

**Document of
The World Bank**

FOR OFFICIAL USE ONLY

Report No 23635-BU

**MEMORANDUM OF THE PRESIDENT
OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
TO THE
EXECUTIVE DIRECTORS
ON A
TRANSITIONAL SUPPORT STRATEGY
FOR
THE REPUBLIC OF BURUNDI**

February 12, 2002

**Country Department 9
Africa Region**

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS

Currency Unit		FBu (Burundi Franc, period average)
1993: US\$1	=	FBu 242.8
1998: US\$1	=	FBu 447.7
2000: US\$1	=	FBu 720.7

WEIGHTS AND MEASURES

Metric System

FISCAL YEAR

January 1-December 31

ABBREVIATIONS AND ACRONYMS

ABURTIP	Agence burundaise des travaux d'intérêt publics
AGETIP	Agence d'exécution des travaux d'intérêt publics
AFD	Agence française de développement
AfDB	African Development Bank
BURSAP	Burundi - Social Action Program
CAS	Country Assistance Strategy
COMESA	Common Market for Eastern and Southern Africa
CPPR	Country Portfolio Performance Review
CRP	Community Rehabilitation Project
DDR	Demobilization Disarmament and Reintegration
DRC	Democratic Republic of the Congo
EERC	Emergency Economic Recovery Credit
ECD	Early Childhood Development
ESW	Economic and Sector Work
EU	European Union
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
HIPC	Highly Indebted Poor Countries
IDA	International Development Association
IDF	Institutional Development Fund
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IMF	International Monetary Fund
MDTF	Multilateral Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
NCRR	National Commission on Reintegration of Refugees
NGO	Non-governmental organization
PER	Public Expenditure Review
PRGF	Poverty Reduction Growth Facility
PRSP	Poverty Reduction Strategy Paper
SMP	Staff Monitored Program
TGOB	Transitional Government of Burundi
UNHCR	United Nations High Commission for Refugees
UNDP	United Nations Development Program

Vice President	:	Callisto Madavo
Country Director	:	Emmanuel Mbi
Sector Manager	:	Cadman Atta Mills
Country Manager	:	Mathurin Gbetibouo
Country Economist	:	Hippolyte Fofack

FOR OFFICIAL USE ONLY

REPUBLIC OF BURUNDI TRANSITIONAL SUPPORT STRATEGY

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
I. COUNTRY BACKGROUND	1
A. Socio-Political Context	1
The Peace Process	2
B. Recent Economic Developments	4
Fiscal Policy Outcomes	5
Monetary Policy	5
External Trade/Debt Sustainability	6
International Assistance	7
C. Recent Social Developments	7
Internally Displaced Persons and Refugees	7
Poverty and Social Indicators	7
II. PROGRESS UNDER THE INTERIM STRATEGY	9
Social Infrastructure	9
Resettlement and Reintegration	10
Improving Public Expenditure Management	10
Mobilization of the Donor Community	10
III. THE CHALLENGES AND THE GOVERNMENT'S RESPONSES	11
A. Key Challenges	11
Restoring Peace and Security	11
National Reconciliation and Governance	11
Resettlement and Reintegration	12
Improving Welfare and Human Resource Development	12
Policy and Institutional Reforms	13
B. Government Response to the Challenges	13
The Government's Transitional Strategy and Actions	13
IV. WORLD BANK'S STRATEGY FOR TRANSITIONAL SUPPORT	15
A. Bank Program	15
Lending	16
Enhanced HIPC Initiative	19
Non-Lending Activities and Advisory Services	20
Donor Coordination	20
B. IFC and MIGA	21
V. RISKS AND SUSTAINABILITY	21
VI. CONCLUSION	23
ANNEXES	24

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

REPUBLIC OF BURUNDI
TRANSITIONAL SUPPORT STRATEGY

EXECUTIVE SUMMARY

1. In October 1999, the Board of Directors of the World Bank discussed an Interim Strategy for Burundi covering the period 1999-2001. The strategy represented the Bank's response to the evolving situation in Burundi, a country that has suffered recurrent conflicts involving its two main ethnic groups. The last conflict, which broke out in 1993, resulted in the death of over 15,000 persons, massive displacement of people, and significant deterioration of living standards. The number of displaced persons and refugees is estimated at 1.2 million, of which a large number still remains in refugee camps in neighboring Tanzania. Poverty and the deterioration of living standards was exacerbated by the economic embargo imposed by regional leaders and observed by the donor community. The incidence of poverty reached 70 percent in 2000, from 40 percent in 1994.
2. The signing of the Peace Accord under the auspices of the mediator, President Nelson Mandela in August 2000 marked a turning point in Burundi's political history. Since then, the Burundian leadership has concentrated its efforts on putting in place a transitional administration, culminating in the adoption of a transitional constitution in October 2001 and the swearing-in of a transition government in November 2001. This government, based on the principle of power-sharing among the country's two main ethnic groups, includes representatives from all parties signatory of the Peace Accord and will administer the country during a 36 month-transition period leading to democratic elections. Also, in January 2002, the Transition Parliament was installed, with a political leader recently back from exile as the new Speaker. Despite this progress, the overall situation on the ground remains fragile, due to the continued violent incursions by two rebel groups "Forces Nationales de Libération" (FNL) and "Forces de Défense de la Démocratie" (FDD) that did not sign the Peace Accord, and are not part of the transition government. The situation is also complicated by the instability in the other countries in the Great Lakes region.
3. With progress on the peace front, international assistance has resumed, demonstrated by the pledges of UD\$440 million made at the international donor conference held in Paris in December 2000, and the additional pledges at the Round Table donors meeting in Geneva in December 6-7, 2001, bringing the pledges to US\$830 million. The Transitional Government of Burundi (TGOB) will continue to address the conflict related challenges of resettlement and reintegration of displaced persons, disarmament, demobilization, and reinsertion and the reconstruction and rehabilitation of economic and social infrastructure while it gears itself up for the challenges of nation-building and long-term development. The TGOB's medium-term strategy therefore emphasizes national reconciliation, good governance, HIV/AIDS prevention, economic reforms and the rebuilding of economic and social infrastructure.
4. The Transitional Support Strategy (TSS) is designed to help Burundi consolidate the progress achieved under the Interim Strategy during the period 1999-2001. It proposes an indicative lending program of US\$187 million during FY02-03 to assist the TGOB in addressing the formidable transitional and development challenges it faces. The amount of assistance is determined in accordance with IDA's post-conflict allocation methodology and reflects

Burundi's efforts to secure a lasting peace, implement social and economic reforms, as well as the need to adequately finance the proposed recovery program. The IMF initiated a Staff Monitored Program (SMP) in July 2001. A satisfactory review of this program will pave the way for an interim Emergency Post-Conflict Assistance program in FY02 and an arrangement under the Poverty Reduction Growth Facility (PRGF) in FY03.

5. **Donor Coordination:** Strong donor assistance, partnership and the coordination of donor assistance to Burundi are critical for its rapid social and economic recovery. The Bank will work closely with the TGOB and UNDP to enhance donor-government partnership and mobilize resources. The Burundian authorities, with the assistance of the World Bank and other donors have completed the consultations and participatory diagnostic processes for the Interim PRSP. It is expected that the IPRSP will be completed in FY02, and will be followed by the preparation of the full PRSP. The Bank is assisting the TGOB in setting up a Multilateral Donor Trust Fund (MDTF) to help Burundi clear its arrears and service its multilateral debt during the transition period leading to the enhanced HIPC. At the Geneva Round Table meeting, a number of bilateral donors pledged contributions to the MDTF.

6. **Non-lending services:** The Bank needs to step up its non-lending activities to help improve the understanding of the socioeconomic context, rebuild the knowledge base to support policy dialogue and the design of effective poverty reduction programs and projects, and build capacity. The Bank is already providing technical assistance in public expenditure management (PEM), the preparation of the PRSP, economic statistics, and macroeconomic and poverty monitoring.

7. **Risks and Sustainability:** Despite the progress on the Burundian peace process and towards the peaceful settlement of the regional conflict in the Great Lakes region, the risk of social unrest and military action remains high. This risk could hinder efforts on national reconciliation and economic reform and limit their impact. Also, despite the positive response expressed by donors at the Paris and Geneva conferences, the amounts and timing of actual disbursements remain uncertain. In addition, the new Government's declarations of commitment to economic and socio-political reforms, its readiness and capacity to undertake these reforms have yet to be fully tested.

8. **Lending and Phase-out Strategy:** The Bank's engagement and assistance under the TSS are conditioned upon progress on the peace front, and government's continued commitment to, and satisfactory performance on the reform program. If the political and economic situation in Burundi were to deteriorate, either due to lack of progress in implementing the transition program—the transitional arrangements for the administration of the country and the socio-economic reforms— IDA lending assistance would be scaled down to focus mainly on the social sectors. An escalation of conflict would undermine the implementation of the transition program and could trigger exit and no further assistance from IDA. On the other hand, should the situation continue to improve (especially with good results from the transition program, a durable cease-fire, successful implementation of the Fund Emergency Post-Conflict Assistance Program warranting access to PRGF resources, completion of a full PRSP, and good portfolio performance) IDA would accelerate plans to prepare a CAS.

Republic of Burundi
TRANSITIONAL SUPPORT STRATEGY

1. Burundi is emerging from a long history of recurrent conflicts and rivalry between its two main ethnic groups, the Hutu and Tutsi. The last conflict that broke out in 1993 resulted in the death of a large number of civilians and left thousands of victims. The number of internally displaced persons and refugees is estimated at 1.2 million. The increasing social and economic costs of this conflict prompted the international community to support a framework for a peaceful negotiation towards national reconciliation and durable peace. Negotiations in Arusha, Tanzania, resulted in a comprehensive peace agreement (Arusha Peace Accord), signed in August 2000. A new power-sharing transition government was inaugurated on November 1, 2001 in accordance with the transitional arrangements of the Accord.

2. The donor community responded favorably to the positive developments on the peace front by pledging high levels of assistance to help Burundi address its development challenges. These challenges include the restoration of peace and security, resettlement and reintegration of displaced persons, the revival of the economy and improvement in the living conditions of the people, national reconciliation, good governance, poverty reduction and human development. The TSS outlines a program of Bank's assistance over FY02-03 to support Burundi to begin to address these challenges. It builds on the Bank's 1999 Interim Strategy and proposes a mix of emergency reconstruction and development assistance operations.

I. COUNTRY BACKGROUND

A. Socio-Political Context

3. Burundi has a population of 6.8 million (1999) growing at 2.9 percent per year and a population density of 215 persons per square kilometer, the second highest in Africa. Since independence in 1962, Burundi has gone through several periods of recurrent conflicts fuelled by tensions between its two dominant ethnic groups, the Hutus (over four-fifths of the population) and the Tutsi. The latest conflict broke out in 1993, following the assassination of the democratically elected President Ndadaye, and the President of the National Assembly. This assassination led to massive violence, with the killing of over 15,000 persons and the displacement of more than 600,000.

4. The death of President Ntaryamira, who succeeded President Ndadaye, in a plane crash in Kigali in April 1994 contributed to increased tensions that was exacerbated by the outbreak of massive violence in neighboring Rwanda. In July 1994, a "convention" government negotiated under the auspices of the UN and OAU was formed, with a democratically elected parliament under President Ntibantunganya, a Hutu. The peace dividend expected from this "convention" did not materialize however, and growing insecurity led to a Tutsi-military-led coup that overthrew the government in 1996. In response to the coup, regional leaders imposed economic sanctions on Burundi with the stated objective of securing the restoration of parliament and political activity and an immediate, unconditional negotiation with rebel groups and opposition forces. Most donors respected the sanctions and foreign aid levels fell from over US\$300 million

per annum to less than US\$48 million, and living conditions deteriorated. The sanctions were suspended in January 1999 to prevent further worsening of living conditions. In addition, the international community took a more active role in seeking a negotiated and peaceful resolution of the conflict. The late President Nyerere was appointed the mediator and after his death, President Mandela took over in December 1999. These negotiations culminated in the signature of the Peace Accord in Arusha in August 2000 by 19 political parties representing all ethnic groups (See Box 1).¹

The Peace Process

5. After the signing of the Peace Accord in August 2000, the parties involved in the conflict and the Burundian Government, National Assembly and the international mediator held several rounds of talks. These peace talks centered on the need to ensure security for all and equitable representation of all ethnic groups in politics, the armed forces, the judiciary and the civil service, and the establishment of the transition government. Meanwhile, the Government and the people of Burundi were pursuing reconciliation at the community level (with assistance from NGOs), while efforts towards peace continued at the national level under the framework of the Arusha Peace Accord.

6. The Peace Accord is very comprehensive. It provides detailed outlines of the responsibilities and attributes of administrative institutions, including the role of the army and national police force, the role of the state and of the international community. It provides a framework for the rehabilitation, resettlement of refugees and victims of conflicts. Protocol I of this Accord elaborates on the origins and root causes of the Burundian conflict.² According to this protocol, some of these go back to the colonial administration era, when an identity card with specification of ethnic origins was introduced to reinforce ethnic awareness. However, the parties recognize that the nature of successive conflicts in the post-colonial period is fundamentally political with significant ethnic dimension. It “stems from struggle by the political class to accede to and/or remain in power.”

7. Chapter II of the same Protocol explores solutions to Burundi’s conflict. It proposes a number of institutional reforms to foster national reconciliation and inclusion, improve justice, public administration, economic performance and social services, in order to prevent future occurrence of conflicts. A new constitution, founded on the values of justice, the rule of law, democracy, good governance, pluralism, respect for the fundamental rights and freedoms of the individual, unity, solidarity, and equality between women and men, is proposed as basis for national reconciliation. The constitution would also include provisions embodying the principle of separation of powers (executive, legislative and judicial).

8. The measures in the area of justice include the establishment of an *International Judicial Commission* of inquiry on genocide, war crimes, and other crimes against humanity, and an International Tribunal to try and punish those responsible; the promotion of an independent justice system; and establishment of the *National Truth and Reconciliation Commission* (NTRC).

¹ Though these parties represent all ethnic groups, there are two major political parties in Burundi: the “Union pour le Progres National” (UPRONA) and the “Front pour la Démocratie au Burundi” (FRODEBU).

² For further details, see Chapter I of Protocol I of the Arusha Peace and Reconciliation Agreement for Burundi, and the International Crisis Group Africa Report No. 25.

The later draws on the South African post-apartheid model, and its responsibilities include the investigation on the acts of violence, arbitration and reconciliation, and clarification of history. Other measures include the establishment of a *Commission Nationale de Réhabilitation des Sinistrés* (National Commission for the Rehabilitation of Victims) to benefit the victims; banning of all political or other associations advocating ethnic, regional, religious or gender discrimination; and deliberate promotion of the disadvantaged groups. Decentralization is listed as a cornerstone of the political reconstruction. Other important elements include: promotion of respect of human rights and freedom, the advancement of women, strengthening the National Assembly, civil society and the justice system.

Box 1: Actions toward Peace Accord and Transition Government

- The National Assembly was broadened to include all political parties and representatives from the civil society in July 1998.
- Measures were taken to improve internal security and strengthen the justice system and local administration in July 1998.
- Negotiations involving a large number of political parties, the Government and National Assembly initiated in 1998 proceeded well in Arusha, Tanzania.
- President Nelson Mandela extended the negotiation to all groups, allowing inter-Burundian dialogue; this dialogue led to the signing of the Peace Accord on August 28, 2000.
- The parties signatory of the Arusha Peace Accord reached a consensus on transitional leadership arrangements in July 2001.
- Return of exiled political leaders, including the leader of the party “Front pour la Démocratie au Burundi” (FRODEBU), Dr. Jean Minani to Burundi, began on October 5, 2001.
- Actions towards the transitional arrangements, including promulgation of law governing transitional institutions on October 28, 2001 and adoption of a transitional constitution on October 29, 2001.
- The first installment of military contingent from South Africa, part of the international protection force, which will also include troops from Nigeria, Ghana, and Senegal arrived in Bujumbura on October 29, 2001.
- An inclusive transition government was installed on November 1, 2001.
- The Transition Parliament was installed on January 4, 2002; Dr. Minani was elected as the new Speaker with bi-partisan support.

9. The signing of the Peace Accord galvanized the international community. Most international donors attended the December 2000 Paris Conference on Burundi convened by President Mandela on December 11-12, 2000, sponsored by France and co-chaired by the World Bank and UNDP. Donors stressed the need to resume international development assistance to Burundi and work quickly to reverse the declining trends in living standards. The influence of President Mandela in mobilizing the international community to increase development assistance to Burundi was illustrated by the relatively large participation, and pledges that, at US\$440 million, exceeded expectations. The donor community renewed its support for increased development assistance to Burundi at the Geneva Round Table donors meeting in December 2001, by increasing the amount of pledges to about US\$830 million for the period 2001-04.

10. Discussions between the different parties regarding implementation of transitional arrangements continued under the auspices of President Mandela. Several exiled political leaders have already returned, and the installation of an international peacekeeping force in October 2001 should increase the prospects of further returns. A new transitional constitution has been

adopted, and an inclusive transition government (TGOB) based on power sharing, was inaugurated on November 1, 2001. Two rebel groups “Forces de Défense de la Démocratie” (FDD) and “Forces Nationales de Libération” (FNL), however, did not sign the Peace Accord and have not accepted the transitional arrangements. These two rebel groups are responsible for sporadic attacks on civilian population, and pose a serious risk for continued violence. However, discussions are underway under the auspices of South Africa’s Deputy President and the President of Gabon to bring them into the Peace Accord.

11. The transition government includes representatives from all political parties signatory of the Arusha Peace Accord, except one “Parti pour le Redressement National” (PARENA). This government has the responsibility to administer the country during the 36-month transition period leading to general democratic elections. The transition period has two phases to respect the power sharing principle. President Pierre Buyoya, a Tutsi, is leading the first period which lasts 18 months starting November 1, 2001, with Domitien Ndayizeye, a Hutu, as Vice President. Vice President Ndayizeye will lead the transition government in the second 18-months period with a Tutsi as Vice President.

12. The new transition arrangement bears the burden of high expectations. President Mandela and heads of state from five other African countries attended the swearing-in ceremony of the new transition government. A number of these governments have committed to send peace-keeping troops if needed. The renewed peace process has raised expectations of Burundians and people elsewhere in the region. However, cessation of the regional conflict in the Great Lakes region centered on the DRC and involving other countries in the region, is critical for peace in Burundi. As long as this conflict in the Great Lakes remains unresolved, the spillover effects will continue to stoke the conflict in Burundi as the DRC would continue to be a sanctuary for Burundian rebel groups. In recent bilateral discussions between officials from Burundi and DRC, Burundian authorities agreed to pull out their troops from DRC while the Congolese Government pledged to discontinue support to Burundian rebels. The strong support by the international community for the two parallel peace processes (the Lusaka agreement which deals with the conflict in the DRC and at the regional level, and the Arusha process which deals with the Burundian internal conflict) is essential for achieving the aspirations of the Burundians.

B. Recent Economic Developments

13. Economic conditions in 2000 were characterized by stagnant output, increased inflationary pressures and a deteriorating balance of payments. After a 4.8 percent growth of real GDP in 1998, growth rate was negative in 1999 (-1 percent), and in 2000 (-0.9 percent), as insecurity, drought and population displacement continued to adversely affect agricultural production (see Table 1). The economy seemed to have recovered in 2001, with an estimated growth of 3.2 percent. With the expected restoration of peace and return of refugees, the economy is expected to grow at an average of about 4.5 percent per annum during 2002-2003. The stagnant economy was accompanied by rapidly rising inflation. The gains achieved in 1999, when the inflation rate declined to single digit (3.4 percent) after 5 consecutive years of double digits (peaking at 31 percent in 1997), were wiped out. Inflation increased dramatically, averaging 24.3 percent in 2000, due largely to rising oil and food prices. The Government, with the assistance from the World Bank and the IMF implemented a series of measures to curb inflation, including the establishment of access ceilings and higher financial charges on

commercial banks borrowing from the central bank. Average inflation in 2001 is estimated to have declined to 14 percent, and the declining trend is projected to continue in 2002-2003, with the average consumer price index falling below 10 percent over the period.

Fiscal Policy Outcomes

14. The overall fiscal deficit (including grants) fell sharply from 10.4 percent of GDP in 1999 to 5.3 percent in 2000. The primary fiscal balance (revenues less non-interest domestic expenditures) registered a surplus of 2.8 percent of GDP, the second primary surplus (and the largest) in the past six years. Revenue increased from 18.3 percent of GDP in 1999 to 20.1 percent in 2000, and is projected to stabilize in 2002-2003. While the decline in expenditure relative to GDP reflects cuts in military outlays (by 0.8 percent of GDP), overall military and security expenditures, at about 6.2 percent of GDP, remain relatively high, projected to be around 6.1 percent in 2001 and slightly less in 2002 and 2003 at 5.7 and 5.6 percent respectively. Looking forward, and with prospects for peace and stability, and the envisaged DDR program, further cuts in military spending should allow increase in public spending allocations to productive expenditures and investment needed for growth. The fiscal deficit was financed by net external inflows equivalent to 4.4 percent of GDP, including the IDA Emergency Economic Recovery Credit (EERC) and the accumulation of external arrears. Donor flows and the accumulation of new arrears resulted in a reduction in net bank claims on the central government equivalent to 3.4 percent of GDP. (Annexes A2 and B6 provide key economic indicators).

15. The relative improvement of the fiscal stance is due to a number of measures implemented by the government in 2000, notably in the areas of revenue mobilization and public expenditure management. The tax and customs exemptions were brought under control by eliminating line ministry authority to grant exemptions and by creating units in the customs and internal revenue departments to monitor the purpose, recipients, and value of exemptions granted. Petroleum product prices were increased by 85 percent for premium gasoline and 270 percent for kerosene. With support from the World Bank, the Government initiated a Public Expenditure Review (PER) with the objective of improving public expenditure management and resource allocation.

Monetary Policy

16. The Central Bank (BRB) did little in the first half of the year 2000 to contain the inflationary pressures. It maintained an expansionary monetary policy, especially through the expansion of credit to the private sector. While broad money grew by only 4.3 percent in 2000, credit to the private sector expanded by 47 percent, equivalent to 36 percent of beginning-period stock of money. However, the BRB slowed credit expansion towards the end of the year by tightening its credit to commercial banks through a combination of measures, including access ceilings to bank borrowing and increasing finance charges from 12 to 14 percent. The implementation of these measures by the BRB had a positive effect; recent estimates suggest declining trend in inflation. The consumer price index rose by only 10.6 percent in the second quarter of 2001, compared to 29.0 percent in the second quarter of 2000.

Table 1: Selected Indicators of Economic Performance

Economic Indicators	1996	1997	1998	1999	2000 (Est.)	2001 (SMP)	2002 (proj.)	2003 (proj.)
Real GDP Growth Rate (%)	-8.3	.4	4.8	-1.0	-0.9	3.2	4.2	5.7
Inflation Rate (% CPI, Period average)	26.4	31.1	12.5	3.4	24.3	14.0	9.6	6.8
(In percent of GDP, unless otherwise specified)								
Total Government Revenue	15.5	13.8	17.4	18.3	20.1	20.9	21.0	21.2
Total Government Expenditure	27.6	23.2	23.5	29.1	26.2	26.4	28.4	27.6
Current Expenditure	17.6	18.2	17.5	21.3	19.8	18.2	17.3	16.9
Capital Expenditure	10.0	5.0	6.0	7.8	6.4	8.2	11.1	10.7
Military and Security Expenditure	5.3	6.3	6.7	7.0	6.2	6.1	5.7	5.6
Total External Debt (end of period)	134.2	120.6	137.5	165.7	178.5	179.4	177.1	166.6
(In million of US dollar, unless otherwise specified)								
Gross Off. Reserves*	14.8	11.5	5.4	5.0	3.2	3.2	3.2	3.2
Exports of Goods	40.5	87.4	64.0	55.7	49.1	47.8	49.5	54.2
Imports of Goods	-100.0	-96.1	-123.5	-97.2	-107.9	-126.5	-160.8	-161.5
External Debt	1,207.8	1,154.3	1,207.2	1,170	1,211.4	1,192.2	1,176.4	1,145.8
Trade Balance	-59.5	-8.7	-59.5	-41.5	-58.8	-78.7	-111.3	-107.3
Total External Arrears	38.2	53.7	72.8	76.7	101.1	112.7	...	...

* Gross official reserves are provided in terms of months of imports. Source: Burundi authorities; and IMF staff.

17. The level of gross official reserves declined steadily, falling from nearly 15 months of imports in 1996 to 5 months in 1999, and 3.2 months of imports in 2000. This continued decline was accelerated by fall of export revenues due to falling world prices of coffee, the main export crop, and a declining volume of production and exports due in part to the displacement of population in rural areas. The terms of trade deteriorated further in 2000, by 13.8 percent following 14.4 percent decline in 1999.

External Trade/Debt Sustainability

18. Exports were US\$49.1 million in 2000, down from US\$55.7 and US\$64 million in 1999 and 1998 respectively. Imports increased significantly: imports of goods were up by 11 percent in 2000, reaching US\$107.9 million, from US\$97.2 million in 1999, increasing the trade deficit from US\$41.5 millions to US\$58.8 million in 2000. Estimates for 2001 indicate persistence of these negative trends and a further deterioration of the trade deficit. Burundi's external debt (US\$1.2 billion) is unsustainable. The country continues to have difficulties in meeting its external debt service obligations that amounted to US\$55 million (80 percent of export of goods and non-factor services) in 2000. External arrears increased by US\$24 million in 2000 to reach an all time high level of over US\$100 million. Preliminary estimates suggest that the ratio of the net present value (NPV) of external debt to exports exceeds 650 percent, well above the 150-percent threshold used in assessing debt sustainability for the Enhanced HIPC Initiative.

International Assistance

19. The international community's financial assistance to Burundi in 2000 increased slightly, with grant and net loan disbursement rising from US\$48 million in 1999 to US\$79 million. Early indications are that the level of assistance increased even further in 2001 and is estimated to be US\$114 million. The key donors include the European Union, the World Bank, France and Belgium. Most of these resources, and particularly the proceeds from the Bank's EERC and EU "Compte de Stabilization des Exportations" (COM STABEX) were channeled through the foreign exchange auction. The prospects for increased inflows of resources to Burundi during the transition period have improved, in light of the positive outcome of the Geneva Round Table donors meeting. A Multilateral Donors Trust Fund (MDTF), to clear Burundi's arrears and promptly service its debt to a number of its multilateral creditors, has been established. Once it becomes operational, it is expected to help trigger disbursements from AfDB, EIB, and IFAD, hence improve the inflows of resources. Burundi is also eligible for access to resources from the donor-funded regional trust fund for disarmament, demobilization and reintegration (DDR) being established, and a complete cease-fire should trigger the implementation of its DDR program.

C. Recent Social Developments

Internally Displaced Persons and Refugees

20. According to a recent survey by the UN Office in Bujumbura, Burundians consider bringing about an end the 8-year civil war, peace, national reconciliation and security as the most critical issue for development.³ The conflict has caused massive internal displacement of population, with a large number of refugees in neighboring countries, mainly Tanzania. Despite the efforts made in reintegrating the victims of conflict, the challenges remain substantial. The number of internal displaced persons (IDPs) and refugees in need of assistance is estimated at 1.2 million. The IDPs are spread across 13 provinces, with a large concentration in Makamba (121,400) and Bururi (87,600). Though declining, the number of refugees remains high, over 400,000, with a large concentration in Tanzania (about 380,000) and DRC (20,000). Tanzanian authorities are keen to accelerate the return of Burundians living in refugee camps within their border and in May 2001, a tripartite agreement was signed between Tanzania, Burundi and the United Nations High Commissioner for Refugees (UNHCR) in Tanzania, on the repatriation of those refugees willing to return. The implementation of transitional arrangements, increased role in security by international peacekeeping forces and the return of exiled political leaders should accelerate the return of refugees.

Poverty and Social Indicators

21. Poverty is widespread in Burundi and has increased significantly since 1993. At the national level, the per capita GNP went down by 20 percent between 1993 and 1999, reaching US\$110 from US\$180, significantly below the Sub-Saharan African average of US\$490. The headcount index increased to 68.7 percent from 40 percent during the same period. The increase

³ The study is based on a qualitative assessment survey carried out across 7 provinces in November 2000; inference is drawn on a sample of 900 individuals. For further details on the design, see United Nations Office in Burundi (UNOB), 2001.

was general across all regions, including urban areas where the deterioration was particularly pronounced. The incidence of urban poverty increased to 67 percent in 1999 from 41 percent in 1993 while rural poverty increased from 40 percent in 1993 to 69 percent in 1999.⁴ There are disparities across regions and socioeconomic groups, however. The incidence of poverty is much higher in Ruyigi (93 percent) and lower in Muramvya (49 percent). The incidence of poverty is much higher for export and subsistence farmers (over 70 percent) and lower among the public sector workers and private formal sector (57 percent). The roots of poverty are numerous and include stagnant production due to the destruction of social and economic infrastructure and continued security concerns.

22. Life expectancy fell from an already low level of 51 years in 1993 to less than 42 in 2000; access to safe water and health services remained extremely low, less than 48 percent and 20 percent respectively. The prevalence rate of HIV/AIDS increased significantly both in urban and rural areas: in rural areas, it increased from less than 1 percent to 6 percent between 1989 and 1998; in urban areas, the rate of expansion was even more dramatic, increasing from 11 percent to 20 percent during the same period. The number of people living with HIV/AIDS was about 360,000 (in the 15-49 age group) and 19,000 (under 15) in 1999. The impact of the HIV/AIDS epidemic falls disproportionately on women and girls (about 56 percent of those living with HIV/AIDS are female). The conflict context reduces economic opportunities and further increases vulnerability of women to the transmission of HIV/AIDS.

23. Recently, HIV/AIDS became one of the major causes of mortality among adults, and is the major factor in higher infant mortality rates, from 110 per thousand live births in 1992 to 116 in 2000, significantly above the Sub-Saharan African average of 92. The epidemic is affecting people in their most economically productive years; the proportion of adults dying before age 40 has increased significantly. The number of victims of malaria, the leading cause of death, has also increased and immunization rates have fallen. Health outcomes have been adversely affected by the destruction of infrastructure (over 36 hospitals were completely destroyed and 73 district health centers were either destroyed or pillaged). The deterioration of health outcomes was exacerbated by a substantial decline in the health budget by 70 percent in real terms, from 5 percent of GDP to 3.2 percent between 1992 and 1999.

24. In the education sector, gross primary enrolment has fallen to 51 percent from 68 percent in 1992 and the repetition rate increased to 17 percent, from 13 percent. The deterioration of education outcomes was accelerated by the damage of social infrastructure by the conflict— of 1,485 schools, over 105 were completely destroyed and 376 were seriously damaged— and by the lack of qualified teachers unevenly distributed across regions. For their personal security, most qualified teachers are concentrated in 8 provinces.⁵ Public expenditures in education also fell by over 53 percent in real terms. (Annex A2 provides details of key social indicators).

⁴ These indicators are derived from the 1998 Priority Survey, using the absolute poverty line established at about 92,000 Fbu annual per capita expenditure in rural areas and about 410,000 in urban areas.

⁵ Burundi has a total number of 17 provinces; and the teachers are concentrated in safe, largely urban provinces (Bururi, Gitega, Makamba, Muramvya, Bujumbura, Cankunzo, Ruyigi, Rutana) representing about 45.5 percent of the total population.

II. PROGRESS UNDER THE INTERIM STRATEGY

25. The Interim Strategy recognized the need to support the peace process and tackle the worst manifestations of poverty through development assistance. It presented a two-year program of assistance to help stabilize the economy as the peace process evolved, and prevent further deterioration of living standards. This strategy had three pillars: (i) promotion of governance and ownership of the peace process; (ii) creation of productive employment; and (iii) the restoration of key imports and essential social services. It has largely been implemented.

26. A Social Action Project (BURSAP II) was a key component of the first pillar. It supported the rehabilitation and provision of social infrastructure through a participatory approach. Resettlement operations were also carried out under the Community Rehabilitation Project (CRP) jointly implemented by UNHCR and the World Bank. The second pillar of the strategy had two key operations: a labor-intensive public works and employment project (AGETIP-ABURTIP) and a Leverage Insurance Facility for Trade (LIFT). The third pillar was underpinned by the Emergency Economic Recovery Credit (EERC) that provided foreign exchange for imports of essential goods, with the counterpart funds allocated to priority activities in health, education and agricultural rehabilitation. Most of the EERC resources have been disbursed. Box 2 and the following paragraphs show the impact of some of these projects. In addition to assisting in the rehabilitation of destroyed social infrastructure and the resettlement of refugees and displaced population, progress was also made in the areas of donor coordination and mobilization of the international community in support of Burundi.

Box 2: Impact of Bank Assistance under the Interim Strategy (IS)

- The resources provided under the IS helped stabilize the economy, particularly by providing needed foreign exchange for essential imports.
- The resources provided under the IS also helped prevent further decline of living standards, it helped stabilize the poverty incidence.
- Bank assistance supported rehabilitation of several health centers and schools to provide essential social services to vulnerable groups (a total number of 81 destroyed primary schools have been rehabilitated and are fully operational).
- Bank assistance helped in the rehabilitation of community housing to facilitate the reinsertion and reintegration of victims of conflicts and returning refugees (By December 2001, over 7,000 houses have been either rehabilitated or rebuilt).

Social Infrastructure

27. The BURSAP project financed 137 infrastructure-related sub-projects identified by local communities, and has begun the rehabilitation and construction-related work on 176 other sub-projects in 41 communes, representing about a third of the communes in Burundi. Community-driven demands for support have been heavy. The level of implementation was slowed by the requirement for community counterpart funding of 12 percent, which was found to be prohibitive in some areas, particularly in extremely poor and vulnerable communities. This requirement has been reduced to 7 percent in poor communes, notably in the northern region. This, together with

the progress in the elaboration of community development plans, should improve the implementation under the BURSAP project. By end-November 2001, 71 communities out of 121 have elaborated well-articulated community development plans, with clearly defined priority needs. Thus BURSAP is expected to enter into a rapid disbursement stage of its cycle, and be fully disbursed by end-December 2003, the planned closing date. Access to health centers and facilities also increased in the project implementation areas. The BURSAP includes an Early Childhood Development (ECD) component that has delivered preventive and nutrition services to children in four pilot communities and is being expanded to other communes. This component has also helped start pre-schools in two provinces. Bilateral donors, Belgium in particular, are also active in ECD in Burundi.⁶

Resettlement and Reintegration

28. The EERC proceeds also helped in the rehabilitation of community housing for victims of conflict. The Community Rehabilitation Project (CRP), jointly implemented by the World Bank and UNHCR was designed to assist up to 200,000 returning refugees. After a delay in the first phase of the project caused by security problems in project areas, implementation picked up and has provided assistance to refugees in 7 provinces. As of end-December 2001, over US\$1.1 million of the initial US\$2 million have been fully disbursed. An action plan has been prepared for using the remaining resources.

Improving Public Expenditure Management

29. With the assistance of the World Bank, Burundian authorities initiated a Public Expenditure Review (PER) in July 2000, with a workshop involving civil servants from core and sector ministries. This review seeks to improve the transparency of the budget process and the allocation and use of resources. The PER is in three rounds: the first round that focuses on public expenditure management (budget preparation and execution), definition of a minimum package of essential social services to be provided by the transition Government, and revenue mobilization is ongoing. The Government recently produced a first report that provides an assessment of the deficiencies in the elaboration and execution of the budget. The process has entered the implementation phase, and the Bank is assisting the Government to implement identified actions. The FY03 budget reflects the recommendations of the PER, including adoption of a system for the functional and economic classification of budgetary expenditure and a double-entry accounting system. Topics planned in the second round include public expenditure analysis in the social sectors (health and education), strengthening capacity and improving existing information system in public expenditure management. Topics for the third round include the preparation for the medium term expenditure program approach and the decentralization of government, the management of foreign aid and its integration into budget planning.

Mobilization of the Donor Community

30. Following the economic embargo, donor resources declined from US\$300 million per annum in 1992 to less than US\$48 million in 1999. The international donor conference held in

⁶ The ECD component of this project has benefited from a Grant provided by the Government of Belgium.

Paris in December 2000 was a turning point in the relationship between the donor community and Burundi since the outbreak of the conflict. Some donors expressed interest in re-engaging in Burundi, especially in the areas of disarmament, demobilization and reintegration (DDR), human resource development, HIV/AIDS and debt relief, with pledges of over US\$440 million. A number of donors have contributed to a regional trust fund being established for a DDR for the conflict-affected countries in the Great Lakes region, including Burundi. At the Geneva Round Table Meeting, some donors expressed interest in contributing to a Multilateral Donor Trust Fund (MDTF) to be administered by the Bank to assist Burundi in servicing its debt to multilateral institutions up to the Enhanced HIPC Decision Point and to support an in-service training program. The Bank is working with these donors to have the MDTF effective by March 2002. At that Round Table, donors also made additional pledges to support Burundi's transitional process, bringing the total amount of pledges (including those made in Paris) to over US\$830 million for the period 2001-04 (Annex 1).

III. THE CHALLENGES AND THE GOVERNMENT'S RESPONSES

A. Key Challenges

31. Burundi's development challenges remain the same as those identified in the Interim Strategy. Burundi needs to make a rapid transition from conflict to peace and work to improve the living standards of its people. The challenges of peace, nation-building and poverty reduction include: (i) national reconciliation and good governance; (ii) resettlement and reintegration of displaced persons and ex-combatants; (iii) socio-economic reforms to lay the basis for sustained development; and (iv) building human resources, including curbing the spread of HIV/AIDS. Burundi will need exceptional assistance from the international community to implement its programs of social and economic recovery.

Restoring Peace and Security

32. After years of continuous discussion, a peace accord was signed in Arusha in August 2000. A turning point was reached on November 1, 2001, with the installation of a transitional administration under a power sharing arrangement. Exiled political leaders are returning and the parliament has been expanded to include them. A protection force comprised of South African soldiers is in Bujumbura to assure the safety of the political leaders. The Implementation Monitoring Committee under the auspices of the UN has moved to Bujumbura. Early indications are that the Transition Government is working as a team. Nevertheless, sporadic violence continues, provoked by two armed groups not signatory to the Arusha Accord. Though the situation remains fragile, efforts to bring about a durable cease-fire are continuing, mediated by the President of Gabon, and the South African Vice President.

National Reconciliation and Governance

33. The Peace Accord and the installation of a power sharing government provides Burundi with the opportunity to work on national reconciliation, a necessary foundation for rebuilding the nation and improving the living standards of the people. The challenges are to reduce ethnic disparities, assist and protect vulnerable groups, promote broad-based participation, improve

governance, justice and human rights and create economic opportunities. For governance, the key challenges include implementation of law governing the organization and functioning of the defense and security forces, the improvement of public accountability, and rebuilding the justice system.

Resettlement and Reintegration

34. Resettlement and reintegration of displaced persons needs to be addressed to facilitate transition towards peace and security. Over 400,000 Burundians remain in refuge in neighboring countries, mainly in Tanzania and within the country, nearly 600,000 (out of over 1.2 million of people affected) live in refugee camps in precarious conditions. Women, children, and the elderly are particularly vulnerable in these conditions of displacement. The implementation of the Peace Accord will permit: (i) the resettlement of displaced people and assistance to vulnerable groups to help them rebuild sustainable livelihoods and reengage in productive activities; (ii) the demobilization and reintegration of ex-combatants; and (iii) reforming the economy and sustaining economic growth to provide employment.

Improving Welfare and Human Resource Development

35. The rehabilitation of social infrastructure to improve education and health outcomes, fighting the HIV/AIDS epidemic and malaria, redressing the inequality in access to education, building human capital, reducing gender disparities and raising income of the poor through income generating activities are critical to improving the welfare of Burundians. Some of the human and social costs of the HIV/AIDS epidemic include the growing number of orphans (of an estimated 550,000 orphans in 2000, over 14 percent are believed to have been orphaned by AIDS). Progress in the social sector has been slow and difficult, partly due to poor state of social infrastructure, low level of human capacity and resources allocated to the health and education sectors. In addition to rehabilitation of educational infrastructure, there is an urgent need to increase the provision of educational materials and equipment to students. The shortage of skilled human resources and the disparities in the civil service are severe and might constrain the implementation of transitional arrangements including organization of communal elections. In this context, strengthening the capacity at the central and local administrations, are critical for a successful transition program.

Box 3: Summary of Key Challenges

- Strengthening the process of national reconciliation.
- Resettlement and reintegration of refugees and internally displaced persons and other victims of conflict to facilitate rapid transition to peace, security and economic development.
- Consolidation of the progress made under the Interim Strategy, particularly in the fiscal area; curbing the resurgence of inflationary pressures; increasing the level of GDP growth and confronting the unsustainable level of external debt.
- Curb the spread of the HIV/AIDS epidemic that has become a major development challenge, likely to affect the prospects of growth.
- Attaining educational enrolment rates and outcomes of the pre-crisis level by 2003, and universal gross primary enrolment by 2010.
- Rehabilitating economic and social infrastructure for growth and economic development.

36. The relatively low level of per capita income and high level of unemployment are factors cited as causes and consequences of conflict. As peace takes hold, and the number of returning refugees increases, unemployment and poverty are likely to increase even further, with the risk of weakening the prospects for harmonious community development and social reintegration. Efforts will need to be intensified to revive agricultural production and productivity. However, in a context of a relatively high population density, and in light of environmental consequences of the conflict on soil degradation, addressing the challenges of poverty calls for strategies for employment generation program beyond the realm of agriculture.

Policy and Institutional Reforms

37. Economic reform has to be an important part of the process of national reconciliation and peace, and social and economic recovery. Burundi will need to build an inclusive economic system in which economic opportunities are open to all social groups. Policy and institutional reforms will be needed to liberalize the economy, develop a private sector that is not dependent on the government but is globally competitive, privatize state owned enterprises, reform public administration, establish a transparent and accountable public expenditure management system, and improve governance. The promotion of agricultural and rural production, investments and exports will be essential for sustaining economic recovery. Furthermore, sustained economic recovery will require prudent fiscal and monetary policies to keep the economy stable. In this regard, Burundi will need to build on the progress on macroeconomic stabilization achieved with the assistance provided by the Interim Strategy and the SMP.

B. Government Response to the Challenges

The Government's Transitional Strategy and Actions

38. The previous Government presented a new transitional strategy (GTS) for the period 2001-2003 to the international community at the Paris Conference in December 2000. The GTS stressed the need for social inclusion and a participatory approach to development, at variance with the policies carried out in the pre-crisis period where most benefits of growth accrued to a small segment of the population, largely located in urban areas.⁷ The GTS has the following objectives: (i) consolidating peace and national reconciliation; (ii) promoting good governance; (iii) rehabilitating, reinstalling, and reinserting refugees and victims of conflict; (iv) reducing poverty through employment in the reconstruction and rehabilitation of economic and social infrastructure; and (v) sustaining economic growth and poverty reduction through implementation of sound economic reforms. Estimated total amount of resources needed to fund the development program under the GTS amounts to about US\$1.5 billion. The detailed financing of the GTS by sectors over the three year reference period shows that over 40 percent of total resources is allocated to support rural development and the victims of conflicts.

39. *National Reconciliation:* Since the signing of the Peace Accord, the Burundian authorities and leadership have focused on the implementation of transitional arrangement to

⁷ As a percentage of total public expenditures, public spending (both investment and recurrent expenditures) in rural areas represented only 4 percent of GDP in 1993; and declined to 1.1 percent in 1999, although rural production accounts for over 55 percent of GDP during the same period.

consolidate the peace process and further the objective of national reconciliation. Some of these measures include: the signature of a protocol for access and protection of internally displaced persons (February 2001); the establishment of a National Commission on Reintegration of Refugees (May 2001); signature of a tripartite agreement between the Governments of Burundi, Tanzania, and UNHCR in May 2001 to facilitate the process of voluntary repatriation of Burundian refugees stationed in Tanzania; the swearing-in of an all inclusive transition Government on November 1, 2001; installation of the new transition Parliament in January 2002. However, the implementation of transitional arrangements is a continuous process, and much remains to be done to further the national reconciliation, especially in the area of judicial reforms, governance, decentralization, reduction of disparities and promotion of disadvantaged groups, political freedom and human rights, and promotion of democracy.

40. **Resettlement and Reintegration:** The TGOB is working closely with the relief agencies and NGOs to facilitate the rehabilitation, reintegration, and reinsertion of the victims of conflicts. Measures undertaken by Burundian authorities to facilitate the reinsertion of victims include the revision of the law on the status of women and provision of assistance to women affected by the crisis through UNDP Grant Fund (May 2001), the establishment of small credit schemes to assist in the promotion and economic development of vulnerable women in rural areas, and the improvement in the capacities of family planning centers, currently operational in 10 provinces. Burundian authorities are also in the process of establishing a minimum package of essential social services to be provided to vulnerable groups and the poor during the transition period. The financing needs in this area are expected to increase with progress towards peace and increasing return of refugees. The TGOB intends to continue its assistance to the victims, in the form of provision of basic social services in the health and education sectors. The projected financing needs for the reintegration effort over the next three years is estimated to be US\$185 million.

41. **Good Governance:** Burundian authorities are committed to the promotion of good governance. The TGOB has a Minister for Governance whose responsibilities span across ministries and include improving efficiency and effectiveness, transparency and accountability of the administration and other government institutions. The Government intends to establish an Office of the Auditor General and strengthen the agency for public procurement, and regularly audit the government's resources and expenditures.

42. **Poverty Reduction:** Burundian authorities are committed to poverty reduction. Over the months following the signing of the Peace Accord, they emphasized the need to combine emergency relief and development assistance to achieve the poverty reduction objectives. Specifically, the TGOB has emphasized reconstruction and rehabilitation of economic and social infrastructure to increase access to basic social services, promote agriculture and rural development, develop the private sector, and privatize state-owned enterprises.

43. Burundian authorities recognize that sustained economic growth is essential for attaining the poverty reduction objectives. The authorities projected economic growth rates of about 4.7 percent per annum in 2001-2003, with continued implementation of sound economic reforms. The TGOB is working on their Interim PRSP and have completed the consultation and participatory diagnostic process. A discussion of a draft IPRSP document with donors is planned in the second quarter of 2002. Burundian authorities plan to initiate the work under the full PRSP right after the IPRSP. With assistance from the Bank, the Fund and other development partners,

the authorities initiated a number of economic reforms in the pre-transition period, especially under the EERC and the SMP. Over the past few months, the Government has increased its efforts to monitor and stem the spread of HIV/AIDS. Campaigns have been organized to promote public awareness on its prevention. An IDA-supported multi-sector HIV/AIDS project, under the Africa MAP program, is under preparation and will bring a comprehensive approach to the fight against HIV/AIDS.

44. **Capacity Building:** The scarcity of skilled labor and the disparities in the civil service are key constraints to poverty reduction and national reconciliation. The TGOB intends to reform its public administration and seek donor assistance for capacity building. An in-service training program of Burundian officials planned under the MDTF is a way to begin to address the shortage of human resources and make the composition of the civil service more representative of the population, drawing on the South African model in the post-apartheid period.

IV. WORLD BANK'S STRATEGY FOR TRANSITIONAL SUPPORT

45. The Republic of Burundi made progress in macroeconomic stabilization under the Interim Strategy. Through its assistance, the Bank made a significant contribution to stabilizing the social and economic conditions in Burundi. Bank assistance helped galvanize the international community to resume assistance to Burundi as it provided the framework and vehicles for effective interventions. The continued presence of the Bank, supporting structural reforms for sustained growth and poverty reduction, is deemed essential by all for rallying effective international partnership to help Burundi.

A. Bank Program

46. The Interim Strategy was designed for two years, and it was planned that a regular Country Assistance Strategy (CAS) would supersede it as peace unfolded and Burundi society shifted its focus to long-term development. However, while a Peace Accord has been signed and a new transition government is in place, the situation in Burundi remains fluid. This two year TSS is designed to help the new government consolidate the progress achieved under the Interim Strategy and build a foundation for national reconciliation, poverty reduction and durable peace. With significant progress towards national reconciliation and economic reform, a full PRSP could provide the basis for a CAS in the post TSS period. The Bank will continue to monitor developments in Burundi closely, particularly the implementation of the transitional arrangements, the overall peace process, and will continue to consult regularly with other development partners.

47. As noted earlier, Burundi faces four key development challenges: (i) achieving peace and security, (ii) resettling and reintegrating displaced persons and other conflict affected groups; (iii) improving welfare and living conditions of the poor; and (iv) implementing socio-economic reforms to enhance economic recovery and lay the foundation for sustained growth and poverty reduction. A concerted effort with the international community is needed to revitalize Burundi's economy and buttress the peace and reconciliation processes. The Bank's assistance is intended to continue to promote peace and reconciliation and help the transition in Burundi to proceed on

a firmer footing. The Bank is assisting Burundi in the elaboration of the PRSP that will provide the framework for medium-term assistance.

48. Overall, the Bank plans to focus on the following themes: (i) demobilization and reintegration of ex-combatants in the context of the regional DDR program, (ii) prevention of HIV/AIDS and supporting health services, (iii) economic policy and institutional reforms to revitalize the economy and improve governance; and (iv) donor coordination and resource mobilization.

49. A strong country-donor partnership is essential to effectively tackle the development challenges Burundi has been facing. The Bank will collaborate with the TGOB and donor partners to ensure effective delivery of assistance. There is some experience to draw on, with co-financing or parallel financing of several activities with Belgium, AfDB and France. France has worked with the Bank in the areas of micro-finance in the context of social action projects; the Bank is also working with UNHCR in community rehabilitation. With increasing external assistance to Burundi, there will be more opportunities for co-financing and joint implementation of projects and programs.

50. Several donors have expressed interest in co-financing the regional DDR program whose financing needs over the three to four-year period range between US\$60-80 million. At the Geneva Round Table meeting, donors reiterated their support for the establishment of the MDTF for Burundi. The next step is for the Bank to work closely with the donors and Burundian authorities to make these trust funds and related activities operational.

Lending

51. **Current Portfolio:** The current IDA project portfolio consists of 5 projects, all with satisfactory progress in implementation. The Bank has put emphasis on improving portfolio performance and monitoring project impact, and there has not been a project in problem status in over two years. Implementation mechanisms and structures have not been significantly affected by the conflict, and adjustments to implementation arrangements have been made, when necessary, to keep projects fully operational during the conflict period. The Bank has used NGOs and UN relief agencies in the implementation of projects in areas designated by the UN as insecure for normal operations (Phase IV).⁸ The Country Office is actively involved in project supervision. This has been instrumental in maintaining good portfolio performance. At the last CPPR, held in May 2000 in Bujumbura, the Government and the Bank agreed on a set of measures to continue to improve portfolio performance (Annex B). These include increased involvement of the Country Office in project supervision and quarterly reviews of portfolio performance to facilitate timely response to problems.

52. **Lending Operations:** The planned program will include a major effort on HIV/AIDS prevention, a DDR program, capacity building, and labor-intensive infrastructure development programs. The program will assist in laying the framework for policy and institutional reforms.

⁸ This characterization refers to areas where the security situation according to UN rating is not very safe and where official supervision missions are not allowed. This refers to regions in the Eastern and Southern regions, along the borders of Tanzania, and part of the South Central and Western region along the frontier with the Democratic Republic of Congo.

and support the implementation of the selected reforms, and in particular, the efforts to improve public expenditure management and governance. The TSS lending program amounts to about US\$187 million during the current and next fiscal year.

53. In FY02, planned lending operations include the HIV/AIDS and Orphans Project, an Economic Rehabilitation Credit (ERC), a Health and Population Project III, following the Second Health Project that is closing in June 2002. About 36 percent of the proposed US\$102 million lending in FY02 is allocated to the fight against HIV/AIDS. During FY03, the indicative IDA program includes an Emergency Road Rehabilitation Project, a Multi-sector Capacity Building Project, and a Social Action Project (BURSAP III) in the form of BURSAP II, and a Disarmament, Demobilization and Reintegration Project (DDR).

54. The proposed Multi-sector HIV/AIDS and Orphans Project is to support the implementation of Burundi's *Action Plan for the Struggle Against HIV/AIDS for the period 2002-2006*. The objectives of the program are to slow the spread of HIV/AIDS in the general population and mitigate its damage to individuals and families. These objectives are to be attained through multi-sectoral actions that involve all line ministries and that engage the civil society, including religious organizations, farmers associations, women's groups, and people living with HIV/AIDS. The Bank will work closely with a number of other development partners that have indicated interest in supporting the Government's program.

55. The proposed ERC planned in FY02 is designed to provide balance of payments support to finance the imports of essential goods needed to rehabilitate economic and social infrastructure for growth, and implementation of a number of policy and institutional reforms. The Multi-sector Capacity Building Project, planned for FY03, will support capacity building for economic management and the implementation of institutional and policy reforms, strengthen public administration and the transitional institutions for improving governance, and support the formulation and implementation of the poverty reduction strategy.

56. The proposed DDR program in Burundi is a part of the DDR program for the Great Lakes to help bring peace and security to the region. A regional approach is seen to have the best chance of achieving this objective. The estimated cost of the Burundi program is between US\$60-80 million with IDA providing US\$15-20 million and donor contributions to the regional trust funding the difference. The DDR program will support the demobilization and reintegration of ex-combatants including child soldiers into civilian life. The preparation of the DDR program is well advanced, and Board presentation could be advanced should the Government and the two rebel groups reach a cease-fire.

57. The Health and Population Project III will follow the second health project and continue to improve the efficiency and affordability of health care delivery in rural areas, contribute to reducing maternal and child mortality rate, promote good health and family planning behavior and strengthen the capacity of the Ministry of Public Health to implement sector reforms. The proposed BURSAP III will build on the achievements of BURSAP II. It will continue to finance sub-projects identified and implemented by diverse community groups, and ensure that the poorest and the most vulnerable groups benefit from improved social and economic services and social protection. The executing agencies for the sub-projects will be NGOs. The project will help to strengthen community solidarity and build social capital.

58. The emergency Road Rehabilitation Project planned for FY03 is a labor-intensive project to rehabilitate road infrastructure that, in the absence of routine maintenance, deteriorated significantly during the conflict period. This rehabilitation will enhance the link between urban and rural areas, and between Burundi and other countries in the COMESA region, and thus facilitate the commercialization of agricultural products and enhance international trade. This is expected to give impetus to the revival of agricultural production and raise the incomes of the poor. The project will seek to rebuild depleted capacity in the transport sector, through targeted training for ministerial staff and small road maintenance companies.

Table 2: Proposed IDA Lending Program for FY02, and Indicative Program for FY03⁹

	Projects	US\$(Million)
FY02 Program	ERC	54
	Health Population Project III	12
	HIV/AIDS/ORPHANS	36
	Subtotal	102
Indicative FY03 Program	Emergency Road Rehabilitation	40
	Social Action Project BURSAP III	10
	Multi Sector Capacity Building Project	15
	Demobilization (DDR)	20
	Subtotal	85

59. **Lending strategy:** The proposed lending program is predicated on continued progress towards peace and national reconciliation, and the preparation of the IPRSP and the full PRSP. It assumes that the security situation at the national and regional level will not deteriorate, and that progress will continue in the implementation of the Arusha and Lusaka Peace Accords. The Bank and the Fund are already monitoring the implementation of reforms in macroeconomic and public expenditure management, especially budget processes, to improve transparency and efficiency in resource allocation and use. As implementation of the TSS proceeds, the Bank will pay particular attention to the following indicators:

- satisfactory progress in the implementation of measures to improve governance, especially establishment of the office of the Auditor General with the responsibility of auditing the government's resources and expenditures;

⁹ The IDA allocation that underpins the proposed lending program has been determined in accordance with IDA policy for exceptional access to IDA resources for eligible post-conflict countries. The FY03 lending program is indicative; the final allocation will depend on progress against agreed post-conflict performance indicators.

- satisfactory progress in the implementation of economic and structural reforms under the IMF and Bank program;
- establishment of a minimum package of essential social services to be provided to vulnerable groups and the poor during the transition period;
- satisfactory implementation of the IDA portfolio.

60. If progress is faster than currently anticipated the Bank will accelerate the preparation of a CAS. This would depend on having in place a cease-fire, rapid progress in the implementation of the Arusha and Lusaka Accords, satisfactory performance on the implementation of the Fund's SMP and the Emergency Post-Conflict Assistance Policy/PRGF, and the proposed Economic Rehabilitation Credit. Lastly, there would need to be in place a full, participatory PRSP, and continued good performance of IDA portfolio.

61. If the situation were to deteriorate, characterized by failure to implement the transitional arrangements and economic reforms, and/or deterioration of the security situation, IDA assistance would be reduced to assistance for social sector interventions (HIV/AIDS, orphans, social action projects) to the extent that security conditions permit effective project implementation and supervision. Depending on the seriousness of the situation, the Bank may need to suspend further lending and review the prospects for continued implementation of the existing portfolio.

62. *Exit scenario:* If the conflict between government forces and the two rebel groups (FNL, FDD) were to escalate, with the security situation not permitting progress in the implementation of the transitional arrangements, precluding economic reforms and project implementation and supervision, IDA would not be able to provide effective assistance to Burundi.

Enhanced HIPC Initiative

63. During FY02, the staff will begin the preparation for the HIPC Decision Point for Burundi possibly in FY03. To access debt relief under the enhanced HIPC, Burundi has to clear its arrears and meet its obligations to its creditors and complete the full PRSP. Total external debt service (including arrears) payable will amount to about US\$169 million in the period through end-2003. The debt service to IDA, AfDB, IFAD and EIB, will account for about 44 percent of the total debt service. The MDTF is expected to facilitate the path to the HIPC by helping to clear Burundi's arrears to AfDB, IFAD and EIB and promptly service its debt to IDA, AfDB, IFAD and EIB, as it falls due.¹⁰ This requires a contribution of US\$68 million from bilateral donors to meet these obligations. Burundi is also in arrears with other multilateral institutions (OPEP Fund, BADEA for instance) and bilateral creditors (France, Japan, Kuwait, and Saudi Arabia). Arrangements to clear up these arrears will have to be worked out between these creditors and Burundian authorities. Completion of the IPRSP in early 2002 will be followed immediately with the work on the full PRSP, building on the consultation and participatory diagnostic processes framework elaborated within the context of the IPRSP.¹¹

¹⁰ The Multilateral Debt Trust Fund (MDTF) has two components: the In-service training component and the debt component. Arrears clearance and debt servicing are supported by the latter component.

¹¹ The Belgian and Dutch governments assisted in the preparation of the framework for consultation and participatory diagnostic processes through a Belgian and Dutch PRSP Trust Funds managed by the World Bank.

Non-Lending Activities and Advisory Services

64. The non-lending activities will help improve the understanding of the socioeconomic context, rebuild the knowledge base to support policy dialogue and the design of effective poverty reduction programs and projects, and build capacity. (see Annex B4). Ongoing activities in FY02 include the PER and support for the preparation of the PRSP. For FY03, the planned activities include: an update of the poverty profile to provide input into the full PRSP; debt sustainability analysis for the HIPC program to be done in collaboration with IMF staff; continued work on public expenditure management, a development policy review (DPR) to enhance the understanding of Burundi's development challenges and facilitate dialogue on these issues; a post-conflict social sector assessment focusing on education, health and reintegration of the victims of conflict.

65. Technical assistance financed either through trust funds including from PCF/DGF resources will continue to support targeted capacity building and institutional development efforts. An IDF Grant was approved in the last quarter of FY01 to assist in preparation of national accounts. Burundian authorities have requested assistance in the area of public procurement and the preparation for assistance in this area through an IDF Grant is well advanced.

Donor Coordination

66. The mediators to the Burundian internal conflict have sought an active role by the Bank in donor coordination. It is in that respect that the Bank co-chaired the Paris conference. At the Paris Conference, many donors expressed interest in contributing towards a trust fund to support DDR activities, in-service training and multilateral debt service. As a follow-up to the Conference, the Bank hosted a technical meeting involving UN agencies and other donors to assess the needs and define the contours of a possible DDR program for Burundi. As agreed at the Paris conference, Round Table meetings chaired by UNDP will be the platform for donor coordination. The Bank will continue to play an active role on donor coordination within this framework. The Bank will also continue to play an active role in donor coordination through other means, particularly through its leadership in analytical work, and active role in donor coordination in specified sectors where the Bank is asked to play a leadership role by the Government.

67. **Collaboration with the IMF.** The Bank and the IMF have collaborated on macroeconomic and public expenditure management, and on assisting the Government in the preparation of the IPRSP. In July 2001, the IMF and the Government agreed on a staff-monitored Program (SMP) covering a period of six months. An IMF mission is scheduled to visit Burundi in the first quarter of CY02 to undertake a full assessment of implementation of reforms under the SMP. The Fund has indicated that it would initiate discussions on a program that could be supported by the emergency post-conflict assistance facility if performance under the SMP was satisfactory. A good track record will pave the way for further assistance under the PRGF and for an Enhanced HIPC program. The Fund's resources under the emergency post-conflict assistance policy could amount to US\$25 million.

68. **Collaboration with the European Union.** The European Union (EU) is one of the most important donors in Burundi. Its pledges accounted for over 30 percent of total donors pledges at the Paris conference and Geneva Round Table meeting, by far the largest contribution. Currently, the EU is supporting the peace process and providing assistance to Burundi for humanitarian and food security, rehabilitation of infrastructure, balance of payments support and technical assistance. This assistance is provided through three active programs: “European Commission Humanitarian Office” (ECHO), “Programme de Réhabilitation du Burundi” (PREBU) and “Compte de Stabilization des Exportation” (COM STABEX). The EU resources complemented the assistance provided by the Bank through the EERC counterpart funds. In particular, since the EERC resources have been fully disbursed, balance of payments support has essentially been provided by the EU STABEX fund. The EU and the Bank are collaborating closely in supporting the elaboration of the interim PRSP and in the ongoing public expenditure review work.

69. **Collaboration with the UN.** UNDP assistance to Burundi in the context of its first framework of cooperation for 1999-2001 amounted to about US\$20 million. This assistance focused on rehabilitation, reintegration and technical assistance. A second framework of cooperation between UNDP and Burundi for the period 2002-2004 has been prepared. This phase is focused on poverty reduction, HIV/AIDS, governance and donor coordination. It is expected that the level of resources planned under this second framework will amount to about US\$32 million. The Bank and UN have also been collaborating well, and co-chaired the international donors conference on Burundi and, under the leadership of UNDP, the Bank played a key role in the preparation of the Geneva Round Table meeting. The collaboration between the Bank and UN has also been effective in the area of reinsertion of refugees and strengthening government capacity in macroeconomic management. UNHCR has been an implementing agency in a program to reintegrate refugees and victims of conflicts under the Bank-financed Community Rehabilitation Project.

B. IFC and MIGA

70. **IFC:** IFC has one operation in agribusiness. IFC is also exploring other investment opportunities, particularly in the area of communication.

71. **MIGA:** Burundi signed the MIGA convention in April 1995 and ratified it in March 1996. It also completed the payment for its initial subscription to the capital stock; however, MIGA has not yet received any portion of its contribution to the general capital increase. MIGA portfolio in Burundi includes two active applications for a total investment of US\$6.5 million.

V. RISKS AND SUSTAINABILITY

72. **Risks:** Despite efforts towards peace and settlement of the Burundian internal conflict and progress towards a peaceful settlement of the regional conflict in the Great Lakes, the risk of social unrest and continued military action remains high. Despite its public pronouncements reaffirming its commitment to far-reaching socio-economic reforms, the capacity and readiness of the TGOB to carry out these reforms is untested. Despite the positive response expressed by donors at the Paris conference, and the Geneva Round Table Meeting, there remains some uncertainty regarding the amounts and timing of the flows of international assistance.

73. **Continued Internal conflict:** Despite the installation of the transitional arrangements, two rebel groups that did not sign the Peace Accord are not part of the transition government. These groups have continued to infiltrate and attack mostly civilian targets. Furthermore, conflict within the rebel groups complicates the discussions for a cease-fire. Continued strong backing of the transition program by the international community is critical to the success of the transition. The coordination of international actions, continued dialogue with rebel groups, the rapid resettlement and reintegration of refugees and other victims of conflict, and domestic policies aimed at national reconciliation, would facilitate a cease-fire and a durable agreement for peace.

74. **Regional conflict:** The return of peace to Burundi is complicated by continued instability in the Great Lakes region. The regional conflict provides Burundi's rebel groups a sanctuary in the DRC. Since January 2001, some progress has been made on the implementation of the Lusaka Accord to end the conflict in the region. Continued strong international support for the implementation of the Lusaka Accord and the regional DDR Program, is likely to facilitate the end of the Burundi conflict and elsewhere in the region. During the discussions between officials from DRC and Burundi in January 2002, Burundian officials agreed to pull out their troops from DRC, while the Congolese pledged to discontinue their support to Burundian rebels.

75. **Commitment to economic reforms:** The Government of Burundi needs to undertake difficult economic and institutional reforms to improve governance, stimulate economic recovery, reduce poverty, and build an economic system in which all social groups have equal access. This will inevitably involve changes in the role of the government in the economy. There are likely to be powerful interest groups that have benefited from the exclusive system of the past who would resist the changes. The needed reforms will not be possible without strong commitment of the government and support by the civil society and the political and business establishments. Open and coordinated dialogue by Burundian authorities and the development partners is key to mitigating this risk. Burundians will need to learn from the experience of other countries in similar situations. The Bank can help facilitate this learning process.

76. **Inadequacy of resources:** In the period preceding the swearing-in of the transitional government in November 2001, donors cited the delay in the implementation of transitional arrangements under the Arusha Peace Accord and difficulties in reaching a cease-fire as possible constraints. Though transitional government arrangements are in place and working smoothly, and at the Geneva Round Table, donors made additional pledges, key components of the recovery program (DDR, debt relief, other resettlement and reintegration) could be under-funded and thus delay and possibly undermine the recovery process.

77. Also, the risk of Burundi falling into arrears with IDA is high. However, this risk could be mitigated by the establishment of the MDTF that would clear Burundi's arrears and promptly service its debt to multilateral institutions (including IDA), during the interim period leading to its access to debt relief under the Enhanced HIPC Initiative.

78. **Phase out Strategy:** The Bank's engagement and assistance under the TSS are linked to progress on the peace front and government's continued commitment to the reform program, with satisfactory performance in implementation. However, if the political and economic situation were to deteriorate, as a result of resumption of fighting between government and rebel forces, this could prompt interruption of Bank's assistance.

VI. CONCLUSION

79. Building and strengthening the social capital for a more harmonious society, developing human resources, supporting reinsertion of refugees, and economic reforms for growth and poverty reduction are some of the key challenges Burundi is facing as a conflict affected country. The recent installation of the transitional arrangements under the Arusha Peace Accord provides the window of opportunity to work for durable peace, economic recovery, and poverty reduction. Support from the international community can only improve the chances of success in meeting the aspirations of the majority of Burundians for peace and stability.

James D. Wolfensohn
President
By Shengman Zhang

Washington, D.C.
February 12, 2002

ANNEXES

BURUNDI: TSS Matrix

Theme I: BUILDING A PEACEFUL AND STABLE ENVIRONMENT BY STRENGTHENING NATIONAL RECONCILIATION

Country Assistance Objective	Monitorable Actions and Performance Indicators	Bank Services			Other Donors
		Portfolio Mgmt	Lending	Advisory Services	
Fostering national reconciliation, peace and security	<ul style="list-style-type: none"> Efforts to bring all parties into the peace process and support the Arusha and Lusaka framework for peace in the Great Lakes region 	CRP[SPN]	BURSAP III	PER ([Y01-04])	UNHCR UN UNICEF UNDP EU Netherlands Austria Germany Belgium France Norway Canada USAID Japan South Africa
	<ul style="list-style-type: none"> Reintegration of refugees and internally displaced persons and victims of conflict to get permanent shelter, in viable communities, have access to social services and income earning opportunities 	AGETIP [SPN]	HIV/AIDS/ORPHANS [FY02]	PETS [FY03]	
	<ul style="list-style-type: none"> Establishment of a National Commission for the Rehabilitation of Refugees 	BURSAP II [SPN]	DDR [FY03]	GOR/Bank/UNDP Donor Coordination [FY02-03]	
	<ul style="list-style-type: none"> Protection of vulnerable groups and victims of war, through implementation of targeted interventions 	PCF-CRP [SPN]	ERC [FY02]	Support to the IPRSP Process [FY02]	
	<ul style="list-style-type: none"> Implementation of the demobilization and reintegration program of ex-combatants to facilitate return to civilian life 	PCF-Ex-Comb. [SPN]	Multi-sector Capacity Building [FY03]	Support to the PRSP Process [FY03-04]	
	<ul style="list-style-type: none"> Organization of consultation and participatory diagnostic processes within the framework of the PRSP 			BURSAP III [FY03]	
	<ul style="list-style-type: none"> Continued inter-Burundian dialogue and discussions within the context of the Arusha Peace Accord, and progress in the implementation of transitional arrangements 				
	<ul style="list-style-type: none"> Implementation of measures to protect human rights, strengthen the National Assembly, the justice system, and promotion of the institution of Bashingantahe, and revitalization of gracious justice 				
	<ul style="list-style-type: none"> Establishment of National Truth and Reconciliation commission 				
	<ul style="list-style-type: none"> Fostering of democracy, organization of communal elections, decentralization and increased participation of the civil society in economic and social affairs 				

Theme II: REDUCING POVERTY AND IMPROVING LIVING STANDARDS

<i>(i): MAINSTREAMING POVERTY REDUCTION IN THE DEVELOPMENT AGENDA</i>					
Country Assistance Objective	Monitorable Actions and Performance Indicators	Bank Services			Other Donors
		Portfolio Mgmt	Lending	Advisory Services	
Poverty reduction and improvement of living conditions	<ul style="list-style-type: none"> • Commitment to the PRSP process and consultation and participatory diagnostic processes • Completion of the interim PRSP and its discussion with donors in CY02, preparation of the full PRSP with consultation and participatory diagnostic processes at the regional and sectoral levels • Increased spending in priority social services and key economic areas identified through participation within the context of the PRSP to improve access to economic and social services, especially in rural areas • Implementation of a monitoring system to assess the poverty and welfare impact within the context of the PRSP • Progress in the design and implementation of the decentralization program • Increasing agricultural production and productivity, and raising rural incomes, through support to the production of coffee and tea and diversification to high value export crops • Strengthen the promotion and development of rural micro-finance institutions to increase income of the poor, vulnerable groups, and serve farmers and small entrepreneurs in rural areas • Stimulate rural employment through the development of public work programs 	<p>Emergency Economic Recovery Credit-EERC [SPN]</p> <p>BURSAP II [SPN]</p> <p>Regional Trade Facilitation [SPN]</p> <p>Public Works Employment Project [SPN]</p> <p>AGETIP [SPN]</p>	<p>Economic Rehabilitation Credit -ERC [FY02]</p> <p>BURSAP III [FY03]</p> <p>IDF Grant [FY02]</p> <p>Multi-Sector Capacity Building Project [FY03]</p> <p>Emergency Road Rehabilitation Project [FY03]</p>	<p>Consultation and participatory diagnostic processes</p> <p>Poverty profile and Poverty Assessment [FY02-03]</p> <p>Preparation and implementation of CWIQ survey [FY03]</p> <p>Public Expenditure Review [FY01-04]</p> <p>PETS [FY03]</p> <p>Support to the PRSP Process [FY02-03]</p> <p>IDF Grant Energy [SPN]</p>	<p>UNDP</p> <p>IMF</p> <p>EU</p> <p>IFAD</p> <p>AfDB</p> <p>FAO</p> <p>Belgium,</p> <p>Netherlands</p> <p>USAID</p> <p>France</p>

Theme II (continued): REDUCING POVERTY AND IMPROVING LIVING STANDARDS

<i>(ii) ECONOMIC GROWTH AND EMPLOYMENT CREATION THROUGH PRIVATE SECTOR DEVELOPMENT</i>					
Country Assistance Objective	Monitorable Actions and Performance Indicators	Bank Services			Other Donors
		Portfolio Mgmt	Lending	Advisory Services	
Economic growth and macroeconomic stabilization	<ul style="list-style-type: none"> Achieve real annual growth rate of at least 4.7 percent by 2003 and implement a monetary policy to achieve a single digit inflation target 	EERC [SPN]	ERC[FY02]	PER [FY01-04]	IMF EU UNDP UNIDO AfDB USAID France Belgium Japan
	<ul style="list-style-type: none"> Stabilize and/or increase international reserves above its current level of 3.2 months of import 	Regional Trade Facilitation [SPN]	Capacity Building Project [FY03]	Economic Monitoring [FY02]	
	<ul style="list-style-type: none"> Improve the environment for private sector development, and enhance competitiveness in the private sector 		BURSAP III [FY03]	IDF Public Procurement [FY03]	
	<ul style="list-style-type: none"> Reforming the legal environment for commerce to ensure the enforcement of contracts, strengthen the arbitration center and create commercial tribunals 	PWECP [SPN]			
	<ul style="list-style-type: none"> Restructuring banking and financial institutions to support the economic growth process and promoting the development of micro-credit scheme to support rural development 	BURSAP II [SPN]	Roads Rehabilitation Project [FY03]	IDF Economic Management [FY01-02]	
	<ul style="list-style-type: none"> Improved corporate and state governance, including the elimination of corruption 	AGETIP [SPN]		Support to the IPRSP[FY02]	
	<ul style="list-style-type: none"> Promote small and medium enterprises and industries in urban and rural areas 			Support to the PRSP[FY02-03]	
	<ul style="list-style-type: none"> Roads rehabilitation and increased investment in infrastructure to reduce transport costs and promote trade 				
<ul style="list-style-type: none"> Implementation of the privatization program 					

Theme II (continued): REDUCING POVERTY AND IMPROVING LIVING STANDARDS

(iii) DEVELOPING HUMAN RESOURCE AND CAPACITY					
Country Assistance Objective	Monitorable Actions and Performance Indicators	Bank Services			Other Donors
		Portfolio	Lending	Advisory Services	
Strengthen human resource capacity and development	<ul style="list-style-type: none"> • Implement the action plan, and strategy for fighting HIV/AIDS, and coordination of mechanisms for the national human resources development effort • Increase public spending in social sectors to improve access, particularly by the poor • Definition of minimum package of essential social services to be provided by the government to the poor and vulnerable groups • Rehabilitation of destroyed health infrastructure to increase access to, and quality of health services; improve access to water and sanitation • Implementation of decentralized health sector strategy, including upgrading facilities, training, efficient system of drug supply, and community involvement in managing facilities • Adopt and implement national programs to reduce morbidity and mortality due to malaria, and to reduce infant and maternal mortality adopt and implement a framework for coordination of public, private, donors and NGO health providers • Continued support to the rehabilitation of destroyed education infrastructures to increase access • Implementation of the education sector strategy to achieve the objectives of universal primary education by 2010 • Implementation of the teacher training program to reduce disparities in the distribution of teachers across provinces, improve quality and access • Strengthening the management of education at central and decentralized levels and adopting a framework for community participation in primary and secondary schools • Enhance the role of women in achieving economic development and poverty reduction objectives 	EERC [SPN]	MAP HIV/AIDS Project [FY02]	Post-conflict social assessment [FY03]	WHO EU UNICEF UNDP UNFPA UNESCO AfDB USAID, France UK Belgium Netherlands Japan Canada, Austria
		Health Pop II [SPN]	Health Population project III [FY03]	PETS [FY03]	
		PWECF [SPN]	BURSAP III [FY03]	Support to the IPRSP [FY02]	
		BURSAP II [SPN]	ERC [FY02]	Support to the PRSP [FY02-03]	
		AGETIP[SPN] BURSAP II [SPN]	Emergency Road Rehabilitation [FY03]	PER [FY01-04]	

Theme III: IMPROVING EFFECTIVENESS OF GOVERNMENT AND ITS POTENTIAL FOR MOBILIZING RESOURCES

Country Assistance Objective	Monitorable Actions and Performance Indicators	Bank Services			Other Donors
		Portfolio Mgmt	Lending	Advisory Services	
Improving government's effectiveness and its potential for mobilizing resources	<ul style="list-style-type: none"> Establish a program to rationalize the role of the Government, reform its institutions and build public sector capacity, organization of training in management and public administration for members of the transitional leadership Undertake public consultations to identify the role of the state, its institutional structures and capacity building needs, and an action plan for restructuring and reforming the public service Implementation of civil service reform and improvement of public expenditure management Establishment of an office of Auditor-General to audit all government agencies Institution of accountability in the use of public resources and strengthening the public procurement administration Improve public sector resource mobilization and management Reform the budget process to increase efficiency, effectiveness, transparency and accountability; build capacity in the Ministries of Finance and Economic Planning and line ministries to manage the budget Strengthen donor coordination through systematic consultation on key policy issues, including budget processes, design and implementation of consultations, PRSP, HIV/AIDS, Debt, DDR program, and establishment of a minimum package of essential social services. 	EERC[SPN]	Multi-Sector Capacity Building Project [FY03] ERC [FY02] IDf Grant public procurement [FY03]	PER [FY01-04] PETS [FY03] Debt sustainability analysis [FY03] Debt Sustainability Analysis [FY03] Aid Coordination [FY02 – 03]	IMF UNDP EU AfDB Belgium France

Annex 1

Annex 1: Distribution of Pledges by Donors (Bilateral and Multilateral Institutions)

International Donor Conference Paris – December 2000

And

Round Table Donors Meeting Geneva – December 2001

Donors	Nature of assistance	Amount Pledged (US\$ million)	
		2000	2001
Austria	Reconstruction, water and sanitation, democracy and human rights, and debt write off	4.0	13.26
Belgium	Security and humanitarian assistance, social sectors, public works and economic management, HIV/AIDS	24.0	25.42
Canada	Peace and humanitarian assistance, DDR	..	2.0
Denmark	Humanitarian assistance	8.35	..
Finland	Security and humanitarian assistance	2.36	1.5
France	Justice and national reconciliation, reinsertion and reintegration, rehabilitation of infrastructure, food security, rural development public expenditure management, training and technical assistance	6.85	3.98
Germany	Conflict prevention and democracy, water and sanitation, HIV/AIDS	31.36	35.68
Italy	Reinsertion, decentralization, gender, orphans and HIV/AIDS	2.0	6.4
Japan	Food security and HIV/AIDS	1.24	1.0
Netherlands	Humanitarian, demobilization, disarmament and reintegration	5.0	..
Norway	Peace and reconciliation, humanitarian assistance and DDR	6.0	4.3
OIF	Governance, education through direct support and scholarship	1.5	..
OPEP Fund	Agriculture and rural development	10.0	15
Sweden	Humanitarian assistance and social sectors	4.22	..
Switzerland	Humanitarian assistance and debt relief	5.29	..
UK	HIV/AIDS, debt relief	8	8
USA	Humanitarian assistance, agriculture and rural development, social sectors and HIV/AIDS, support to refugees and orphans, promotion of civil society and gender, education and training	70	150
EU	Balance of payments support, food security humanitarian assistance, reinsertion and reintegration, rehabilitation of economic and social infrastructure, agriculture and rural development technical assistance	133.35	242.17
AfDB	Agriculture and rural development, infrastructure, education, social action projects and poverty alleviation, rehabilitation of economic and social infrastructure, post-conflict reconstruction and governance	27.7	78.53
IMF	Emergency post-conflict assistance facility and technical assistance, macroeconomic management	25.0	25.0
UNDP	Donor coordination, food security, rehabilitation, reintegration, governance, HIV/AIDS, technical assistance	20.0	32.0
UNICEF	Rehabilitation of social infrastructure and education	..	31.0
FNUAP	HIV/AIDS reintegration and reinsertion	..	1.5
World Bank	Balance of payments support, DDR, rehabilitation of economic and social infrastructure, public works and roads rehabilitation, education and health, HIV/AIDS and Orphans, governance and public expenditure management, poverty monitoring, technical assistance, macroeconomic management.	50.0	156.0
Overall Amount		446.24	832.74

Annex 2: Post-Conflict Performance Indicators

A. SECURITY AND RECONCILIATION

	<i>Indicators</i>	<i>Progress indicators</i>	<i>Output/outcome indicators</i>
1	Public Security	<p>Step up efforts to bring the two rebel groups (FNL and FDD) into the peace process</p> <p>Broadening of discussions between the parties signatory of the Arusha Peace Accord to include the rebel groups</p> <p>Progress towards a cease-fire within the framework of the Arusha and Lusaka Peace Agreement</p>	<p>Significant reduction of number of politically motivated crimes</p> <p>Increased number of returned-political exiles and refugees</p> <p>Increased geographical coverage in projects implementation</p>
2	Reconciliation	<p>The Government and mediation in place are accepted by all parties</p> <p>Degree of integration of parties to conflict into economic and social processes</p> <p>Establishment of a National Truth and Reconciliation Commission</p> <p>Establishment of an international Judicial Commission of inquiry on genocide, war crime and other crimes</p> <p>Degree of commitment to consultation and participatory diagnostic processes to foster inter-Burundian dialogue</p> <p>Establishment of an International Tribunal to try and punish the responsible of crimes</p>	<p>Effective demobilization and reintegration of soldiers into the civil force</p> <p>Reduction of military expenditure and increased social expenditures and productive investments</p> <p>Increased economic growth and revitalization of rural economy</p> <p>Diversification of the composition of labor force in the administration</p>
3	Demobilization and Disarmament	<p>Preparation of the DDR program for child and vulnerable soldiers</p> <p>Establishment of the DDR program</p> <p>Establishment of transitional safety-nets for ex-combatants</p>	<p>Number of soldiers and ex-combatants reintegrated into civil life</p> <p>Increased social spending and reduction of military and security-related expenditures</p>

B. ECONOMIC RECOVERY

	<i>Indicators</i>	<i>Progress indicators</i>	<i>Output/outcome indicators</i>
4	Management of inflation, external debt, and adequacy of the budget	<p>Satisfactory review under the Fund SMP and Emergency Post-conflict Assistance Facility leading to PRGF</p> <p>Agreement on payments schedule and on arrears clearance mechanisms, including establishment of a Multilateral Trust Fund for Debt servicing</p> <p>Progress in the implementation of reforms under the public expenditure review, including in the area of public expenditure management and budget processes</p>	<p>Increased mobilization of domestic resources and reduction of fiscal deficit and inflation</p> <p>Reduction and/or clearance of external arrears</p> <p>Increased inflows of external assistance, productive investments for growth</p> <p>Eligibility to debt relief under the Enhanced HIPC Initiative</p>
5	Trade policy, foreign exchange and price regimes	<p>Liberalization of access to the official exchange market through, adoption and publication of central bank regulation authorizing access to the auctions marked by all licensed exchange bureaus</p> <p>Revision of producers prices and marketing arrangements in the agricultural sub-sectors</p> <p>Satisfactory progress in the implementation of the reform program</p>	<p>Reduction of parallel market premium</p> <p>Alignment of tariffs structure with that of the COMESA countries</p>
6	Management and sustainability of the development program	<p>Degree of coordination of policies and actions with the international community</p> <p>Utilization of the participatory and diagnostic processes methods in the elaboration of the development program</p> <p>Level of support of the development program proposed by the Transition Government</p> <p>Degree of coherence of the development and reform program, and coordination between the key development agencies and institutions</p>	<p>Increased absorptive capacity through better geographical coverage and project implementation</p> <p>Satisfactory results in the poverty reduction objectives, including reduction of poverty incidence</p>

C. SOCIAL INCLUSION AND SOCIAL SECTOR DEVELOPMENT PROGRAM

	<i>Indicators</i>	<i>Progress indicators</i>	<i>Output/outcome indicators</i>
7	Reintegration of displaced population	<p>Commitment of the Transition Government to addressing the needs of the internally displaced persons</p> <p>The Transition Government is coordinating donors efforts and providing assistance to internally displaced and returnees</p> <p>Amount of budget resources allocated to rehabilitation of housing, economic and social infrastructure</p>	<p>Increasing number of houses rehabilitated</p> <p>Increasing number of displaced persons returning to their homes</p> <p>Increasing number of displaced persons re-engaging into productive economic activities</p> <p>Revitalization of economic rural economy and economic growth</p>
8	Education	<p>Implementation of program to address urgent needs, particularly in primary education</p> <p>Public spending in the education sector reflect the Government objective to reduce geographical, ethnic and gender disparities in access to education</p> <p>Budget allocation and trends of public spending in social sectors</p>	<p>Increasing number of open and functioning schools and education facilities</p> <p>Increasing gross enrollment rates at the primary and secondary levels, and reduction of repetition rates</p> <p>Reduction of gender, regional and ethnic disparities in education access and outcomes</p>
9	Health	<p>The Transition Government has established a structure and has a system in place to address the medical needs of war affected population</p> <p>Public spending in the health sector reflects the Government objective to reduce geographical, ethnic and gender disparities in access to health services</p> <p>Budget allocation and trends of public spending in social sectors</p>	<p>Increasing number of operating and functioning hospitals and primary health care facilities</p> <p>Reduction of mortality rates and increased life expectancy</p> <p>Reduction of regional and ethnic disparities in access to health facilities</p>

D. PUBLIC SECTOR MANAGEMENT AND INSTITUTIONS

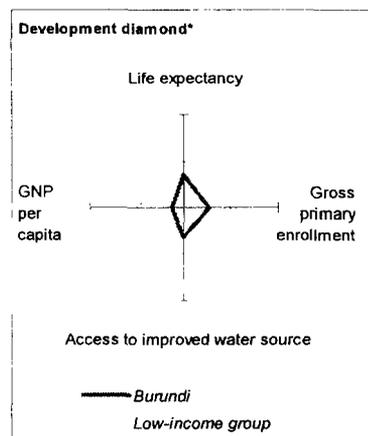
	<i>Indicators</i>	<i>Progress indicators</i>	<i>Output/outcome indicators</i>
10	Budget formulation and efficiency of revenue mobilization	<p>Effectiveness of budget formulation and implementation</p> <p>Performance of revenue collection authorities and agencies</p> <p>Implementation of measures to reduce and/or eliminate tax and customs exemptions, creation of a unit in the customs and internal revenue department to monitor the purpose, recipients and value of exemptions granted</p>	<p>Continued increase of government revenues and public expenditure allocation in the social sector</p> <p>Improved education and health outcomes</p> <p>Improved fiscal performance and reduction of fiscal deficit</p>
11	Reestablishing the administration and rule-based governance	<p>The level of effectiveness of the Transition Government in the implementation of transitional arrangements, including strengthening of the justice system and improving governance</p> <p>The degree of coherence and collaboration between the different branches of the administration and their capacity to deliver good services and enforce contracts</p>	<p>Level and quality of service delivery</p> <p>Improved education, health and other social indicators</p>
12	Transparency, accountability and corruption in the public sector	<p>Progress in ongoing work on public expenditure review and implementation of public expenditure tracking study</p> <p>Progress in the implementation of recommendations under the PER, including audit of the Treasury, revision of the budget nomenclature, and budget processes</p> <p>Establishment of an Office of Auditor General with the responsibility of auditing the government's resources and expenditures</p> <p>Effectiveness of Bank-financed IDF grant to strengthen public procurement administration</p> <p>Level of coherence and coordination between the Ministry of good governance and other ministries in the fight against corruption, and participation of civil society</p>	<p>Reduction of leakages and increased public spending allocation going to public facilities and primary beneficiaries</p> <p>Improved allocation of social services and reduction of disparities in access</p> <p>Improved access and social indicators</p>

Annex A2: Country at a glance

Burundi at a glance

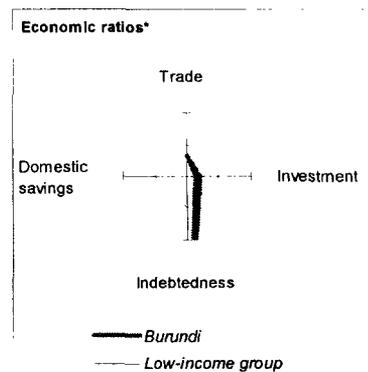
2/12/2002

POVERTY and SOCIAL	Burundi	Sub-Saharan Africa	Low-income
2000			
Population, mid-year (millions)	6.8	643	2,417
GNP per capita (Atlas method, US\$)	110	490	420
GNP (Atlas method, US\$ billions)	0.75	316	1,008
Average annual growth, 1994-00			
Population (%)	2.9	2.6	1.9
Labor force (%)	2.4	2.6	2.4
Most recent estimate (latest year available, 1994-00)			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	9	34	31
Life expectancy at birth (years)	42	47	59
Infant mortality (per 1,000 live births)	116	92	77
Child malnutrition (% of children under 5)	..	..	..
Access to an improved water source (% of population)	48	55	76
Illiteracy (% of population age 15+)	52	39	39
Gross primary enrollment (% of school-age population)	51	78	96
Male	55	85	102
Female	46	71	86



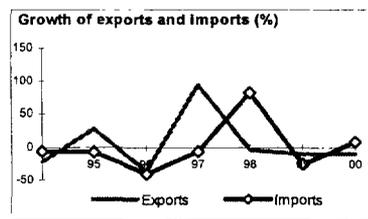
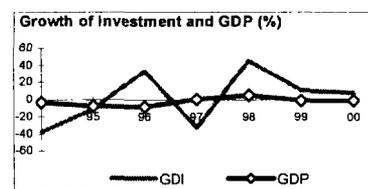
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1980	1990	1999	2000
GDP (US\$ billions)	0.92	1.1	0.71	0.69
Gross domestic investment/GDP	13.9	14.5	9.1	9.0
Exports of goods and services/GDP	8.8	7.9	8.8	9.0
Gross domestic savings/GDP	-0.6	-5.4	-2.0	-5.6
Gross national savings/GDP	4.6	3.4	4.0	3.0
Current account balance/GDP	-9.3	-11.1	-3.6	-7.4
Interest payments/GDP	0.2	1.1	0.9	1.4
Total debt/GDP	18.0	78.2	165.7	178.5
Total debt service/exports	9.5	43.6	45.1	42.0
Present value of debt/GDP	..	..	94.8	..
Present value of debt/exports	..	..	1061.0	..
	1980-90	1990-00	1999	2000
(average annual growth)				
GDP	4.4	-2.6	-1.0	-0.9
GNP per capita	1.3	-5.2	-3.9	-3.8
Exports of goods	3.4	7.9	-11.0	-9.6



STRUCTURE of the ECONOMY

	1980	1990	1999	2000
(% of GDP)				
Agriculture	62.2	55.9	52.2	50.7
Industry	12.6	19.0	17.3	18.5
Manufacturing	7.4	12.9	8.7	..
Services	25.1	25.2	30.5	30.8
Private consumption	91.4	94.5	84.9	88.0
General government consumption	9.2	10.8	16.1	17.5
Imports of goods and services	23.3	27.8	18.3	23.6
	1980-90	1990-00	1999	2000
(average annual growth)				
Agriculture	3.1	-1.6	-3.0	3.8
Industry	4.5	-5.6	7.2	4.1
Manufacturing	5.7	-8.0	12.3	..
Services	5.6	-2.0	3.0	3.5
Private consumption	3.4	-4.5	-11.9	4.8
General government consumption	3.2	-2.1	15.0	-22.7
Gross domestic investment	6.9	-0.4	10.9	8.5
Imports of goods and services	1.5	1.1	-25.8	8.5
Gross national product	4.2	-2.6	-1.5	-0.3

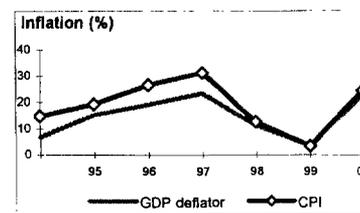


Note: 2000 data are preliminary estimates.

* The diamonds show four indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete. Latest year for improved water source data is 2000.

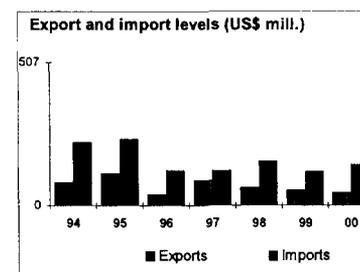
PRICES and GOVERNMENT FINANCE

	1980	1990	1999	2000
Domestic prices				
<i>(% change)</i>				
Consumer prices	9.5	7.0	3.4	24.3
Implicit GDP deflator	16.4	6.0	3.4	22.6
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	14.4	17.9	18.3	20.1
Current budget balance	2.4	2.9	-3.0	0.3
Overall surplus/deficit	6.1	-7.9	-10.4	-5.3



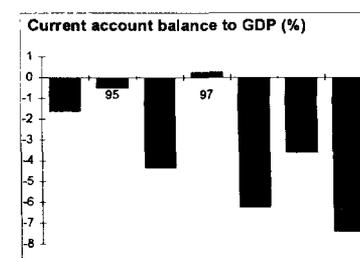
TRADE

	1980	1990	1999	2000
<i>(US\$ millions)</i>				
Total exports (fob)	66	73	56	48
Coffee	58	52	0	47
Tea	2	8	8	14
Manufactures	1	4	1	1
Total imports (cif)	168	226	118	144
Food	18	12	11	11
Fuel and energy	25	30	19	20
Capital goods	33	80	52	59
Export price index (1995=100)	108	68	58	60
Import price index (1995=100)	95	91	89	91
Terms of trade (1995=100)	113	75	65	66
			-26	-51



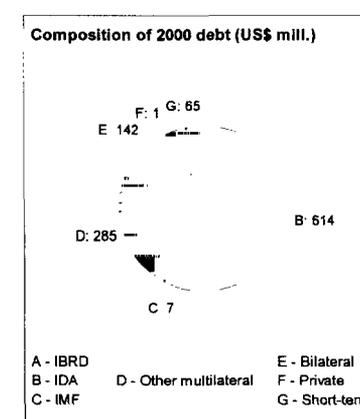
BALANCE of PAYMENTS

	1980	1990	1999	2000
<i>(US\$ millions)</i>				
Exports of goods and services	81	89	62	48
Imports of goods and services	214	314	129	149
Resource balance	-133	-225	-68	-101
Net income	2	-15	-9	-13
Net current transfers	122	219	51	63
Current account balance	-86	-126	-26	-51
Financing items (net)	77	123	12	34
Changes in net reserves	8	2	14	17
Memo:				
Reserves including gold (US\$ millions)	95	105	..	..
Conversion rate (DEC, local/US\$)	90.0	171.3	563.6	720.5



EXTERNAL DEBT and RESOURCE FLOWS

	1980	1990	1999	2000
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	166	885	1,171	1,204
IBRD	0	0	0	0
IDA	37	398	559	614
Total debt service	9	42	45	55
IBRD	0	0	0	0
IDA	0	4	12	13
Composition of net resource flows				
Official grants	39	135	60	..
Official creditors	38	75	..	27
Private creditors	-3	-6	..	..
Foreign direct investment	0	1	..	..
Portfolio equity	0	0	..	..
World Bank program				
Commitments	38	73	12	35
Disbursements	12	49	15	36
Principal repayments	0	1	8	9
Net flows	12	48	8	28
Interest payments	0	3	5	4
Net transfers	11	45	3	23



Annex B: Review of the Portfolio

Portfolio Implementation Experience

The IDA portfolio as of October 2001 consists of 5 projects for a total commitment of \$115.8 million with an undisbursed balance of \$60.3 million, making the portfolio 48% disbursed. This figure is respectable given the relatively young average age of the portfolio at 2.3 years : of the current 5 active projects, only 1 was approved by the Bank prior to FY2000 (Health and Population) and is scheduled to close on June 30, 2002. All projects are rated satisfactory and the only reported risk flags are external to the project (risky country and macro-economic management issues).

Table 1: Active Portfolio in Burundi

Name project	Approval FY	Implementing Agency	Closing Date	Age	Net Comm- -itment	Un- disbursed	Disbursed In FY
Regional Trade Facilitation Project	2001	African Trade Insurance Agency	6/30/11	.6	7.5	7.47	0.0
Emergency Economic Recovery Credit	2000	Ministry of Finance	4/30/02	1.5	35	1.95	0.0
Health Population II	1995	Ministry of Health	6/30/02	6.4	21.3	3.13	1.77
Public Works and Employment Creation	2001	Ministry of Public Works	12/31/06	0.8	40	38.65	1.3
BURSAP II	2000	TWITEZIM BERE	12/31/03	2.1	12	9.07	1

A Country Portfolio Performance Review (CPPR) exercise was conducted in May 2000 in Bujumbura. The participants focused on continued improvement of portfolio performance after the Bank fully re-engaged the country in 1999.

Difficulties in implementing projects under mobility constraints due to sporadic fighting in the country were discussed at length and the Government renewed its commitment to peace in order to allow increased geographic coverage and improved benefits of Bank projects throughout the country. Project performance is also affected by weak institutional capacity, however, the Bank and other donors are reinforcing the country's capacity.

Participants have recognized the Bank's contribution to the overall peace and reconstruction effort in Burundi by supporting employment generation, economic growth and access to essential social services. In addition, the Bank's role in institutional development and rebuilding of social capital was also recognized.

Annex B2: Selected Indicators* of Bank Portfolio Performance and Management

Indicator	1999	2000	2001	2002
Portfolio Assessment				
Number of Projects Under Implementation ^a	3	3	5	5
Average Implementation Period (years) ^b	6.1	2	1.9	2.1
Percent of Problem Projects by Number ^{a, c}	0	0	0	0
Percent of Problem Projects by Amount ^{a, c}	0	0	0	0
Percent of Projects at Risk by Number ^{a, d}	100	0	0	0
Percent of Projects at Risk by Amount ^{a, d}	100	0	0	0
Disbursement Ratio (%) ^e	54.3	122.7	56.2	5.1 ¹
Portfolio Management				
CPPR during the year (yes/no)	No	Yes	No	Yes
Supervision Resources (total US\$)	362.9	361.8	353.9	595
Average Supervision (US\$/project)	52.0	60.3	70.7	85

As of Date 09/10/2001.

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	40	4
Proj Eval by OED by Amt (US\$ millions)	546.5	75
% of OED Projects Rated U or HU by Number	35	75 ²
% of OED Projects Rated U or HU by Amt	44.9	86.1

As of Date 09/10/2001

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

¹ The structure of the portfolio which includes both old projects, some of which are fully disbursed, and recently approved projects with small percentage disbursed, partly explains the relatively low level of disbursement ratio in CY02.

² A number of projects were rated unsatisfactory during the economic embargo imposed by regional leaders and observed by the donor community between 1996 and 1999. However, since the lifting of the embargo, these projects have been either closed or restructured and the new portfolio is proceeding satisfactorily.

Annex B3: Proposed IDA Lending Program for FY02, and Indicative for FY03

<i>Project</i>	<i>US\$(Million)</i>	<i>Strategic rewards** (H/M/L)</i>	<i>Implementation Risks (H/M/L)</i>
FY02 Program			
ERC	54	H	M
Health Population Project III	12	H	L
HIV/AIDS/ORPHANS	36	H	L
Subtotal	102		
Indicative FY03 Program			
Emergency Road Rehabilitation	40	H	M
Social Action Project BURSAP III	10	H	L
Multi Sector Capacity Building Project	15	H	L
Demobilization (DDR)	20	H	M
Subtotal	85		

Annex B4: Summary of Non-lending Services

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
Poverty Note	99	150	B,G,D	KG
Interim Strategy	00	120	B,G,D	KG
Underway				
IDF Energy	01	30	G,B	KG, PS
IDF Macro Economy Support	02	31	G,B	KG, PS
Support to the Interim PRSP	02	140	G,D,B	KG, PS, PD
Public Expenditure Review	03	100	G,D,B	KG, PS, PD
Planned				
Public Expenditure Tracking Survey (PETS)	03	220	G,D,B	KG, PS, PD
Development Policy Review	03	100	G,B,D	KG, PS,PD
Post-conflict Social Sector Assessment	03	100	G,B,D	KG, PS
IDF Public Procurement	03	50	G,B	KG, PS
Support to the Full PRSP	03	100	G,D,B	KG, PS, PD
Debt Sustainability Analysis	03	20	G,D,B	KG, PS, PD
PSD / Privatization	03	100	G,D,B	KG,PS,PD

As of 01/31/2002

a. Government, donor, Bank, public dissemination.

b. Knowledge generation, public debate, problem-solving.

Burundi - Key Economic Indicators

Indicator	Actual			Estimate			Projected		
	1996	1997	1998	1999	2000	2001	2002	2003	2004
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	56	53	54	52	51	50	49	49	49
Industry	15	17	16	17	18	19	19	19	19
Services	29	30	29	30	31	31	31	32	32
Total Consumption	98	96	103	102	106	108	104	101	103
Gross domestic fixed investment	12	7	8	9	9	10	10	11	11
Government investment	10	5	6	6	6	6	5	6	6
Private investment	2	2	2	3	3	4	5	5	5
Exports (GNFS) ^b	6	10	8	9	9	8	9	11	11
Imports (GNFS)	15	14	20	18	24	18	19	22	28
Gross domestic savings	2	4	-3	-2	-6	-8	-4	-1	-3
Gross national savings ^c	8	9	3	4	3	4	1	4	-1
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	900	957	878	714	679	715	824	865	908
GNP per capita (US\$, Atlas method)	130	130	130	120	110	100	100	100	110
Real annual growth rates (% , calculated from 1980 prices)									
Gross domestic product at market price	-8.4	0.4	4.8	-1.0	0.9	3.2	4.2	5.7	6.0
Gross Domestic Income	-9.1	-6.0	7.1	-5.6	-8.9	-2.5	9.1	-2.4	-8.3
Real annual per capita growth rates (% , calculated from 1980 prices)									
Gross domestic product at market price	-10.7	-2.0	1.7	-3.9	-3.8	0.2	2.9	-3.7	-1.7
Total consumption	-22.3	-5.8	9.5	-11.9	-3.2	-7.9	4.3	-17.3	-3.6
Private consumption	-23.2	-6.0	10.5	-14.5	0.0	-10.0	5.2	-19.1	-3.3
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	51	96	71	62	48	60	70	93	97
Merchandise FOB	41	87	64	56	49	48	50	54	60
Imports (GNFS) ^b	137	140	174	129	149	160	151	192	250
Merchandise FOB	100	96	124	97	108	127	160	162	162
Resource balance	-86	-45	-102	-68	-101	-100	-81	-99	-153
Net current transfers	111	111	106	51	63	196	87	73	78
Current account balance	-39	2	-55	-26	-51	-10	-39	-60	-128
Net private foreign direct investment	..	..	..	..	..	..	..	..	..
Long-term loans (net)	..	..	..	..	..	..	..	..	..
Official	7	47	35	10	..	..	..	..	..
Private	..	..	..	..	..	..	..	..	..
Other capital (net, incl. errors & omissions)	..	..	..	..	..	..	..	..	..
Change in reserves ^d	62	19	39	14	17	-7	-10	1	-5
<i>Memorandum items</i>									
Resource balance (% of GDP)	-9.6	-4.7	-11.6	-9.5	-14.9	-13.9	-9.8	-11.4	-16.8
Real annual growth rates (YR80 prices)									
Merchandise exports (FOB)	-51.7	89.4	-3.5	-11.0	-9.6	-1.3	17.3	33.3	3.6
Primary	-52.3	111.9	-27.1	4.7	37.7	4.7	-3.2	4.7	3.8
Manufactures	-36.3	-87.7	3.0	2.2	6.2	6.1	6.2	6.3	6.3
Merchandise imports (CIF)	-48.1	6.7	38.6	-25.8	8.5	7.2	15.3	3.0	1.6

(Continued)

**Burundi - Key Economic Indicators
(Continued)**

Indicator	Actual			Estimate			Projected		
	1996	1997	1998	1999	2000	2001	2002	2003	2004
Public finance (as % of GDP at market prices)^a									
Current revenues	15.5	13.8	17.4	18.3	20.1	20.9	21.0	21.2	21.5
Current expenditures	17.6	18.2	17.5	21.3	19.8	18.2	17.3	16.9	17.0
Current account surplus (+) or deficit (-)	-2.1	-4.4	-0.1	-3.0	0.3	2.7	3.7	4.3	4.5
Capital expenditure	10.0	5.0	6.1	7.8	6.4	8.2	11.1	10.7	11.0
Foreign financing	5.2	2.9	3.6	4.5	3.7	3.3	3.5	3.4	3.3
Monetary indicators									
M2/GDP	21.0	18.7	18.0	20.6	20.6	20.6	20.6	20.6	20.6
Growth of M2 (%)	14.4	10.4	12.2	17.1	21.5	17.0	16.9	8.3	8.3
Private sector credit growth / total credit growth (%)	42.3	8.7	77.7	92.5	131.0	105.0	105.0	105.0	105.0
Price indices(YR80 =100)									
Merchandise export price index	87.1	99.3	75.3	67.6	70.5	69.5	70.9	71.8	73.2
Merchandise import price index	125.1	116.6	107.6	109.3	111.7	113.1	114.6	116.2	119.5
Merchandise terms of trade index	69.6	85.1	69.9	61.8	63.1	61.5	61.9	61.8	61.2
Real exchange rate (US\$/LCU) ^f	75.7	66.1	68.0	69.6	71.6	74.1	75.9	78.3	80.8
Real interest rates									
Consumer price index (% change)	26.4	31.1	12.5	3.4	24.3	14.0	9.6	6.8	5.0
GDP deflator (% change)	19.0	23.3	11.2	3.4	22.6	13.4	10.3	9.1	6.9

- a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Annex B7: Burundi – Key Exposure Indicators

Burundi - Key Exposure Indicators

Indicator	Actual			Estimate			Projected		
	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total debt outstanding and disbursed (TDO) (US\$m) ^a	1208	1154	1207	1170	1211	1192	1176	1145	1128
Net disbursements (US\$m) ^a	-2	39	68	56	74	110	147	173	201
Total debt service (TDS) (US\$m) ^a	63	57	44	45	55	65	77	103	134
Debt and debt service indicators (%)									
TDO/XGS ^b	2101.4	1248.1	1734.8	2106.2	2565.4	2379.8	2218.0	1865.1	1979.6
TDO/GDP	133.1	130.4	148.4	165.7	178.5	179.4	177.1	166.6	160.5
TDS/XGS	110.4	57.1	58.9	70.0	100.1	102.1	102.7	105.4	131.3
Concessional/TDO	93.0	94.0	96.0	96.5	98.8	98.5	97.5	97.2	95.2
IBRD exposure indicators (%)									
IBRD DS/public DS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Preferred creditor DS/public DS (%) ^c	..	..	..	..	..	..	..	..	..
IBRD DS/XGS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IBRD TDO (US\$m) ^d	0	0	0	0	0	0	0	0	0
Of which present value of guarantees (US\$m)									
Share of IBRD portfolio (%)	0	0	0	0	0	0	0	0	0
IDA TDO (US\$m) ^d	588	567	603	559	614	658	698	734	772
IFC (US\$m)									
Loans									
Equity and quasi-equity /c									
MIGA									
MIGA guarantees (US\$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.