of the BRB (situation hebdomadaire).

The following data are to be provided on a monthly basis:

- the monetary survey, including breakdown of the central bank and of commercial banks;
- the financial position of the government vis-à-vis the banking system;
- a detailed breakdown of government revenue;
- a detailed breakdown of government expenditure on a commitment basis;
- a detailed breakdown of the government wage bill on a commitment basis;
- detailed information on government social spending, in particular on the health and education sectors;
- a detailed breakdown of the servicing of domestic and external public debt, including amounts due and paid, in interest and principal, as well as the detail by creditor and any accumulation of arrears on domestic or external debt;
- a detailed breakdown of the stock of domestic payments arrears and cumulative flows from January 1, 2004; the accumulation of new arrears is defined as the difference between commitments and actual payments (on a cash basis, as reported in the cash statement summary—Reddition des comptes);
- the amount of new debts contracted or guaranteed by the government, including detailed information on its conditions (such as currency denomination, interest rate, grace period, maturity);
- actual disbursements of nonproject financial assistance, including new loans and debt relief granted by Burundi's external creditors;
- the weekly balance sheet of the BRB and the outcome of weekly foreign exchange auctions, including the allocated amounts and exchange rate levels, as well as the level of buying and selling exchange rates used by commercial banks and those observed on the parallel market;
- indicators and other statistical data to allow an evaluation of macroeconomic developments, such as the consumer price index, indices of manufacturing output,

merchandise imports and exports (volume and value), with a breakdown by main categories; and

- an update on the implementation of structural benchmarks and performance criterion planned under the program, as summarized in Table 2 of the MEFP.

22. The SP/REFES will also provide the African Department of the IMF with any information that is deemed necessary to ensure an effective monitoring of the program.