International Monetary Fund

Burundi and the IMF

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

June 26, 2009

BURUNDI
LETTER OF INTENT

Bujumbura, June 26, 2009

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C., 20431

Dear Mr. Strauss Kahn:

1. The Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) for the Republic of Burundi on July 7, 2008. This arrangement supports the medium-term program (April 1, 2008 to March 31, 2011) aimed at continuing the process of macroeconomic stabilization, reducing poverty, promoting structural reforms, and improving governance. In accordance with the terms of this arrangement, the government of Burundi carried out the second review of the program together with a mission from the IMF. This review focused on implementation of the program between October 1, 2008, and March 31, 2009, as well as the outlook and economic and financial measures to be implemented in 2009.

2. On the political front, the government of Burundi continues to make every effort to consolidate the peace process by implementing the agreements signed between Burundi and the warring parties. Moreover, the government is taking the necessary steps to organize the elections in 2010.

3. On the economic and social front, the government of Burundi is pleased to report that implementation of the program has been satisfactory, despite the difficult international situation resulting from the global financial crisis. In particular, all the quantitative and structural performance criteria for end-March 2009 have been met.

4. The government is resolved to continue implementing the policies and measures described in the Poverty Reduction Strategy Paper (PRSP). The Memorandum on Economic and Financial Policies (MEFP) attached to this letter completes the memorandums dated June 24, 2008, and January 8, 2009.

5. The government believes that the policies set forth in the attached MEFP are adequate to achieve the objectives of its program. It will take any further measures that may become

appropriate for this purpose. The Burundi authorities will consult with the IMF on the adoption of such measures and in advance of revisions to the policies contained in the MEFP, in accordance with the IMF's policies on such consultations.

6. The government of Burundi will provide the IMF with such information as it may request to monitor progress made in economic and financial policy implementation. Burundi will also carry out reviews of the PRGF-supported program with the IMF every six months. The third review should be completed no later than January 2010 and the fourth review no later than July 2010.

7. In view of the considerable progress made in implementing the program supported by the PRGF, the government is requesting completion of the second review and the third PRGF disbursement of SDR 6.6 million. The government is also requesting (1) modification of the performance criteria for end-September to take into account the impact of the global financial crisis; and (2) conversion of all structural performance criteria into benchmarks.

8. As in the past, the Burundi authorities wish to make this letter available to the public, along with the attached MEFP and Technical Memorandum of Understanding (TMU), as well as the IMF staff reports on the second PRGF review. We therefore authorize their publication and posting on the IMF website, subject to Executive Board approval. These documents will also be posted on the official websites of the Burundi government.

Sincerely yours,

________/s/________
Clotilde NIZIGAMA
Minister of Finance

________/s/________
Gaspard SINDAYIGAYA
Governor, Bank of the Republic of Burundi

________/s/________
Gabriel NTISEZERANA
Second Vice President, Republic of Burundi

Attachments: Memorandum on Economic and Financial Policies
Technical Memorandum of Understanding

BURUNDI
MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES

I. INTRODUCTION

1. This Memorandum on Economic and Financial Policies (MEFP) completes the memorandums dated June 24, 2008, and January 8, 2009. It provides an update on program implementation and the medium-term outlook and economic and financial policies that will be implemented in 2009 within the framework of the program covering April 1, 2008, to March 31, 2011. The measures and objectives contained in this MEFP are compatible with the Poverty Reduction Strategy Paper (PRSP) published in September 2006 and the findings of the annual PRSP implementation report sent to the IMF and the World Bank in November 2008.

2. Economic policy will continue to be guided by the following objectives: (1) return to single-digit inflation; (2) improve the composition of public spending to the benefit of priority sectors while preserving fiscal sustainability; (3) strengthen public financial management (PFM) and good governance; and (4) strengthen the internal control systems of the central bank.

3. With the continued improvement in the security situation, the macroeconomic objectives are as follows for the period of the PRGF: (1) GDP growth should average 4 percent over the medium term, compared to the 2004–07 average of 3.6 percent; (2) inflation should slow to about 6 percent in 2011; and (3) gross official reserves should stabilize at coverage of four months of imports.

II. PROGRAM IMPLEMENTATION

4. Macroeconomic developments have been generally in line with the program, although inflation was higher than anticipated. In 2008, real GDP growth accelerated to 4.5 percent, owing to a good coffee harvest. Inflation stood at 25.7 percent, compared to the targeted 14 percent, as a result of the increase in world food and oil prices. The overall fiscal deficit (cash basis, including non-HIPC grants) is estimated at about 4.6 percent of GDP, slightly below the target of 4.9 percent. Burundi’s external position improved significantly, as reflected in the larger-than-anticipated increase in international reserves.

5. All the quantitative performance criteria for end-March 2009 have largely been met. The ceilings on the wage bill and reserve money were met. However, the target for cumulative domestic arrears was not met because of the delay in disbursements of budgetary assistance.

6. In close collaboration with development partners, the government is strongly pursuing structural reform, particularly the promotion of transparency and good fiscal management, financial sector reform, coffee sector reform, oil sector reform, and regional integration. In addition to the achievements described in the previous memorandum dated January 8, 2009, significant progress has been made since then in all these areas.

7. In the area of public financial management (PFM), the government adopted the PFM strategy and action plan in the Council of Ministers, which will give new impetus to fiscal reform. The rationalization of government accounts is continuing without interfering with the smooth operation of the units concerned. To modernize the tax system, Parliament also adopted a law on the value-added tax (VAT), which will come into effect on July 1, 2009, in accordance with the commitments taken in the context of the East African Community (EAC). To better control the wage bill, the Ministry of Finance took over payroll management (end-March 2009 performance criterion). Moreover, the government also completed the census of civilian, military, and police employees. The report reveals that the status of 1,801 employees remains to be validated. Any ghost workers will be eliminated from the payroll once the validation is completed.

8. In the financial sector, the central bank continues to implement important measures to strengthen its internal control and risk management system, in line with the recommendations made in the recent safeguards assessment report prepared by IMF staff. In this context, an international auditor conducted special audits of the controls on large domestic transfers and disbursements to the government or its creditors in 2008.

9. In the monetary sector, the system of required reserves has been aligned with best practices, while the system of liquidity auctions was reformed with the removal of the ceiling on interest rates. In the area of foreign exchange, the Directives for Foreign Exchange Reserve Management were adopted and the Reserve Management Committee was reactivated. The central bank took measures to correct the dysfunctions in the foreign exchange auction market (MED), specifically by eliminating the floor price and the prior announcement of the amount to be auctioned. Moreover, it launched a symmetrical MED to make it possible to organize foreign exchange purchase auctions as well.

10. In the area of banking supervision, the decision to increase the minimum capital requirements for banks in 2009 was published. The central bank's (BRB) self-evaluation on compliance of its supervision with the Basel principles was completed, and an action plan for the implementation of corrective measures was prepared. In addition, reorganization of the banking supervision unit is proceeding well.

11. An important step was taken in the reform of the coffee sector with the decree creating and setting out the bylaws of the Burundi Coffee Sector Regulatory Authority. Invitations to bid for the sale of coffee washing stations were published on June 5, 2009. As part of the oil sector reform, the government adopted a decree in May 2009 setting out the

terms for monthly adjustment of retail prices for petroleum products on the basis of a World Bank study discussed with all participants in the sector. The government also benefited from technical assistance from the IMF's Fiscal Affairs Department on the use of fiscal and public spending policies to better protect the poor from the impact of such a price adjustment mechanism.

III. Economic Prospects and Policies for 2009

12. The international financial crisis will have a negative impact on the economy of Burundi in 2009. GDP growth should slow and fall from 4.5 percent in 2008 to about 3.2 percent owing to (1) reduced demand for exports; (2) the decline in coffee prices; and (3) the likely fall in remittances and foreign direct investment. Inflation at end-2009 should decline to 9 percent owing to the drop in commodity prices, and gross official reserves should decline to about 5.5 months of imports.

A. Fiscal Policy

13. Despite the international financial crisis and its impact on government finances, the government will implement all of the fiscal and public spending policies defined in the MEFP of January 8, 2009. The key objective of the 2009 spending policy remains to significantly improve the composition of public spending in favor of priority sectors in order to accelerate progress toward the Millennium Development Goals.

14. The international financial crisis will certainly impact government finances. It could result in a reduction in government revenues of about 1½ percentage points of GDP. To offset the impact of this crisis on the poor, emergency spending on targeted social safety nets (approximately 1.5 percent of GDP) could be implemented if additional budgetary assistance is obtained. Such spending will be used to finance food security and school feeding programs and for targeted assistance for the most vulnerable segments of the population and farmers.

15. The ratio of the government wage bill to GDP will decline less than anticipated in the medium term owing to higher payroll in the priority sectors, which are key for achieving progress toward the Millennium Development Goals. The ratio should remain below 11 percent of GDP toward the end of the program in 2011.

16. To contain the wage bill, the government will continue to draw on the findings of the Public Expenditure Management and Financial Accountability Review (PEMFAR) prepared jointly by the World Bank and the government of Burundi. In particular, with the census of civil servants having been completed and payroll management transferred to the Ministry of Finance, the government will proceed with the audit of the payroll to ensure that the calculated wages are indeed on a sound legal basis and that there are no abuses. This audit should precede the exercise to harmonize wages. To increase spending in the priority sectors,

the government will implement a rationalization plan for nonpriority spending, in accordance with the PFM strategy.

17. In support of its fiscal policy, the government will strengthen the sliding quarterly cash flow plan which was partially implemented (end-June 2009 structural benchmark). Expenditure commitment and cash flow plans will be harmonized at the beginning of each quarter and submitted to the Minister of Finance for approval. In this context, all budget spending will require the prior authorization of the Minister of Finance and will be executed strictly on the basis of revenue availability. A monthly budget allocation for each ministry should be defined, with strict expenditure prioritization. To protect priority spending, the government will identify in advance nonpriority expenditure that will be cut in the event of a decline in revenue or financing.

B. Monetary and Foreign Exchange Policy

18. The government plans to pursue a prudent monetary policy, which is necessary to limit inflationary expectations. Given the improved inflation outlook, the BRB will ease its monetary policy. However, until the objective of single-digit inflation is attained, the central bank will set broad money growth below nominal GDP growth.

19. Better fiscal and monetary policy coordination will be essential, especially to coordinate responses to the impact of the international financial crisis. The central bank and Ministry of Finance will therefore hold monthly meetings. In addition, the role of the Cash Flow Management Committee will be strengthened with the preparation of monetary and fiscal policy recommendations to the BRB and the Ministry of Finance.

20. Proactive management of the central bank's foreign exchange reserves and sterilization of foreign exchange operations will continue within a floating exchange rate regime for the Burundi franc, with a view to achieving the inflation target. With technical assistance from the IMF, the central bank will continue to implement the recommendations of IMF experts for improving the operation of the foreign exchange market. In particular, in consultation with the commercial banks, the central bank will prepare and adopt a market convention with a code of conduct for market dealers. It will also conduct a critical annual general review of all aspects of foreign exchange reserve management.

C. Structural Reforms

21. In close collaboration with development partners, the government will continue to pursue its ongoing structural reforms: promotion of transparency and good governance, financial sector reform, regional integration, coffee sector reform, and oil sector reform.

22. The reform program for 2009 as presented in the January 8, 2009, MEFP will be continued. In the fiscal area, the government will continue its gradual implementation of the

new organic budget law and the PFM strategy and action plan, with the assistance of development partners, notably the IMF, the World Bank, and the European Union. The Ministry of Finance has already issued ministerial orders for creation of the entities that will implement the action plan. Moreover, the rationalization of ministerial accounts will continue as part of the gradual move toward a single Treasury account.

23. On the financial sector, although there are no signs of systemic risk resulting from the international financial crisis, the central bank will step up banking supervision on a preventive basis. In particular, the central bank will move ahead with the planned increase in the minimum capital requirements for banks to FBu 5 billion and will take appropriate measures against banks that do not meet this requirement. Moreover, the central bank is awaiting the final recommendations of the study on the financial sector to guide its strategy and plan of action for reform of the sector.

24. With regard to regional integration, particularly with respect to the East African Community, a national strategy and action plan prepared with technical assistance from development partners will be adopted shortly.

25. With regard to the coffee sector, the process for the sale of coffee washing stations will move ahead following the creation of a regulatory authority for the coffee sector and publication of the related invitations to bid.

26. As for reform of the oil sector, the government will continue implementation of a price adjustment mechanism, in cooperation with the World Bank.

D. External Financing

27. The government will ensure that all its external obligations are settled when due. The Minister of Finance prepares monthly public debt position reports that give a detailed survey of obligations falling due. Regular publication of these reports is critical in strengthening Burundi's debt management.

28. Burundi will seek only concessional external financing or grants. The government will not contract nonconcessional foreign debt and will ensure that all loans contracted have a grant element of at least 50 percent. To make certain that the concessionality threshold is respected, the government will ensure compliance with the provision that the Ministry of Finance has the exclusive right to negotiate and sign external loans.

E. Technical Assistance and Coordination of Development Partners

29. Burundi has vast technical assistance needs. The authorities plan to remain in close collaboration with bilateral and multilateral partners to build up the administrative capacity of the country’s institutions. Technical assistance from development partners remains key in the

areas of tax policy and administration, public expenditure management, monetary and foreign exchange policy, banking supervision, and economic statistics.

30. It is essential to coordinate relations with development partners, considering that they finance a major portion of budget expenditure. The government has stepped up its efforts to set up an institutional framework for coordination of assistance, namely the National Assistance Coordination Committee (CNCA). This initiative is supported financially by development partners. The CNCA can help:

- Organize the work between the government and development partners at the sectoral level, relying on the lead donor among the development partners for each sector. A high priority should be the creation of sectoral groups, as described in the CNCA organization chart.

- Centralize coordination of assistance within a single agency, which would facilitate coordination and decision-making by the government.

- Monitor aid disbursement and project implementation, in close collaboration with the Minister of Finance, to ensure that all financial assistance from development partners is included in the budget.

F. Program Monitoring

31. Program implementation will continue to be monitored on the basis of half-yearly reviews of the performance criteria, indicative targets, and structural benchmarks, as shown in Tables I.2 and I.3. The information to be reported to the IMF and the definition of the pertinent variables can be found in the attached Technical Memorandum of Understanding. Program implementation, achievement of the related objectives, and compliance with the performance criteria will be the subject of half-yearly reviews. The authorities also stand ready to adopt, in consultation with IMF staff, any further financial or structural measures that may prove necessary for the success of the program.

Table I.1. Burundi: Performance Criteria and Indicative Targets for 2008

(Fbu billion, unless otherwise indicated)

	2007	2008									
	Dec.	Mar.	Jun.[1]			Sep.			Dec.[1]		
	Act.	Act.	Prog.	Prog. Adj.	Act.	Prog.	Prog. Adj.	Act.	Prog.	Prog. Adj.	Act.
Performance Criteria											
Net foreign assets of the BRB (floor; US$ million) [2]	67.5	59.3	67.4	55.7	53.1	15.9	-3.4	63.1	16.9	16.9	112.9
Net domestic assets of the BRB (ceiling) [2]	49.4	48.4	51.6	65.2	71.6	124.9	146.9	71.3	117.1	117.1	17.0
Net domestic financing of the government (ceiling) [2]	8.5	19.1	37.3	50.9	37.7	21.6	43.6	26.0	13.2	13.2	19.0
External payments arrears of the government (ceiling; US$ million) [3]	0.0	0.0	0.0		0.0	0.0		0.0	0.0		0.0
Short-term external debt of the government (ceiling; US$ million) [3]	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 from the beginning of the calendar year; US$ million) [3]	0.0	0.0	0.0		0.0	0.0		0.0	0.0		0.0
Indicative targets											
Government's wage bill (ceiling; cumulative from beginning of calendar year)	114.0	34.2	70.3		70.8	106.3		108.7	141.2		154.7
Accumulation of domestic arrears (ceiling; cumulative from beginning of calendar year)	0.0	0.5	0.0		2.8	0.0		3.3	0.0		2.3

[1] Indicative targets.
[2] The ceiling or the floor will be adjusted as indicated in the TMU.
[3] Continuous performance criterion.

Table I.2. Burundi: Performance Criteria and Indicative Targets for 2009

(Fbu billion, unless otherwise indicated)

	2008	2009								
	Dec.	Mar.			Jun.[1]		Sep.		Dec.[1]	
	Act.	Prog.	Prog. Adj.	Act.	Prog.	Rev. Prog.	Prog.	Rev. Prog.	Prog.	Rev. Prog.
Performance Criterion										
Net foreign assets of the BRB (floor; US$ million) [2]	112.9	15.4	-34.4	87.9	10.4	35.0	11.0	40.0	21.6	69.0
Net domestic assets of the BRB (ceiling) [2]	17.0	126.7	185.9	33.6	146.8	122.6	155.4	127.4	147.2	90.2
Net domestic financing of the government (ceiling) [2]	19.0	36.5	95.7	-4.7	46.9	46.9	61.2	61.2	0.0	21.7
External payments arrears of the government (ceiling; US$ million) [3]	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; US$ million) [3]	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 from the beginning of the calendar year; US$ million) [3]	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets										
Government's wage bill (ceiling; cumulative from beginning of calendar year)	154.7	38.9		31.4	86.7	91.8	141.7	155.8	180.4	192.2
Accumulation of domestic arrears (ceiling; cumulative from beginning of calendar year)	2.3	0.0		0.1	0.0	0.0	0.0	0.0	0.0	0.0
Reserve money (ceiling)	…	145.0		138.7	159.2	164.7	168.4	175.8	172.3	177.5

[1] Indicative targets.

[2] The ceiling or the floor will be adjusted as indicated in the TMU.

[3] Continuous performance criterion.

Table I.3. Burundi: Performance Criteria and Structural Benchmarks for 2009

Measures	Condition type and date	Status	Macroeconomic Rationale
Fiscal management			
Resumption of payroll management by the Ministry of Finance by taking charge of the payroll database.	Performance criterion (March 31, 2009)	Completed	Efficient wage bill management is essential for focusing spending in priority areas, while enhancing fiscal sustainability. Wage bill management is being reinforced through the creation of a single wage data management and elimination of ghost employees.
Close and transform into subaccounts for special allocation from the general treasury account the off-budget accounts mentioned in the finance minister's letter No. 540/4904/2008 of November 12, 2008.	Structural benchmark (September 30, 2009)		Implementation of a single treasury account is key to sound public financial management.
Close the accounts mentioned in the finance minister's letter No. 540/4768/2008 of October 31, 2008.	Structural benchmark (September 30, 2009)		Implementation of a single treasury account is key to sound public financial management.
Prepare and implement a sliding quarterly cash-flow plan.	Structural benchmark (June 30, 2009)	Partially completed. The cash flow plan still needs to be aligned with spending commitments.	Enhance budget execution and ensure coordination of monetary and budget policies.
Revenue administration and tax policy			
Introduce VAT and the common external tariff.	Structural benchmark (July 31, 2009)		To raise the efficiency of tax collection, and offset potential losses on customs revenue due to the accession to EAC.
Fiscal governance			
In accordance with the laws of Burundi, the Fbu 6 billion and the deeds for 25 properties belonging to INTERPETROL that have been placed under seal will remain in place until a court decision has been reached on the INTERPETROL case.	Structural benchmark (continuous)	Completed	Enhance fiscal governance to ensure continuation of budget support.

BURUNDI
TECHNICAL MEMORANDUM OF UNDERSTANDING

1. This technical memorandum of understanding covers the agreements on monitoring implementation of the program supported by the Poverty Reduction and Growth Facility (PRGF) arrangement. It sets out the definitions of program variables to monitor implementation of the program and the reporting requirements for the government of Burundi and the Bank of the Republic of Burundi (BRB). It defines quantitative performance criteria, indicative targets, and applicable adjusters.

A. Quantitative Program Targets

Quantitative performance criteria and indicative targets

2. **The quantitative performance criteria for the program as shown in the MEFP are as follows**:

- net foreign assets of the BRB (floor);
- net domestic assets of the BRB (ceiling);
- net domestic financing of the government (ceiling);
- external payment arrears of the government (ceiling; continuous);
- stock of short-term external debt (maturity of less than one year) of the government and the BRB (ceiling; continuous); and
- new nonconcessional medium- and long-term external debt contracted or guaranteed by the government or the BRB (ceiling; continuous).

3. **The quantitative indicative targets for the program, shown in the MEFP, are as follows**:

- the government's wage bill (ceiling);
- accumulation of domestic arrears (ceiling); and
- reserve money (ceiling).

Definitions and measurement

4. **The net foreign assets of the BRB** are defined as the difference between (i) gross official reserves (valued at market prices) and other claims; and (ii) foreign exchange liabilities to nonresident entities (including the use of Fund resources, and liabilities arising from the use of any SDR allocation(s)). The gross official reserves of the BRB are defined as those foreign assets that are liquid and freely available to the central bank.

5. **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.

Adjuster for changes in the compulsory reserves coefficients

6. The ceiling on net domestic assets of the BRB will be adjusted symmetrically for any change in the compulsory reserves coefficient applied to deposits in commercial banks, by the amount of the new coefficient minus that stipulated in the program, multiplied by bank deposits subject to compulsory reserves. The rate stipulated in the program is currently 3 percent.

7. **Net domestic financing of the government** is defined as the change in (i) outstanding loans, advances, and other credit to the government from the BRB and all of Burundi's commercial banks; (ii) the stock of all government securities held by the nonbank public denominated in Burundi francs, including that held by nonresidents; (iii) less government deposits held in the BRB or in Burundi's commercial banks. The coverage of government is defined as central government and any other special funds or operations that are part of the budgetary process or have a direct impact on the government's financial position.

8. 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.

9. The program includes a ceiling on **new nonconcessional external debts** contracted or guaranteed by the government and the BRB. 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 an original maturity of one year or more, 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. Management fees would also be taken into account when determining a loan's grant element. 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 average CIRRs, the following margins 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 and any Burundi franc-denominated treasury securities held by nonresidents.

10. **The stock of short-term external debt** with a maturity of less than one year, 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 one year or more are considered medium-term or long-term loans. 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, borrowing from the Fund and any Burundi franc-denominated treasury securities held by nonresidents. As of September 2007, the stock of short-term debt outstanding was nil.

11. **The government's wage bill** is defined as total labor remunerations on a commitments basis for civil servants, contractual employees, police, and military personnel of the government, including all allowances and bonuses.

12. **The accumulation of domestic arrears** is measured by the accumulation of non-executed payment orders older than 60 days.

External financial assistance adjustor

13. The program provides for adjusters to allow higher than expected external assistance to be spent (with a cap) and shortfall of external assistance to be financed domestically (with a cap).

14. Any financing excess up to US$60 million will be spent on expenditure priorities defined in the PRSP. The floor on the stock of net foreign assets of the central bank will be adjusted upward, and the ceilings on the net domestic assets of the central bank and on the

net domestic financing to the government will be adjusted downward to accommodate 100 percent of any financing excess above US$60 million.

15. The floor on the stock of net foreign assets of the central bank will be adjusted downward, and the ceilings on the net domestic assets of the central bank and on the net domestic financing to the government will be adjusted upward to accommodate a financing shortfall up to a maximum of US$60 million. External financial assistance will be converted to Burundi francs using the program-specified FBu/US$ exchange rate.

16. External financial assistance (measured in US$) 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. Donor disbursements into blocked accounts for the purpose of clearing arrears will not be included as foreign assistance for program monitoring purposes.

B. Provision of Information to IMF Staff

17. To facilitate the monitoring of program implementation, the authorities will prepare and forward to the IMF African Department a monthly progress report on the program, within six weeks of the end of each month, containing

18. The following weekly data:

- foreign exchange auction market (MED) transactions;
- the balance sheet of the BRB (weekly statement) (BRB Research Department).

19. The following monthly data, with a maximum lag of six weeks:

- a monitoring table (*tableau de bord*) containing the most recent weekly and monthly data on the main financial indicators (REFES);
- a table on the foreign exchange cash flow (BRB Foreign Banking Operations Department);
- the monetary survey, including the breakdown of the central bank and of commercial banks (BRB Research Department);
- monthly exchange-rate data (official and parallel markets, end-of-month and monthly average) (BRB Research Department);
- a detailed breakdown of government revenue (Ministry of Finance);

- a detailed breakdown of government expenditure on a commitment basis, including propoor spending (Ministry of Finance);

- 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 breakdown by creditor and any accumulation of arrears on domestic or external debt (Ministry of Finance);

- a detailed breakdown of the stock of domestic payments arrears for the current fiscal year (Ministry of Finance);

- the amount of new debts contracted or guaranteed by the government, including detailed information on the terms (such as currency denomination, interest rate, grace period, maturity) (Ministry of Finance);

- actual disbursements of nonproject financial assistance, including new loans and debt relief granted by Burundi's external creditors (Ministry of Finance); and

- an update on the implementation of structural measures planned under the program (REFES).

20. The following quarterly data, with a maximum lag of six weeks:

- progress reports on the BRB's internal reforms, including each unit's action plans for the coming month (Reform Monitoring Committee, BRB).

21. SP/REFES/Ministry of Finance and BRB will also provide the African Department of the IMF with any information that is deemed necessary to ensure effective monitoring of the program.