

Speaking Points
UN Peace Building Commission for Burundi
New York, December 12 and 13, 2006

Mr. Chairman:

- **An IMF mission has just returned from Burundi where it was able to conclude discussions, ad referendum, for the fifth review under the macroeconomic and structural reform program supported by a PRGF arrangement.** Burundi's request for completion of the fifth review is expected to be considered by the Executive Board in February 2007. A residual budget financing gap of about US\$15 million for 2007 remains to be filled.
- **In a difficult post-conflict environment, Burundi continued to make progress in 2006 on its macroeconomic reform effort.** The macroeconomic program remains on track, with real GDP growth of about 5 percent and inflation in the low single digits. All quantitative performance targets at end-June and end-September 2006 were observed. The end-December targets are also expected to be met.
- **Macroeconomic policy implementation has been severely affected by long delays in the disbursement of expected external budget support.** Budget revenue has been broadly on track, but faced with the external financing shortfall, the authorities cut non-wage primary expenditure by over 3 percent of GDP, thus limiting domestic bank financing to well below program limits. The government has thus demonstrated considerable fiscal discipline in the face of high public expectations of a peace dividend.

- **However, structural reforms have lagged, largely on account of the impact of political tensions in mid-2006.** Delays in technical assistance provision and external budget support were contributing factors. With the easing of tensions and the appointment of a new ministerial team, the pace of structural reform has recovered.
- **The outlook for 2007 is for slightly higher growth and continued low inflation.** The 2007 budget includes a rise in revenue to 20 percent of GDP, supported by IMF technical assistance. Importantly, the share of social spending will increase further in 2007. An area of concern is the continued rise in the wage bill, to about 12 percent of GDP in 2007, largely on account of the increase in the security sector pay scale in mid-2006. Priority measures to reinforce wage bill management are being put in place, with IMF and World Bank technical and policy support.
- **The authorities are committed to establishing a close partnership with donors, and are conscious of the need to strengthen public financial management and governance with their support.** In this connection, the partnership framework of donors providing budget support and the IFIs (Cadre de partenariat) has been reactivated. An IMF technical assistance team in this area is currently in Burundi and a resident policy expert is expected to be posted in early 2007.
- **The 2007 program also includes an important structural component to build capacity and set the conditions for sustained private-sector led growth.** Measures include steps to relaunch the privatization program, including in the coffee sector, with World Bank support; strengthen good governance and transparency; rehabilitate national statistics; and strengthen monetary policy and the supervision of the banking sector.