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BURUNDI

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

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BURUNDI: JOINT BANK-FUND DEBT SUSTAINABILITY ANALYSIS	
Risk of external debt distress	High
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgment	No

The Debt Sustainability Analysis (DSA) assesses Burundi at high risk of external and overall debt distress, unchanged from the July 2022 DSA.[1] All four external debt burden indicators breach their thresholds under the baseline, signaling a high risk of external debt distress rating. The ratios of the PV of debt to GDP, PV of debt to exports and debt service to revenue under the baseline fall below their threshold in the medium term. The ratio of external debt service to exports under the baseline remains close to its threshold. As for the public debt, the PV of the public debt-to-GDP ratio under the baseline is above the benchmark in the near-to-medium term, implying that the risk of overall public debt distress is high. However, the indicator is on a declining trend and falls below its benchmark in the medium-to-long term. Stress tests show that the largest deterioration in external debt burden indicators result from shocks to the exports and a combination of shocks to growth, primary balance, exports, non-debt flows and the exchange rate. Similarly, the largest deterioration in the overall debt burden indicators results from shocks to combined contingent liabilities. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to reforms under the program including exchange rate reform, fiscal consolidation, and structural and governance reforms, as well as a positive macroeconomic outlook, including robust exports and GDP growth. There are several mitigating factors: (i) rebased GDP series (release planned for 2023) may result in an upward shift in nominal GDP; and (ii) higher exports and remittances under the impulse of the Exchange Rate (ER) realignment would alleviate external liquidity constraints. The modified sustainability indicators accounting for these mitigating factors converge towards their

[1] Burundi's debt-carrying capacity is classified as weak just as in the last (July 2022) DSA. The country's composite indicator (CI) is 2.40, based on the April 2023 WEO data and 2021 CPIA scores.

respective thresholds at the end of the horizon period. Given the country's good track record in servicing its external debt, there is a high likelihood that Burundi will be able to meet all its current and future financial obligations. Prospects of a more ambitious reform agenda, notably in promoting exports and private sector led growth, will also help alleviate key growth bottlenecks. This assessment is subject to significant risks. Delays in reforms, potential information gaps on arrears, and a prolonged Russia's invasion of Ukraine would further heighten debt vulnerabilities. Burundi's public debt is especially vulnerable to shocks to combined contingent liabilities, non-debt creating flows, commodity prices, exports, and GDP growth. Further availability of grants and concessional loans to finance high-return projects, as donor operations scale up in tune with the re-engagement with the international community, would be beneficial for the country's growth and debt outlook.

BACKGROUND

PUBLIC DEBT COVERAGE

1. Public debt coverage includes the external and domestic debt of the central government (Text Table 1). Despite recent progress (para. 2), data limitations prevent expanding public debt coverage to other entities of the general government or State-Owned Enterprises (SOEs).[2] Contingent external liabilities from subnational government entities and SOEs are limited by the fact that they cannot borrow externally without a government guarantee. They can borrow in domestic markets without central government guarantees; however, this is limited by collateral requirements—a physical collateral is required for loans higher than BIF 5 million. Central bank debt is excluded from coverage, except those amounts borrowed on behalf of the government (IMF loans). External debt is based on residency.

2. The authorities are gradually improving public debt coverage. Supported by performance and policy actions (PPA) under the World Bank's Sustainable Development Finance Policy (SDFP) the authorities are expanding the public debt coverage in recent Public Debt Management Reports. The latest report was published in May 2023. The report presents preliminary debt data at end-2022 of twenty-four (24) SOEs (BIF 1295.0 billion or 16.2 percent of GDP), as some SOEs had not finalized their financial statements at the time of issuance of the report. The debt report also includes domestic

Text Table 1. Burundi: Public Debt Coverage Under the Baseline Scenario

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

[2] SOE debt that is guaranteed by the government and shared with staff (0.5 percent of GDP for external debt at end-2022 and 0.8 percent of GDP for domestic debt at end-2022) is included in the baseline stock of public debt and in staff's baseline projections. The authorities noted that challenges faced by SOEs include overstaffing and inability to pay dividends on time, with two SOEs no longer paying dividends at all. The debt of two SOEs in deficit in FY2021/22 amounted to 7.2 percent of GDP at end-2022. The total number of SOEs is not available to staff and some SOEs may be left outside the scope of the DSA for now.

arrears identified at end-2022 (BIF 103.9 billion or 1.3 percent of GDP).[3] In May 2023 , the authorities institutionalized recent improvements in debt transparency by introducing a formal requirement (through an ordinance[4] signed by the Minister of Finance) to publish debt reports annually, within six months of the end of the reporting period, that will include information on all SOE debt as well as domestic arrears.

3. The contingent liability stress test accounts for data coverage limitations (Text Table 2). Potential domestic arrears that may have accumulated since 2022 or that are not yet identified are accounted for through a contingent liability assumed to amount to 3 percent of GDP at end-2022. In addition, accounting for data limitations, contingent liabilities on SOEs' debt are set at 17 percent of GDP to cover fiscal risks that may arise from SOEs' weak reporting and domestic arrears. Commercial banks' liabilities (about 77 percent of GDP at end-2022) likely account for most of financial sector liabilities, and commercial banks appear well capitalized with improving returns on assets and declining NPLs (about 1 percent of GDP at end-2022). Nonetheless, provisions allowing recurrent restructuring of loans to some of their customers may mask vulnerabilities. Assumed contingent liabilities from financial markets are hence set at their default value of 5 percent of GDP (about 7 percent of Burundi's commercial banks' liabilities) to account for potential support to the financial system. Overall, total contingent liabilities are assumed higher at 25 percent of GDP, up from 11.1 percent of GDP in the previous DSA.

Text Table 2. Burundi: Coverage of Contingent Liabilities Stress Tests

1	**The country's coverage of public debt**	The central government, central bank		
		Default	**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0 percent of GDP	3.0	Arrears already identified amounted to 1.3 percent of GDP at end-2022. Contingent laibilities also include possible domestic arrears accumulated since 2022 or earlier and that have not yet been identified or securitized (3 percent of GDP).
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	17.0	SOE debt data available to staff is for 24 SOEs and stood at 16.2 percent of GDP at end-2022. The debt of two SOEs in deficit in FY2021/22 amounted to 7.2 percent of GDP at end-2022. The total number of SOEs is not available to staff and some SOEs may be left outside the scope of the DSA for now.
4	PPP	35 percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		25.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

[3] Arrears to the social security fund (INSS) accounted for about 37 percent of the stock of identified arrears at end-2022, followed by arrears to the civil service mutual fund (MFP), which accounts for about 10 percent. Other entities account for less than 10 percent of the total stock of identified arrears at end-2022. The process of estimating budget arrears is ongoing and will be finalized by end-June 2023 and a plan to clear them will follow. Staff's fiscal projections envisage payments toward the reduction of arrears during FY2022-23 (1 percent of GDP), FY2023-24 (1.5 percent of GDP), FY2024/25 (1.2 percent of GDP) and FY2025/26 (0.4 percent of GDP). As per the LIC DSF guidance note, Burundi is not rated as "in debt distress" because the arrears already identified are not "outstanding arrears on domestic debt instruments" or "outstanding external arrears on debt".

[4] See https://finances.gov.bi/index.php/2023/05/

DEBT DEVELOPMENTS

4. **Public debt increased somewhat in 2022, as the increase in domestic debt[5] more than offset the decline in external debt** (Text Tables 3 and 4). Domestic debt increased from 46.3 percent of GDP in 2021 to 48.4 percent of GDP at end 2022, mainly because of the strong increase in debt to the central bank, which more than offset the fall in debt to commercial banks and the non-bank sector. External debt moderately declined from 20.2 percent of GDP at end-2021 to 19.9 percent of GDP at end-2022 as the decline in multilateral loans was partly offset by the increase in bilateral loans. As a result, total public debt rose from 66.6 percent of GDP at end-2021 to 68.4 percent of GDP at end-2022.

Text Table 3. Burundi: Domestic Debt Stock by Creditor at End-2021 and End-2022

	2021		2022	
	Nominal (BIF billion)	Percent of GDP	Nominal (BIF billion)	Percent of GDP
Total Debt	3063.2	46.3	3859.2	48.4
BRB	901.5	13.6	1779.3	22.3
Ordinary advances	36.1	0.5	26.0	0.3
Bonds and treasury bills	0.0	0.0	0.0	0.0
Special credit	0.0	0.0	0.0	0.0
Restructured loans	691.0	10.4	1010.8	12.7
Loans for coffee sector	0.0	0.0	0.0	0.0
Loans for subsidized fertilizers	113.3	1.7	76.1	1.0
Loans for youth insertion programs	17.5	0.3	0.0	0.0
Others	43.6	0.7	666.5	8.4
Commercial banks	1914.0	28.9	1820.5	22.8
Assets in Postal Services Accounts	0.0	0.0	0.0	0.0
Bonds and treasury bills	1710.1	25.9	1650.9	20.7
Obligations sur titrisation	105.9	1.6	103.1	1.3
Others	98.0	1.5	66.4	0.8
Others	247.7	3.7	259.4	3.3

Sources: Burundian authorities; and Bank-Fund staff estimates.

Text Table 4. Burundi: External Debt Stock by Creditor at End–2021 and End–2022

	2021		2022	
	Nominal (Millions of US dollars)	Percent of GDP	Nominal (Millions of US dollars)	Percent of GDP
Total Debt	667.3	20.2	769.7	19.9
Multilateral	477.5	14.5	468.2	12.1
World Bank (IDA)	132.2	4.0	121.7	3.2
OPEC Fund	86.8	2.6	93.9	2.4
Arab Bank for Ec. Dev. in Africa (BADEA)	54.8	1.7	61.2	1.6
Intl. Fund for Agric. Dev. (IFAD)	30.5	0.9	28.7	0.7
AfDB (incl. FAD)	30.2	0.9	28.6	0.7
IMF 1/	94.9	2.9	81.6	2.1
EU	48.1	1.5	52.5	1.4
Bilateral	189.8	5.8	301.5	7.8
Paris club	0.0	0.0	0.0	0.0
Non-Paris club	189.8	5.8	301.5	7.8
Commercial	0.0	0.0	0.0	0.0

Sources: Burundian authorities; and Bank-Fund staff estimates.

1/ Debt to the IMF contracted in 2021 is serviced by the Ministry of Finance. Other debt to the IMF is serviced by the central bank (BRB).

[5] Burundi received HIPC and MDRI debt relief in 2009, which lowered external debt from 134 percent of GDP at end-2008 to 27 percent of GDP at end-2009.

5. The continued increase in public debt reflects the economic difficulties that Burundi has been facing since 2015 and the impact of the COVID-19 pandemic. Donor aid used to contribute about half of the government's total revenue. Following the 2015 political and security crisis, donors withdrew budget support and suspended most project financing. Over 2014–16, aid fell from 8.9 percent of GDP to 2.4 percent of GDP. The economy initially contracted sharply and has been recovering only slowly since. Fiscal deficits rose sharply, averaging 6.5 percent of GDP a year during 2015–19, but were contained thanks to cuts to investment and social spending and progress in revenue mobilization. The COVID pandemic disrupted a mild economic recovery that was underway (growth stood at 1.8 percent in 2019) and contributed to maintaining large fiscal deficits (6 percent of GDP in FY 2019/20 (July–June) and 7.6 percent of GDP in FY2020/21). The deficits have been financed mainly by borrowing from the central bank and commercial banks, with occasional accumulation of domestic arrears to suppliers. Except for arrears to Libya (para 6), there are no identified external sovereign arrears to official or private creditors.

6. Burundi owes most of its external debt to multilateral and regional lenders (Text Table 5). The multilateral creditors are the IMF, World Bank, AfDB, and International Fund for Agricultural Development (IFAD). Regional lenders to the central government include the EU, Arab Bank for the Economic Development of Africa (BADEA), and the OPEC Fund for Development. Bilateral creditors of the central government are China and India (through their Exim Banks), and Saudi Arabia, Kuwait, and Abu Dhabi (through their Funds for Development). Burundi owes arrears to Libya (US$ 4.64 million at end-2022 or 0.12 percent of GDP) which continue to be deemed away under the policy on arrears to official bilateral creditors, as the underlying Paris Club agreement is adequately representative, and the authorities are making best efforts to resolve the arrears. Debt to the IMF (US$ 81.6 million at end-2022 or 2.1 percent of GDP) is being serviced by the central bank for the portion contracted before 2021 and by the Ministry in charge of finance for the RCF loan contracted in 2021. Contribution arrears to international organizations (US$ 90.1 million at end-2022 or 2.3 percent of GDP) have been added to the stock of external debt. The DSA assumes that there is no interest on this obligation, and that it will be paid down at a rate of US$ 2 million per year, starting in 2024. An external loan of the telecommunication company ONATEL (US$ 17.9 million at end-2022 or 0.5 percent of GDP) that is guaranteed by the government has also been added to the stock of external debt. Burundi has not accessed private external capital markets. Burundi received debt service relief from Exim Bank of China and the Kuwait Fund (US$ 0.75 million at end-2021) under the G20 Debt Service Suspension Initiative (DSSI), which is considered in this analysis. Burundi's outstanding external debt at end-2022 retains a grant element of 9 percent.[6]

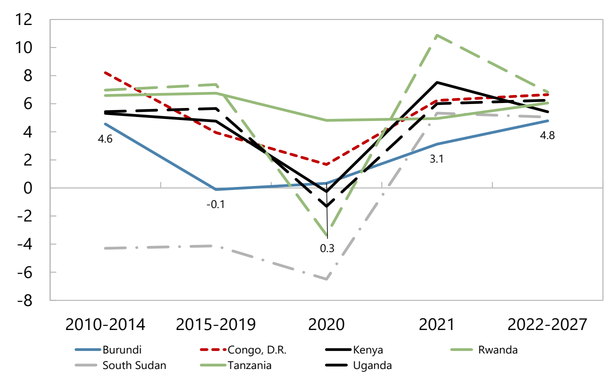
MACROECONOMIC FORECASTS

7. The baseline underpinning the DSA assumes a rebound in growth in 2023, which will continue over the medium term, supported by public investment. Real GDP growth would reach 3.3 percent in 2023 under the impulse of recent measures taken in the agricultural sector, including the program of public lands allocation to cooperatives and private investors to boost the extension of farms as well as the program of improved quality seeds distribution to farmers conducted by the Burundi's agronomic research institute (ISABU). Moreover, the local fertilizer company FOMI is extending its production through

[6] The grant element of a loan declines over time as the loan is repaid, even when the loan is initially concessional (i.e., with a grant element of 35 percent or above).

the creation of two new factories in the country, which are expected to increase the supply of fertilizers in the second half of 2023, which will better satisfy demand for fertilizers. Growth would further rebound to 6 percent in 2024 as the full effects of ER reform are reaped, as well as other early reforms, including in the mining sector with the recent promulgation of the new mining code as well as the adoption of program budgeting. Growth is projected to stabilize around 5.7 percent in the medium term, driven by ongoing public and donor investment projects,[7] mining production under a new mining code and renegotiated contracts, buoyant service activities supported by the ER reform, stronger agricultural production resulting from ongoing measures, increased resilience to climate shocks, group lands to generate economies of scale, as well as improved financial inclusion. These growth drivers are consistent with the PND. In addition, programmed policy, governance, and structural reforms, the planned use of the SDR allocation to scale up public investment, and lower import restrictions will unlock growth and mitigate the effects of the projected fiscal consolidation. The outlook also assumes limited external financing flows.

Text Figure 1. Real GDP Growth in Burundi and in SSA Peer Economies



Source: IMF WEO and IMF staff projections and calculations

8. Inflation is projected to gradually recede in the medium term. It is projected to remain high for 2023 (20.1 percent), a legacy of domestic and external shocks on food and fuel prices. Despite the potential inflationary impact of the ER reform of 2023, inflation is projected to recede in 2024 (16.1 percent on average) thanks to the authorities' initiatives, including targeted tax breaks and sales of cereal security stocks below market prices, and reduction of the monetary policy impulse of 2022. Inflation would remain contained in the medium term due to initiatives to boost agricultural production and import substitution policies.[8]

[7] Several hydroelectric dams are in train, financed with European, Chinese and IDP funds and a World Bank solar project began in 2021 (combined cost of US$600 million). Three of these projects should start production soon and three others by 2025. Power line and road projects are funded by the AfDB ($100 million). A new financing agreement was signed with the U.S. (US$ 400 million over five years), following the lifting of U.S. sanctions.

[8] Absent external shocks, inflation has been mostly driven by agricultural trends (3 percent during 2015–20). The government financed investment to boost local production of the main inputs such as fertilizers and quality seeds.

Text Table 5. Burundi: Decomposition of Public Debt and Debt Service by Creditor, 2022–24[1,2]

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(In US$)	*(Percent total debt)*	*(Percent GDP)*	*(In US$)*			*(Percent GDP)*		
Total	2640	100	68.4	483	328	330	14.4	9.8	8.4
External	770	29.2	19.9	32	73	86	0.9	2.2	2.2
Multilateral creditors[4]	468	17.7	12.1	18	40	37	0.5	1.2	1.0
IMF	82	3.1	2.1	4	6	3	0.1	0.2	0.1
World Bank	122	4.6	3.2	5	7	7	0.2	0.2	0.2
ADB/AfDB/IADB	29	1.1	0.7	1	21	21	0.0	0.6	0.5
Other Multilaterals	236	9.0	6.1	8	6	6	0.2	0.2	0.2
o/w: OPEC Fund for International Development *in Africa*	94	3.6	2.4	4	2	2	0.1	0.1	0.1
o/w: Arab Bank for Economic Development in Africa	61	2.3	1.6	2	1	0	0.1	0.0	0.0
list of additional large creditors[3]	53	2.0	1.4	0	0	0	0.0	0.0	0.0
Bilateral Creditors	194	7.3	5.0	8	7	13	0.3	0.2	0.3
Paris Club	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
list of additional large creditors[3]	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Non-Paris Club	194	7.3	5.0	8	7	13	0.3	0.2	0.3
o/w: Saudi Arabia *Debt Stock*	55	2.1	1.4	0	0	1	0.0	0.0	0.0
o/w: India Debt Stock	61	2.3	1.6	3	1	2	0.1	0.0	0.0
o/w: China Debt Stock	43	1.6	1.1	0	1	1	0.0	0.0	0.0
Bonds	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Commercial creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
list of additional large creditors[3]	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Other international creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
o/w: list largest two creditors	0	0.0	0.0	0	0	0	0.0	0.0	0.0
list of additional large creditors[3]	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Domestic	1870	70.8	48.4	451	255	244	13.5	7.6	6.2
Held by residents, total	1870	70.8	48.4	451	255	244	13.5	7.6	6.2
Held by non-residents, total	0	0.0	0.0	0	0	0	0.0	0.0	0.0
T-Bills	946	35.8	24.5	322	140	87	9.6	4.2	2.2
Bonds	0	0.0	0.0	0	0	0	0.0	0.0	0.0
Loans	924	35.0	23.9	130	115	158	3.9	3.4	4.0
Memo items:			0.0						
Collateralized debt[5]	0	0.0	0.0						
o/w: Related	0	0.0	0.0						
o/w: Unrelated	0	0.0	0.0						
Contingent liabilities	0	0.0	0.0						
o/w: Public guarantees	0	0.0	0.0						
o/w: Other explicit contingent liabilities[6]	0	0.0	0.0						
Nominal GDP	3918								

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.
2/Some public debt is not shown in the table due to confidentiality clauses/capacity constraints.
3/ Individual creditors accounting for more than 5 percent of total debt.
4/ "Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears)
5/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.
6/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

9. **External imbalances are expected to ease slightly in 2023 and over the medium term.** The ER reform and FX market liberalization[9] and the resulting reduced external imbalances are expected to

[9] The authorities have adopted several measures liberalizing the FX market. They allowed withdrawal of remittances in foreign currency in October 2022 and transferred FX accounts of international organizations and embassies to commercial banks in March 2023. They also announced transfer of NGO's accounts to commercial banks starting in July 2023. Furthermore, they stopped allocating FX at the official rate except for fuel and, to a lesser extent, medical supplies. They also authorized FX bureaus to apply for license and reopen in October 2022 and allowed them to trade at freely determined rates in January

stimulate exports and remittance inflows. External capital flows – mainly from donors (project grants) and private investors (mainly trade credits)[10] – are projected to continue to play an important role in the financing of the balance of payments. The cumulative effects of the reforms and external flows will support official reserves buildup to US$ 239.7 million (1.9 months of imports) at end-2023 and to close to 3.5 months of imports in the medium term.

10. The main changes compared to the July 2022 DSA are as follows (Box 1 and Text Table 6):

- **Real sector.** Real GDP growth has been revised downward for 2023 (0.8 percentage points) and upward for 2024 (1.1 percentage points) as the negative impact of Russia's invasion of Ukraine on prices and global demand offset in 2023 the positive impact of the ER reform and the prospective ECF loan. Starting in 2024, growth has been revised up as the prospective ECF loan with the associated policy, governance, and structural reforms, are expected to support increase in public investment and private sector activity, alleviate FX access limitations, and hence boost economic growth (Box 1).

Text Table 6. Burundi: Selected Macroeconomic Indicators, 2020–42

	Average 2020-25	Average 2026-42	2020	2021	2022	2023	2024	2025	2026	2027	2028
Real GDP growth (percent)											
July 2022 DSA	3.5	4.1	0.3	3.1	3.3	4.1	4.9	5.1	4.8	4.6	4.3
Current DSA	3.4	5.1	0.3	3.1	1.8	3.3	6.0	5.9	5.7	5.9	5.5
CPI (period average)											
July 2022 DSA	7.2	4.0	7.3	8.3	11.0	8.0	4.3	4.1	4.1	4.0	4.1
Current DSA	13.5	10.1	7.3	8.3	18.9	20.1	16.1	10.1	10.2	10.0	10.2
Primary fiscal balance (percent of GDP) 1/											
July 2022 DSA	-2.4	-0.2	-3.1	-5.0	-1.8	-4.1	-3.0	-0.6	0.4	0.5	-0.7
Current DSA	-3.0	-0.6	-3.1	-4.7	-4.2	-6.4	-1.8	-0.7	-0.6	-0.3	-0.3
Non-interest current account balance (in percent of GDP)											
July 2022 DSA	-12.6	-8.6	-10.0	-13.3	-14.1	-13.8	-13.1	-11.0	-10.3	-9.7	-9.4
Current DSA	-14.9	-14.8	-10.1	-12.3	-15.4	-16.9	-17.6	-17.4	-15.6	-13.1	-10.5
Exports growth (percent)											
July 2022 DSA	10.2	7.1	-15.9	-10.8	71.2	0.4	5.2	11.4	5.9	6.1	6.3
Current DSA	9.0	14.8	-15.9	-10.8	18.7	9.7	30.1	22.2	21.2	17.1	8.2
Imports growth (percent)											
July 2022 DSA	8.7	5.3	2.7	14.1	24.5	5.3	4.3	0.9	3.7	4.0	4.7
Current DSA	8.2	11.5	2.7	13.9	17.0	2.6	5.0	7.9	4.6	3.3	-1.5

Sources: Burundi authorities; and IMF staff estimates and projections.
1/Fiscal year values (i.e. July-June, 2020 is FY 2019/20).

- **Fiscal sector**. Revenue projections are slightly lower (about 3 percentage points of GDP per year for the 2023-28 period) than projections during the July 2022 DSA mainly because of the higher nominal GDP path (on average about 40 percent higher each year during the 2023-28 period) and despite the impact of revenue measures in the 2022/23 budget and additional reforms on revenue mobilization to be implemented under the ECF arrangement (Table 1). Project grants are higher in the medium term mainly because of the impact of the ER reform on the BIF value of these grants. Current spending is lower in the medium term mainly because of the increase in nominal GDP. Total public investment is

2023, though this last measure was subsequently revoked. To end, they operationalized the FX interbank market in May 2023 and announced several measures initiating the exchange rate unification.

[10] Trade credits have been large historically, averaging 7.3 percent of GDP during 2017-22. They are projected at less than 5 percent of GDP per year on average during 2023-43.

higher mainly because of the impact of the ER reform on the BIF value of foreign-financed investment and higher domestically financed investment. As a result, the path of the projected fiscal deficit is marginally better than in the July 2022 DSA.[11] The projected fiscal adjustment and supporting reforms are expected to raise the primary fiscal balance from an annual average of -3 percent of GDP during 2020–25 to an annual average of -0.6 percent of GDP during 2026–42. The baseline assumes significant fiscal adjustment starting in FY2024 mainly because of the expected resumption of budget support and a strong decline in “other expense”, notably spending pressures related to COVID-19 and fertilizer subsidies. Spending on wages, goods and services and transfers are expected to remain contained to provide room for domestically financed public investment (Text Table 7).

Text Table 7. Burundi: Decomposition of Fiscal Adjustment
(In percent of GDP)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42
	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	1.1	0.2	4.9	0.0	-2.2	-1.6	-2.0	-1.3	-0.9	-1.5	-1.2	-0.6	-0.2	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Tax revenue	-0.6	-1.9	-0.9	0.4	0.5	0.3	0.2	0.2	0.1	-0.1	-0.1	-0.1	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Taxes on income, profits, and capital gains	0.3	-0.3	-0.5	0.5	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes on goods & services	-0.2	-1.2	-0.4	-0.5	0.4	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Taxes on international trade & transactions	-0.6	-0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Other revenue	0.9	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants	0.8	2.2	5.8	-0.3	-2.7	-1.9	-2.2	-1.5	-1.0	-1.4	-1.0	-0.5	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Program grants	0.0	0.0	1.8	-0.4	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	1.0	2.4	4.0	0.1	-1.8	-1.9	-2.2	-1.5	-1.0	-1.4	-1.0	-0.5	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other grants and transfers	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total expenditure	0.5	2.1	0.6	-1.2	-2.5	-2.1	-2.1	-1.3	-0.8	-1.5	-1.3	-0.7	-0.5	-0.4	0.7	0.7	0.0	0.0	-0.1	-0.1	-0.1
Expense	-2.4	-1.0	-4.8	-0.3	-0.7	-0.7	-0.2	0.2	0.2	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Compensation of employees	-0.7	-1.2	0.9	-0.4	-0.5	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchases/use of goods & services	-0.5	-0.7	0.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies and Social benefits	-2.0	-0.6	-0.9	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.0	-0.4	0.3	-0.1	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Domestic	-0.1	-0.5	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.1	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other expense	0.9	1.9	-5.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Domestically financed	1.2	1.9	-5.8	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Of which: Covid spending	-0.6	-1.2	0.5	-0.4	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	2.9	3.0	5.3	-0.9	-1.8	-1.5	-2.0	-1.5	-1.0	-1.5	-1.2	-0.6	-0.3	-0.2	0.9	0.7	-0.1	-0.1	-0.1	-0.1	-0.1
Of which: Domestically financed	0.4	0.9	1.2	-1.5	0.2	0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.9	0.1	0.1	0.0	0.0	0.0
Net lending (+) / borrowing (-)	0.6	-1.9	4.4	1.2	0.3	0.5	0.1	0.0	-0.1	0.0	0.1	0.1	0.2	0.4	-0.7	-0.7	0.1	0.1	0.2	0.2	0.2

Sources: Burundi authorities; and IMF staff estimates and projections.

- **External sector.** The path of the non-interest current account balance as a share of GDP in the current DSA is less favorable in the medium term than in the July 2022 DSA mainly because of the impact of the ER reform on the BIF value of external flows, especially imports in the context of increased public investment. In the long term, export-enhancing structural reforms, import substitution policies and higher transfers would help improve the path of the non-interest current account balance as a share of GDP.

[11] Given the program’s deficit targets, some current and investment spending initiatives envisaged in the 2023/24 budget may not be implemented if the authorities commit to the program. In the event of low revenue, the Minister in charge of Finance is legally empowered to block the commitment of "non-fixed" expenditure.

Table 1. Burundi: Recent Revenue Measures

Key measures of the 2021/22 Budget

- A new tax on mobile phone megabits (18 percent of the cost)
- The non-exemption from income tax and VAT on sales made by companies
- A new anti-pollution tax on imported used vehicles
- A new road fee
- The widening of the rental tax base to include land leases
- Strengthening of tax collection from mining sector activities
- Strict enforcement of dividend collection from public enterprises

Key measures of the 2022/23 Budget

- The deduction or reimbursement of the Value Added Tax (VAT) is now conditional on the verification of the payment of the VAT collected by the supplier
- Exemptions from direct and indirect taxation, apart from laws, international conventions, ratified treaties and international contracts signed by Burundi are eliminated
- The delivery of buildings, or fractions of buildings whose use is not yet defined, made by legal persons, is subject to the VAT under the conditions defined by law
- There is an increase in annual flat-rate road charge for some vehicles and other machinery
- There is an increase in the fee for the cancellation or modification of a declaration and of any document at the expense of the customs agency author of the declaration, when the fault lies with it
- There is an increase in the fee for the reactivation of a customs agency deactivated due to fraud or a proven customs offense
- An ad valorem tax of 1.5 percent of the customs value is instituted on all imports, except for those exempted by other laws, international conventions, treaties ratified, and international contracts signed by Burundi
- An annual fee for the renewal of temporary admissions is instituted for vehicles, motorcycles or any other item subject to the temporary admission regime
- There is an increase in the fee related to national driving licenses
- A new special contribution of five percent (5 percent) of the customs value is introduced for some vehicles; and another special contribution of five percent (5 percent) of the acquisition value is introduced for buildings whose market value is equal to or greater than five hundred million Burundian francs
- A fifteen percent (15 percent) withholding is applied to some payments made by residents, including tax-exempt persons
- There is an increase in the levy paid for customs declaration with the exception of simplified declarations
- A flat-rate levy is instituted on the income earned by intermediaries in mobile money transfer operations
- A tax of ten percent (10 percent) is applied on the rates applied by notaries and lawyers on behalf of the Treasury
- There is an increase in ad valorem tax rate on vehicles (exception of ambulances, cellular cars and hearse cars); and there is an increase in specific tax rates on beer, liquors, wines of all categories, and lubricants
- A specific taxation system is operated on cigarettes containing tobacco to replace the ad-valorem taxation system for the calculation of the consumption tax

Key measures of the 2023/24 Budget

- There is further strengthening of VAT reimbursement controls. To be eligible for deduction or reimbursement, the VAT must appear on an electronic invoice sent to the database of the electronic billing management system of the OBR (Electronic Billing Management System "EBMS") at the time of its establishment.
- There is a new service consumption tax on hotels (5 percent), which is payable by their clients. It is payable monthly by the hotels, which must collect it.

Table 1. Burundi: Recent Revenue Measures (Concluded)
• There is a new tax (8 percent) on financial services. The tax base is made up of the gross amount of interest, agios, commissions and other remuneration. It is not an expense deductible from taxable income. The VAT on financial services is abolished. The specific 5 percent contribution payable by financial institutions is abolished. • Natural persons who have businesses are now subject to a taxation system similar to that applied to companies. Those who realize a turnover less than or equal to BIF 25,000,000 annually are required to subscribe to the quarterly tax declaration. The tax rate is set at a single rate of 0.3 percent of quarterly turnover. Individuals with an annual turnover of more than twenty-five million (25,000,000) must file an annual income tax declaration. • There is an increase in the discharge tax (*impôt libératoire*) for some businesses (butchers, trucks of more than 10 tons). • Revenue from renting stands and shops belonging to the government must be transferred to OBR accounts, with the government giving 10 percent of the money back to local governments. • There is an increase in the fee for canceling or modifying a customs declaration. • A new annual fee (BIF 50,000) is instituted for obtaining an importer or exporter code. • There are new fees for obtaining a license to operate beverage outlets of different categories. • A new fee (BIF 10,000) is introduced for the printing of a duplicate of a payment receipt or a tax registration certificate, when the printing results from the initiative of the beneficiary. • The specific tax on cigarettes has been increased. • There are new building taxes on building permits, plane tickets, mobile messaging, internet protocol (IP) communication, mobile financial services, services in the electronic communication sector. • A new wealth tax is introduced from the acquisition of the third building. • There is a new fee on the registration, renewal or transfer of mortgage relating to an immovable or a registered immovable real right. • The cost of the Health Assistance Cards (CAM) has been unified to BIF 3000. • The cost of the tax stamp is set in BIF (instead of US$) at an amount equivalent to BIF 576.

11. **Domestic borrowing is projected to finance most of the declining fiscal deficit going forward, though net external borrowing would remain and increase somewhat starting in 2027 (Text Table 8 and Table 2)**. Significant external disbursements, including from the IMF and World Bank, have financed COVID-related spending and the economic recovery. The fiscal consolidation that is expected to start in FY2024 is expected to reduce financing needs—fiscal deficits would gradually decline and limit the impact of domestic borrowing on private investment and macroeconomic stability. Most of the external borrowing in 2022 was from multilateral and regional lenders (60 percent). Their share is projected to further increase during the prospective ECF disbursements from the IMF, peaking at 87.9 percent in 2023 before declining to 48.6 percent in 2026, from where it will start rising again to about 88.6 percent starting in 2034 as the DSA assumes that Burundi is likely to maintain access to highly concessional financing. Projected Multilaterals' loan maturity varies between 20 and 38 years and grant elements vary between 27.5 percent to 53.7 percent. Non-Paris Club bilateral creditors are assumed to maintain lending to Burundi, with loan maturities varying from 20 to 30 years and grant elements varying between 29.8 and 49.4 percent.[12] Burundi is subject to a ceiling of zero non-concessional external borrowing (NCB), which is also a PPA under the SDFP for FY21-FY23. The new borrowing assumed in the DSA is consistent with the NCB, which will support Burundi in containing borrowing costs and mitigating external debt-related

[12] Creditors that have projected disbursements with a grant element of less than 35 percent are OPEC Fund (27.5 percent) and Exim bank India (29.8 percent). The existing debt with OPEC and Exim bank India is supposed to disburse until 2027.

risks. However, despite Burundi's reengagement with the international community, staff's baseline projections of external disbursements are conservative and do not reflect the full potential of donor support (para. 0 below). As a result, in the medium term, domestic sources are projected to finance most of the fiscal deficit and deposit accumulation until FY2028. Starting with FY2027, net external borrowing picks up but would remain modest, less than 1 percent of GDP. In the longer term, an improving fiscal balance would reduce financing needs and the need for domestic debt issuance. Domestic financing is assumed to be in the form of central bank lending (mainly the SDR allocation), treasury bills and bonds with maturities varying from less than one year to more than seven years and interest rates varying from 2 to about 13.5 percent.

Text Table 8. Burundi: Staff Projections of External Disbursements, 2023–33[1/]
(In percent of GDP)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Loans (Projects)											
Projected disbursements (staff)	5.3	3.4	2.7	1.5	1.5	1.7	1.7	1.6	1.4	1.3	1.2
Multilateral	4.7	2.3	1.7	0.7	0.8	1.4	1.4	1.4	1.2	1.1	1.0
Of which : IMF	4.1	1.9	1.6	0.7	-	-	-	-	-	-	-
Of which : IDA	-	-	-	-	0.8	0.9	1.0	1.0	1.0	0.9	0.8
Of which : AfDB	-	-	-	-	-	-	-	-	-	-	-
Of which: Others	0.5	0.4	0.1	0.1	0.0	0.4	0.4	0.3	0.3	0.2	0.2
BADEA	0.3	0.2	0.0	0.0	-	0.2	0.2	0.2	0.1	0.1	0.1
OPEC Fund	0.3	0.2	0.1	0.1	0.0	0.2	0.2	0.2	0.1	0.1	0.1
Bilateral	0.6	1.2	1.0	0.8	0.7	0.3	0.3	0.2	0.2	0.2	0.1
Paris Club	-	-	-	-	-	-	-	-	-	-	-
Non Paris Club	0.6	1.2	1.0	0.8	0.7	0.3	0.3	0.2	0.2	0.2	0.1
India	0.4	0.9	0.8	0.7	0.6	0.2	0.2	0.1	0.1	0.1	0.1
EXIM Bank of Indian(EBI)	0.4	0.9	0.8	0.7	0.6	0.2	0.2	0.1	0.1	0.1	0.1
Saudi Arabia	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Fonds Saoudien	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Other	-	-	-	-	-	-	-	-	-	-	-
Grants (Projects and budget support)											
Projected disbursements (staff)	14.9	16.9	13.1	11.3	9.3	6.9	6.1	4.9	3.3	2.7	2.3
Of which : IDA	4.7	6.6	5.8	4.7	4.4	3.5	3.1	2.4	1.2	1.0	0.9
Of which : AfDB	1.0	1.2	1.1	1.1	1.1	1.0	1.0	0.9	0.8	0.7	0.6
Of which: Others (incl. US and EU)	9.2	9.1	6.1	5.5	3.9	2.4	2.0	1.6	1.3	1.0	0.9
Of which: Project grants	12.8	14.4	12.6	10.8	8.8	6.4	5.6	4.4	2.8	2.2	1.8
Memorandum items:											
GDP at current market prices											
In billions of US$	3.2	3.1	3.4	3.8	4.2	4.7	5.1	6.0	7.5	9.3	10.9
Share of IMF disbmt in total loans (in percent)	77.8	54.7	58.9	43.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share of IMF disbmt in total loans and grants (in percent)	20.4	9.3	9.9	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source. Authorities and IMF staff projections

[1/] Staff projected disbursements are based on discussions between staff and the authorities and development partners and the absorption capacity.

Table 2. Burundi: Summary of Projected External Borrowing Program[1/]

PPG external debt	Volume of new debt in 2023		PV of new debt in 2023 (program purposes)		PV of new debt in 2023 (including negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
By sources of debt financing	**168.8**	**100.0**	**112.3**	**100.0**	**112.3**	**100.0**
Concessional debt, of which	**17.3**	**10.3**	**8.8**	**7.9**	**8.8**	**7.9**
Multilateral debt	8.9	5.3	4.5	4.0	4.5	4.0
Bilateral debt	8.5	5.0	4.3	3.9	4.3	3.9
Other	0.0	0.0	0.0	0.0	0.0	0.0
Non-concessional debt, of which	**151.5**	**89.7**	**103.4**	**92.1**	**103.4**	**92.1**
Multilateral debt	139.5	82.6	95.0	84.6	95.0	84.6
o/w IMF	131.3	77.8	89.1	79.4	89.1	79.4
Bilateral debt	12.0	7.1	8.4	7.5	8.4	7.5
Other	0.0	0.0	0.0	0.0	0.0	0.0
By Creditor Type	**168.8**	**100.0**	**112.3**	**100.0**	**112.3**	**100.0**
Multilateral debt	148.3	87.9	99.5	88.6	99.5	88.6
Bilateral debt	20.5	12.1	12.8	11.4	12.8	11.4
Other	0.0	0.0	0.0	0.0	0.0	0.0
Uses of debt financing	**168.8**	**100.0**	**112.3**	**100.0**	**112.3**	**100.0**
Infrastructure	37.5	22.2	23.2	20.6	23.2	20.6
Other	131.3	77.8	89.1	79.4	89.1	79.4
Memo Items						
Indicative projections						
Year 2	**105.1**		**...**		**...**	
Year 3	**90.6**		**...**		**...**	

Sources: Burundi authorities; and IMF staff estimates and projections.

1/ For program purposes, non-concessional external borrowing excludes: (i) the use of IMF resources; (ii) lending by the World Bank and the African Development Bank; (iii) any BIF-denominated treasury bill and government bond holdings by nonresidents; and (iv) disbursements under loan contracts signed before December 31, 2022.

Box 1. Medium-to-Long Term Macroeconomic Forecasts

Growth is expected to rise to around 5.7 percent in the medium term as delayed growth-enhancing projects are implemented. Growth is estimated to have slowed down to 1.8 percent in 2022, slightly dampened by the effects of Russia's invasion of Ukraine and is projected to increase to around 6 percent by 2024. Growth would progressively stabilize around 5 percent over the long term, supported by public and donor investment projects (para. 10), mining production under a new mining code and renegotiated contracts, buoyant service activities supported by the ER reform, stronger agricultural production resulting from ongoing measures to improve seed and fertilizer availability, increased resilience to climate shocks, group lands to generate economies of scale, as well as improved financial inclusion. These growth drivers are consistent with the *National Development Plan 2018–2027* (NDP). In addition, programmed policy, governance, and structural reforms, the planned use of the BIF equivalent of the SDR allocation to scale up public investment, and lower import restrictions will unlock growth and mitigate the effects of the projected fiscal consolidation. The primary sector will continue to provide a stable basis for growth but will be overtaken by the tertiary and secondary sectors as the main drivers of expansion. [1]

The baseline scenario for the medium and long-term growth assumes a successful implementation of the ECF arrangement. The ECF arrangement aims to reduce imbalances and strengthen inclusive economic growth and resilience. Given the potential of the ECF to create larger fiscal space, both directly and indirectly as it catalyzes funds from other partners, public investment is expected to pick up, leading to a growth of public capital per worker in the long run. The public capital accumulation would crowd in private investment, which would also be bolstered in a context of removal of forex-related distortions. These dynamics would translate into improvements in GDP growth. Burundi's projected long-term growth under the baseline scenario (5.1 percent) is close to the historical performance of 4.5 percent achieved during the pre-crisis period (2006-2014), which had been triggered by strong macroeconomic fundamentals and political stability.

Inflation is projected to decline to about 10 percent in the medium-to-long term and it will continue to be heavily determined by agriculture—food items represent 45 percent of the basket.

The baseline assumes a fiscal consolidation. There is a need to rein in (i) the increase of public debt beyond its already high level; and (ii) money growth while strengthening the domestic banking system's ability to provide credit to the private sector. Total revenue is expected to gradually rise from 16.8 percent of GDP in FY2022/23 to above 18 percent of GDP in the long term, mainly driven by better revenue collection from income taxes and taxes on goods and services, including VAT on imports. Grants are conservative as re-engagement with the international community and the lifting of US and EU sanctions is projected to significantly boost (project) grants only during 2023–28 (about 11.6 percent of GDP per year on average) from a level of 7.2 percent of GDP in FY2021/22. Grants are projected to fall to about 1 percent of GDP in the long term. Current spending is projected to drop significantly from 20.7 percent of GDP in FY2022/23 to about 14 percent of GDP in the long term. This reflects efforts to contain the wage bill, subsidies and transfers and unwinding of the COVID-related spending. Capital spending would reflect the decline in foreign project support, decreasing from about 14.4 percent of GDP in FY2022/23 to about 8 percent of GDP in the long term.[2] As a result, the fiscal balance will improve from a deficit of about 8.9 percent of GDP in FY2022/23 to smaller deficit of 2.3 percent of GDP in 2032/33 and further improve in the much longer term. Public debt would peak in 2023 at 72.7 percent of GDP and start declining thereafter.[3]

The current account deficit would remain large in the medium to long term despite the improvement in the trade balance in the context of transfers that strongly increase in the medium term but decline in the long term as a share of GDP. Exports would rise from 5 percent of GDP in 2022 to about 14 percent of GDP in the long term. With the mining code being adopted, the baseline assumes that foreign mining companies will resume their production and boost exports. Moreover, with lower distortions in the FX market following the ER reform, more exports (including from the agricultural and mining sectors and the food industry) will use official channels and illegal exports will recede as exporters benefit from higher BIF prices. Imports would rise from 26.5 percent of GDP in 2022 to about 30 percent of GDP in the long term. As a result, the trade deficit would improve from 21.5 percent of GDP in 2022 to about 16 percent of GDP in the long term. The balance in services will slightly worsen in the medium term because of higher outlays on freight but improve in the long term with declining freight associated with declining imports. The balance on the income account would remain insignificant. Transfers would decline from 11.8 percent of GDP in 2022 to about 4 percent of GDP in the long term, after peaking to 19.3 percent of GDP in 2024. As a result, the current account deficit will remain large in the medium and long term. It will be financed mainly with project grants, which will average about 11 percent of GDP per year in the medium term before falling to less than 1 percent of GDP per year in the long term, and public and private sector borrowing, including trade credits, which would average about 5 percent of GDP per year during 2023–43.

Box 1. Medium-to-Long Term Macroeconomic Forecasts (Concluded)

[1] Manufacturing production will be boosted by ongoing imports substitution policies (expansion of cement and fertilizer factories) and food and beverage production increases.
[2] Central bank lending to the government related to the 2021 SDR allocation amounted to BIF 94.7 billion in 2022H2 (1 percent of FY2023 GDP). The baseline assumes that the remainder of the BIF equivalent of the SDR allocation will be deposited by the central bank in government accounts in varying installments in 2023Q2, 2023Q4, 2024Q2 and 2024Q4 and will be used gradually to help finance public investment over time. These central bank advances are included in domestic debt and treated like other central bank advances, which are reimbursed over time with an interest rate varying between 2 and 12.7 percent.

[3] Staff projections include the immediate impact of the agreement between Burundi and Tanzania signed on January 16, 2022, to build a $900 Million (24.5 percent of Burundi 2022 GDP) railway to connect the two nations and boost trade. Staff assumed that the Burundi government will spend BIF 258 billion (2.8 percent of FY2023 GDP) in FY2023 and BIF 258 billion (2.3 percent of FY2024 GDP) in FY2024 on this project. The DSA does not assume further financing from Burundi tied to this project.

12. Realism tools highlight the sensitivity of external debt to the current account deficit, which is mainly due to weak exports (Figure 3). Burundi's large current account deficits have been financed mainly by project grants, public sector borrowing, and private non-FDI inflows, largely trade credits.[13] FDI inflows have been modest. Even though the current account deficit is projected to remain large in the medium and long term its financing would rely less on public sector borrowing in the long term, which would allow public external debt to decline in the context of fiscal consolidation.

13. Realism tools also highlight the sensitivity of total public debt to the primary fiscal deficit and GDP growth (Figure 3). The path of public debt in the near term in this DSA is slightly worse than the one in the July 2022 DSA mainly because of the path of public external debt. It is better in the medium to long term as IMF loans get paid down. The July 2022 DSA projected public debt to decline to 48.5 percent of GDP by end-2033 after peaking to 67.7 percent of GDP at end-2023. Going forward, debt relative to GDP is expected to peak to 72.7 percent of GDP at end 2023 and start on a gradual downward path, reaching 29.9 percent of GDP by end-2033, with contributions from lower fiscal deficits and GDP growth over the next five years being more favorable than in recent years.

14. Realism tools further suggest that the planned fiscal adjustment is in line with the projected growth path.

- **Realism of planned fiscal adjustment** (Figure 4 top left chart). The projected fiscal adjustment over the next three years is in the top quartile for low-income countries. It is supported by measures that the authorities committed to implement in the context of the ECF arrangement, which should lead to improvement in revenue collection and donor support, the anticipated winding down of current expenditure related to COVID-19 and fertilizers, and the scaling up of public investment.
- **Consistency between fiscal adjustment and growth** (Figure 4 top right chart). Fiscal multipliers suggest that the projected fiscal adjustment would have a larger impact on growth than currently assumed in the baseline. The tool is not well suited to take account of the impact of the pandemic and

[13] The large residuals for external debt in Table 3 and Figure 3 are mostly due to the fact that external debt is only central government external debt. The current account deficit is also financed with private borrowing, largely trade credits and unidentified private flows that are not captured in external debt.

the quality of the fiscal adjustment and reforms on growth. The authorities are also expected to implement growth-enhancing structural reforms in the context of the ECF arrangement.

- **Consistency between public investment and growth** (Figure 4 bottom charts). The increase in public investment will clearly support projected growth, in way similar to the July 2022 DSA. Other factors, including private investment will have a positive contribution to projected growth, much higher than the contribution projected in the July 2022 DSA.

15. Risks to the outlook are tilted to the upside, although significant downside risks exist. *Upside risks.* A stronger resumption of mining projects would significantly strengthen the BOP, growth, and revenue collection. Higher yield of recent revenue measures announced in the FY2021/22, FY2022/23 and FY2023/24 budgets would increase fiscal space and improve debt dynamics (Table 1). Upside potential also includes potentially larger-than-projected external financing reflecting the lifting of U.S. and E.U. sanctions and the proposed ECF arrangement, which could catalyze other flows.[14] Disbursements of grants and project loans could be larger than current staff projections, especially for the AfDB (Text Table 8) if project implementation accelerates. Highly concessional long-term external financing would substitute for more expensive domestic financing, reducing borrowing cost and debt vulnerabilities. It would likely be accompanied by an ambitious reform agenda supportive of stronger growth. Further flexibility in the exchange rate management[15] and other reforms to support a structural change of the economy and enhance competitiveness would improve the outlook.

- *Downside risks* pertain to both domestic and external risks. Domestic risks are linked to delays in implementing the domestic policies that underpin the baseline, including significant fiscal consolidation, prudent monetary policy that keeps inflation under control, gradual implementation of governance and growth-enhancing reforms envisaged under the NDP, and regulatory and supervisory provisions conducive to fostering financial sector stability. A longer muddle-through exchange rate policy stance would amplify macroeconomic imbalances and raise risks to long-term growth. External uncertainties are linked to possible stronger and longer spillovers the geopolitical situation in eastern europe, as well as natural disasters potentially leading to higher domestic inflation; a deterioration of the political and security situation; rising energy and food prices and borrowing costs following accommodative monetary policies unwinding by major central banks; and weak global demand and investor confidence.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

16. Burundi's debt-carrying capacity is classified as weak, as in the July 2022 DSA. The country's composite indicator (CI) is 2.40, based on the April 2023 WEO data and 2021 CPIA scores (Text Table 9). Under weak debt carrying capacity, the thresholds applicable to the public and publicly

[14] While project financing has been scaled up, a more ambitious reform agenda would catalyze additional flows, including in the form of budget support. Grants averaged 17.7 percent of GDP per year during 2010–14, before the 2015 political crisis, compared to about 11.6 percent assumed in the baseline medium-term projections. Budget support averaged 3 percent of GDP per year during 2010–14. The DSA assumes limited budget support (1.8 and 1.4 percent of GDP in FY2023/24 and FY2024/25 respectively and 0.5 percent of GDP after) starting in FY2024. Projected project grants are assumed to come mainly from the World Bank (until 2033), AfDB, EU and US.

[15] Burundi's de jure exchange rate arrangement is floating, and its de facto exchange rate arrangement is crawl-like.

guaranteed external debt are 30 percent for the PV of debt-to-GDP ratio, 140 percent for the PV of debt-to-exports ratio, 10 percent for the debt service-to-exports ratio, and 14 percent for the debt service-to-revenue ratio. The benchmark for the PV of total public debt is 35 percent of GDP.

Text Table 9. Burundi: Debt Carrying Capacity

Debt Carrying Capacity	Weak

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Weak	Weak	Weak	Weak
	2.40	2.09	2.06

Note: Until the April 2019 WEO vintage is released, the two previous vintages ago classification and corresponding score are based solely on the CPIA per the previous framework.

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	2.926	1.13	47%
Real growth rate (in percent)	2.719	3.561	0.10	4%
Import coverage of reserves (in percent)	4.052	22.845	0.93	39%
Import coverage of reserves^2 (in percent)	-3.990	5.219	-0.21	-9%
Remittances (in percent)	2.022	3.403	0.07	3%
World economic growth (in percent)	13.520	2.856	0.39	16%
CI Score			2.396	100%
CI rating			Weak	

Applicable thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	140
GDP	30
Debt service in % of	
Exports	10
Revenue	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

Sources: Burundian authorities, World Bank and IMF staff estimates.

17. **Stress tests use standard settings, except the contingent liabilities stress tests**. Both bound tests and tailored tests on commodity prices use the default settings. The contingent liabilities stress test accounts for potential domestic arrears that have not yet been identified or recognized (para. 2) and fiscal risks from SOE debt and the financial sector.

DEBT SUSTAINABILITY

EXTERNAL DEBT SUSTAINABILITY: SIGNALS FROM THE MODEL

18. Burundi's risk of external debt distress is high. All four external debt burden indicators breach their thresholds under the baseline, signaling a high risk of external debt distress rating. The ratios of the PV of debt to GDP, PV of debt to exports and debt service to revenue under the baseline fall below their thresholds in the medium term. The PV of external debt to GDP only mildly breaches its threshold under the baseline. The ratio of external debt service to exports under the baseline remains close to its threshold until the end of the horizon mainly because of the repayment of loans from the IMF (2021 RCF loans and prospective ECF loans).

19. The stress tests suggest that Burundi's external debt sustainability is particularly vulnerable to shocks to exports and a combination of shocks to growth, primary balance, exports, non-debt flows, including transfers and FDI and the exchange rate. [16] A shock to exports would result in large and protracted breaches of the thresholds for one debt burden ratios. A combination of shocks to growth, primary balance, exports, non-debt flows, and the exchange rate would result in a large but temporary breach of the threshold for one debt burden ratio and a large and protracted breach for another debt burden ratio. This combination of shocks would increase the ratio of external debt service to revenue, which would nonetheless remain below its threshold in the medium term.

PUBLIC DEBT SUSTAINABILITY: SIGNALS FROM THE MODEL

20. Burundi's overall risk of debt distress is high. The PV of the public debt-to-GDP ratio breaches its threshold under the baseline scenario in the near to medium term.[17] It decreases from 75 percent in 2023 to 29 percent in 2033 (below the 35 percent benchmark by 2032) under the assumption of the pursuit of prudent fiscal policy and steady growth. The ratio of public debt service-to-revenues and grants is elevated. It increases from an average of 37 percent per year during 2023-28 to an average of 46 percent during 2029-33.

21. The stress tests suggest that Burundi's public debt sustainability is particularly vulnerable to shocks to contingent liabilities, growth, and commodity prices. A standard shock to contingent liabilities, growth or to commodity prices would leave the PV of public debt-to-GDP ratio above the benchmark until the end of the DSA horizon.

22. Judgment is not applied to override the mechanical risk ratings.

[16] The most extreme stress test is defined as the test that yields the highest ratio on or before the tenth year of the projection period.

[17] The authorities are rebasing GDP, which could lead to an upward shift of GDP and improve debt sustainability indicators based on GDP.

RISK RATING AND VULNERABILITIES

23. This DSA finds that Burundi is at high risk of external and overall debt distress. This finding results from mechanical risk signals on external and overall public debt burden indicators, and staff sees no reason to override these signals using judgment. The most important vulnerabilities to the external debt stem from shocks to exports and a combination of shocks to growth, primary balance, exports, non-debt flows, including transfers and FDI, and the exchange rate. Overall, public debt is most vulnerable to shocks to contingent liabilities, growth, and commodity prices. These vulnerabilities could be addressed through reforms that would boost Burundi's resilience, exports, and growth performance, as well as through the strengthening of relations with donors and associated increase in financial support. These measures would also reduce the need for, and facilitate, fiscal adjustment.

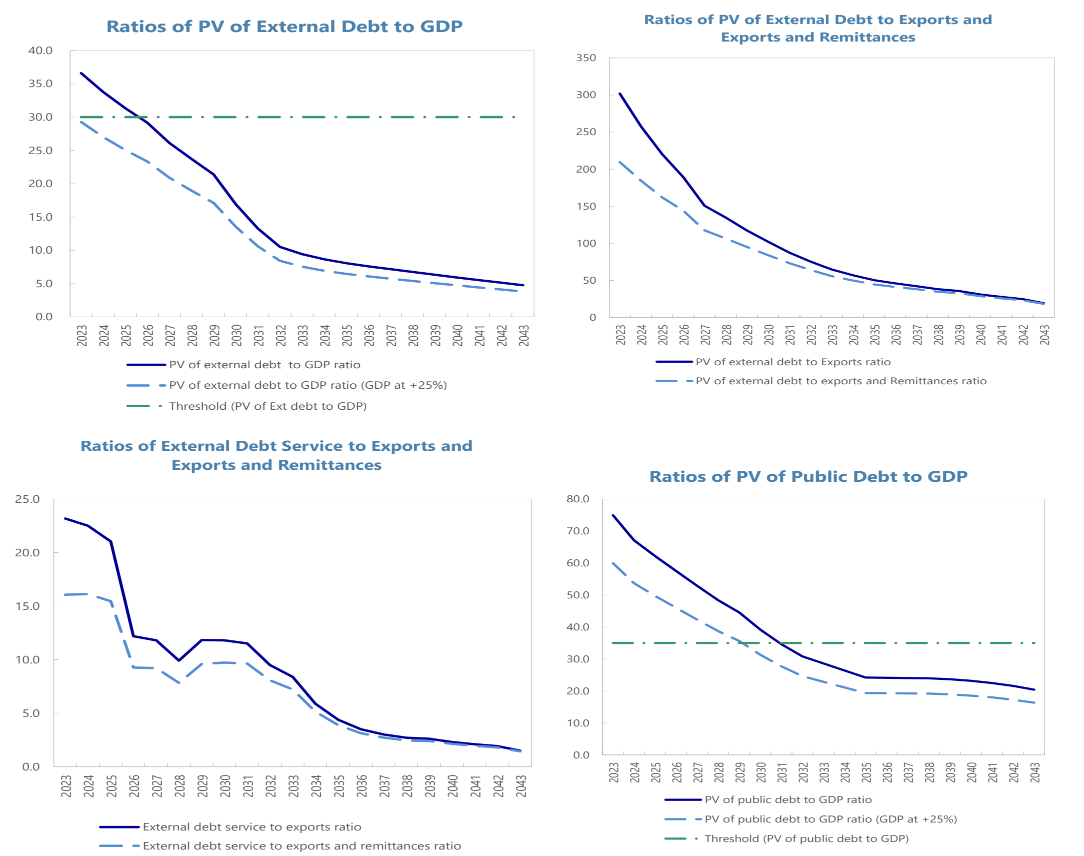
24. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to re-engagement with the international community, exchange rate reform, fiscal consolidation, expectations of donor financing, a positive macroeconomic outlook including robust exports and GDP growth, and the rebasing of GDP, which will likely raise GDP estimates and improve public debt ratios (Text Figure 2). Although the overall debt service to revenue ratio and gross financing needs remains high in the near term, given the large share of domestic debt, roll-over risks are limited. Solvency debt indicators are declining. Neither the realism tools nor the historical scenarios point to unrealistic macro assumptions (i.e., there is reasonable confidence in the baseline scenario). Given the country's good track record in servicing its external debt, there is a high likelihood that Burundi will be able to meet all its current and future financial obligations. Sustained remittance inflows serve to lower the effective risks associated with the external debt liquidity indicators. There are several mitigating factors: (i) rebased GDP series (release planned for 2023) may result in an upward shift in nominal GDP; and (ii) higher exports and remittances under the impulse of the ER realignment would alleviate external liquidity constraints. The modified sustainability indicators accounting for these mitigating factors converge towards their respective thresholds at the end of the DSA horizon.

25. Staff's assessment of debt sustainability is subject to risks, including from domestic policies and the external environment. In addition to risks to the baseline outlook (para. 16), delays in fiscal consolidation, slow implementation pace of structural reforms to enhance competitiveness and boost exports and growth, information gap on arrears, and heightened effects of the COVID-19 pandemic or the heightened geopolitical situation would also heighten debt vulnerabilities. Burundi's debt is vulnerable, especially to shocks to exports, a combination of shocks to growth, primary balance, exports, non-debt flows, including transfers and FDI, the exchange rate, and commodity prices. Stronger GDP growth supported by prospects of stronger donor financing and efficient use of the 2021 SDR allocation (SDR 147.6 million equivalent to 6.3 percent of 2021 GDP) would mitigate debt vulnerabilities.

AUTHORITIES' VIEWS

26. The authorities agreed with staff's DSA and reiterated their commitment to macroeconomic stability, including external and debt sustainability. Reforms envisaged in the NDP and the ECF arrangement would help achieved these objectives. The ER reform will unify the FX market and remove sources of macroeconomic imbalances. The planned growth-enhancing fiscal consolidation, better coordination between fiscal and monetary policies and structural reforms would not only strengthen the overall macroeconomic policy framework but would also boost donor and investor confidence, which would clearly put Burundi on a stronger, lasting, and inclusive growth path.

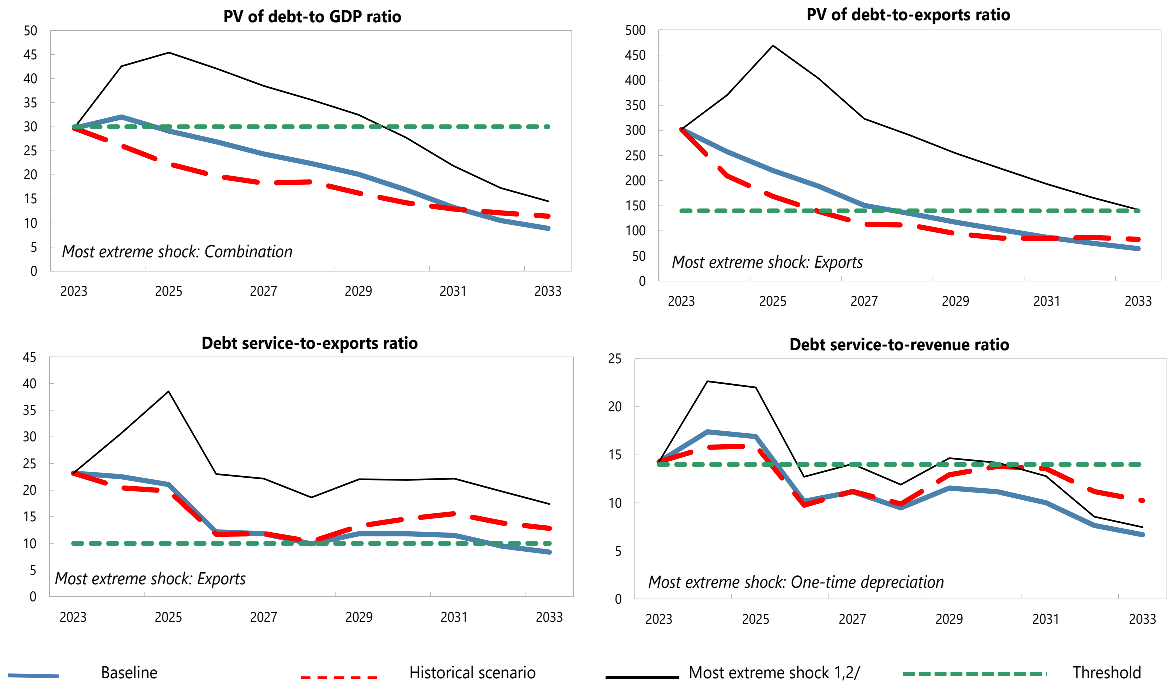
Text Figure 2. Ratios of External Debt Service and PV of External Debt to Exports and to Exports Remittances 1/
(In Percent)



Sources: Country authorities; and staff estimates and projections.

1/ The indicators using "GDP at +25%" are for illustrative purposes and simulate these indicators if the rebasing of GDP were to raise GDP by 25 percent.

Figure 1. Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2023–33



Customization of Default Settings		
	Size	**Interactions**
Tailored Stress		
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	**User defined**
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6

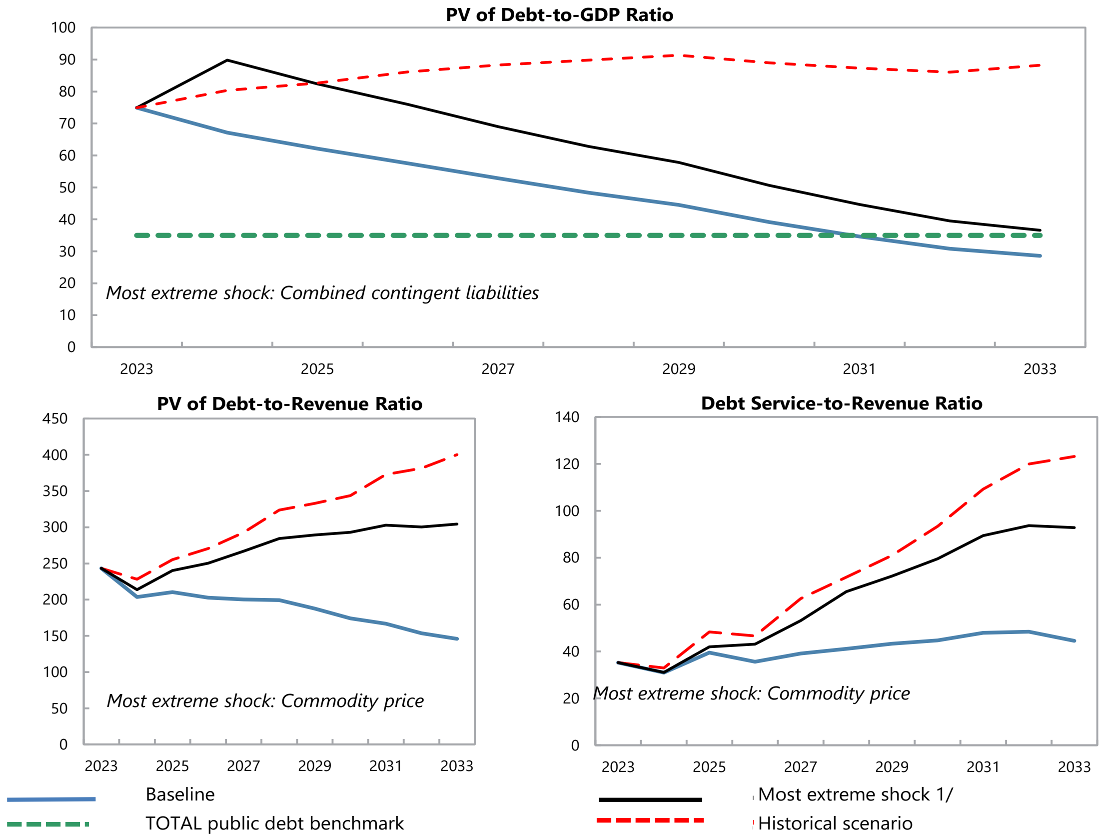
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Indicators of Public Debt under Alternative Scenarios, 2023–33



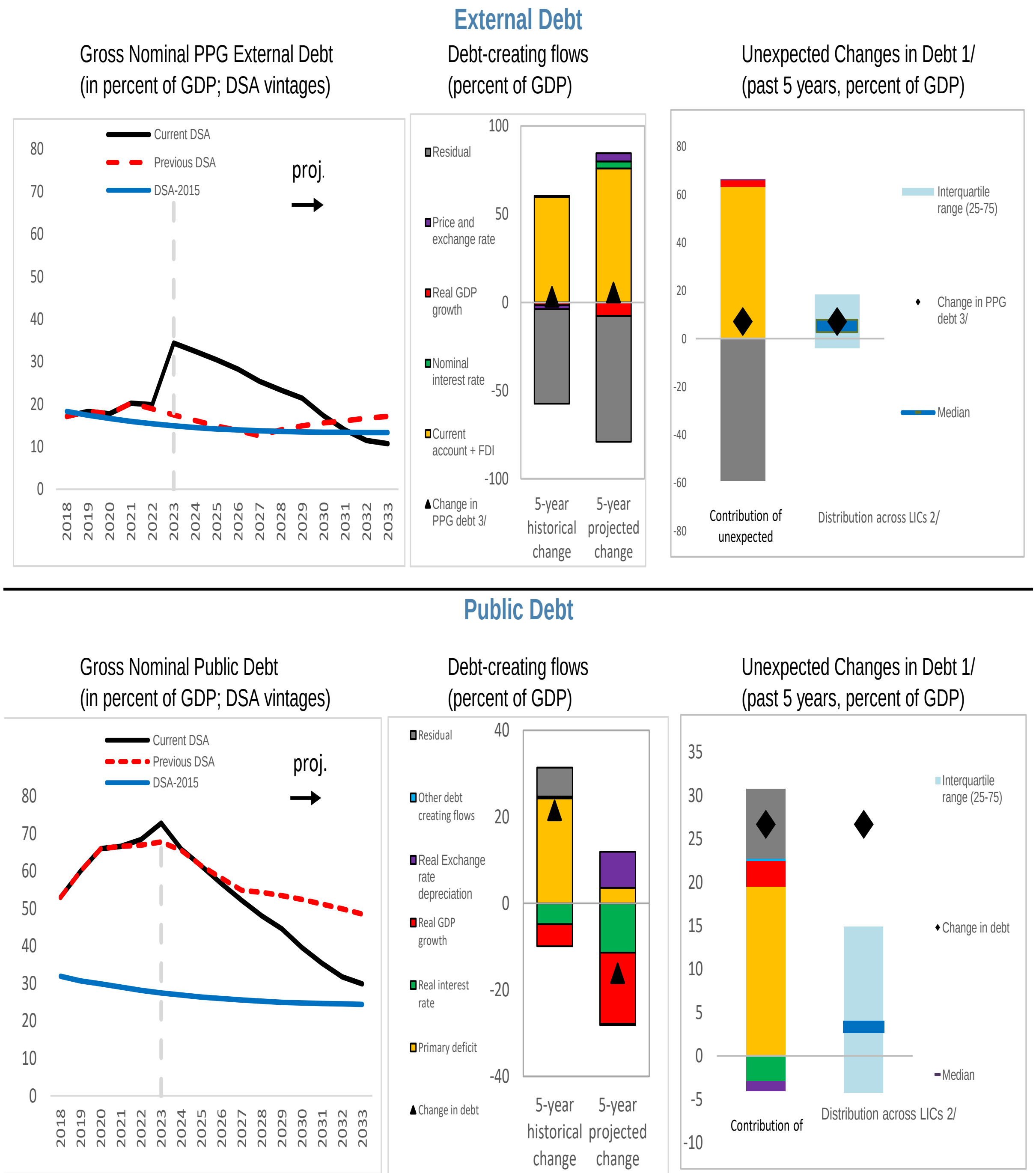
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	20%	20%
Domestic medium and long-term	56%	56%
Domestic short-term	25%	25%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.9%	0.9%
Avg. maturity (incl. grace period)	26	26
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	-3.2%	-3.2%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	-4.8%	-4.8%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Drivers of Debt Dynamics – Baseline Scenario



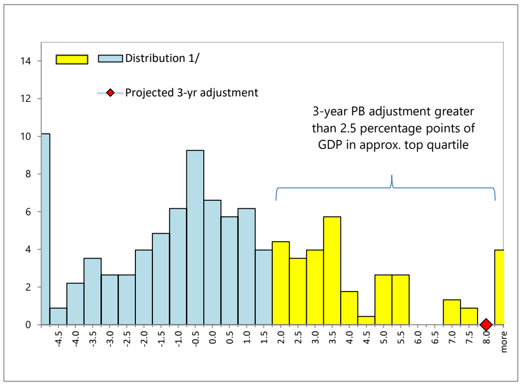
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

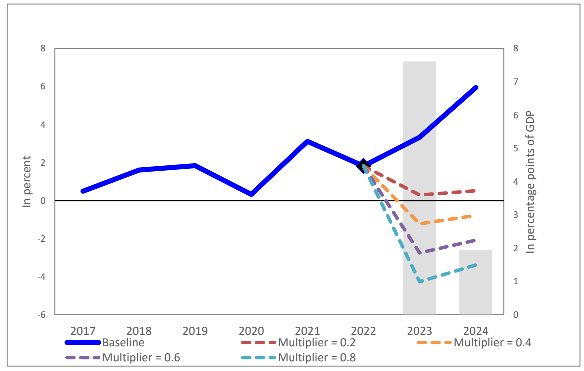
Figure 4. Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



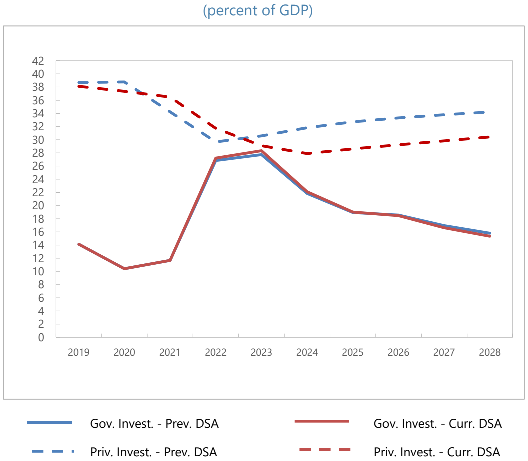
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

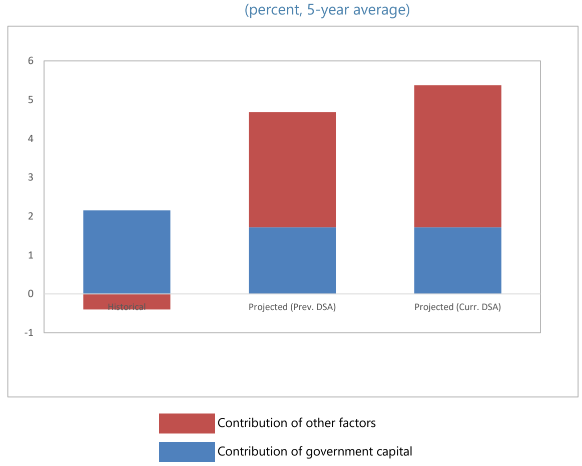
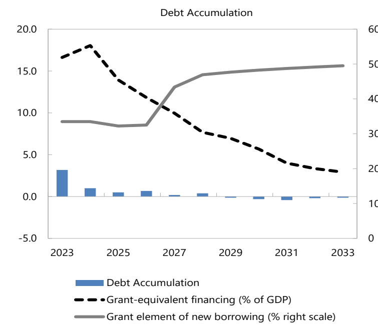
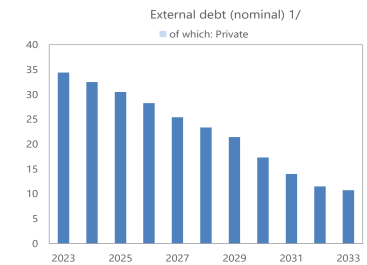


Table 3. Burundi: External Debt Sustainability Framework, Baseline Scenario, 2020–43
(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	**17.7**	**20.2**	**19.9**	**34.4**	**32.5**	**30.5**	**28.2**	**25.4**	**23.4**	**10.7**	**6.8**	**18.9**	**22.7**
of which: public and publicly guaranteed (PPG)	**17.7**	**20.2**	**19.9**	**34.4**	**32.5**	**30.5**	**28.2**	**25.4**	**23.4**	**10.7**	**6.8**	**18.9**	**22.7**
Change in external debt	-0.6	2.5	-0.3	14.5	-1.9	-2.0	-2.2	-2.8	-2.1	-0.8	-0.5		
Identified net debt-creating flows	**9.6**	**10.8**	**12.5**	**16.3**	**15.4**	**15.5**	**13.8**	**11.2**	**8.8**	**10.7**	**22.6**	**10.7**	**12.7**
Non-interest current account deficit	**10.1**	**12.3**	**15.4**	**16.9**	**17.6**	**17.4**	**15.6**	**13.1**	**10.5**	**11.9**	**23.8**	**13.0**	**14.2**
Deficit in balance of goods and services	24.3	27.0	27.8	34.8	37.4	34.5	31.7	28.0	24.5	18.7	27.1	**24.3**	**27.5**
Exports	8.8	8.1	7.1	9.8	12.4	13.2	14.2	16.2	16.6	13.7	20.1		
Imports	33.1	35.1	35.0	44.6	49.8	47.7	45.9	44.2	41.1	32.4	47.2		
Net current transfers (negative = inflow)	-13.5	-14.3	-11.8	-17.4	-19.3	-16.7	-15.7	-14.7	-13.8	-6.9	-3.9	**-11.0**	**-13.1**
of which: official	0.0	0.0	0.0	-2.0	-2.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5		
Other current account flows (negative = net inflow)	-0.7	-0.4	-0.6	-0.5	-0.5	-0.4	-0.3	-0.3	-0.2	0.1	0.7	**-0.3**	**-0.2**
Net FDI (negative = inflow)	**-0.2**	**-0.3**	**-0.2**	**-0.5**	**-1.1**	**-1.0**	**-1.0**	**-1.0**	**-1.0**	**-1.0**	**-1.0**	**-1.5**	**-1.0**
Endogenous debt dynamics 2/	**-0.3**	**-1.2**	**-2.7**	**-0.1**	**-1.1**	**-0.8**	**-0.9**	**-0.9**	**-0.7**	**-0.2**	**-0.2**		
Contribution from nominal interest rate	0.2	0.2	0.2	0.8	1.0	0.9	0.7	0.6	0.6	0.3	0.1		
Contribution from real GDP growth	-0.1	-0.5	-0.3	-0.8	-2.1	-1.7	-1.6	-1.5	-1.3	-0.5	-0.3		
Contribution from price and exchange rate changes	-0.4	-0.9	-2.6	...	...	...	...	...	...	...	...		
Residual 3/	**-10.2**	**-8.3**	**-12.8**	**-1.9**	**-17.3**	**-17.5**	**-16.0**	**-14.0**	**-10.9**	**-11.5**	**-23.1**	**-11.1**	**-13.5**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**21.0**	**29.7**	**32.0**	**29.1**	**26.9**	**24.3**	**22.4**	**8.9**	**4.5**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**294.4**	**302.1**	**257.5**	**220.3**	**189.0**	**150.5**	**134.6**	**64.6**	**22.1**		
PPG debt service-to-exports ratio	**8.5**	**7.5**	**11.4**	**23.2**	**22.5**	**21.0**	**12.2**	**11.8**	**9.9**	**8.4**	**1.7**		
PPG debt service-to-revenue ratio	**4.1**	**3.2**	**4.4**	**14.3**	**17.4**	**16.9**	**10.2**	**11.2**	**9.5**	**6.7**	**1.9**		
Gross external financing need (Million of U.S. dollars)	327.5	423.3	626.1	595.3	590.6	653.9	619.8	587.3	519.3	1314.3	6682.0		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.3	3.1	1.8	3.3	6.0	5.9	5.7	5.9	5.5	5.0	5.0	**1.4**	**5.2**
GDP deflator in US dollar terms (change in percent)	2.1	5.3	14.8	-21.2	-9.5	5.4	4.9	4.8	4.8	11.5	5.5	**4.2**	**4.9**
Effective interest rate (percent) 4/	1.0	1.0	1.2	3.1	2.9	3.1	2.5	2.5	2.5	2.8	1.9	**0.7**	**2.7**
Growth of exports of G&S (US dollar terms, in percent)	-9.2	0.2	2.6	12.2	21.2	18.8	19.2	26.4	13.6	15.0	13.7	**3.3**	**16.5**
Growth of imports of G&S (US dollar terms, in percent)	0.5	15.3	16.4	3.9	7.0	6.9	6.8	6.9	2.7	11.6	18.0	**3.0**	**9.1**
Grant element of new public sector borrowing (in percent)	...	...	...	33.5	33.5	32.2	32.5	43.4	46.9	49.5	49.6	**...**	**42.3**
Government revenues (excluding grants, in percent of GDP)	18.2	19.0	18.6	16.0	16.1	16.5	17.0	17.1	17.4	17.2	18.6	**15.8**	**17.0**
Aid flows (in Million of US dollars) 5/	530.4	683.8	784.9	482.3	523.8	451.0	433.7	428.8	370.3	353.6	489.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	16.6	18.0	13.9	11.8	10.0	7.7	2.9	1.6	**...**	**9.2**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	82.5	88.8	88.6	92.0	92.0	89.6	83.3	87.3	**...**	**87.4**
Nominal GDP (Million of US dollars)	3,086	3,351	3,918	3,190	3,058	3,415	3,787	4,206	4,651	10,890	28,806		
Nominal dollar GDP growth	2.5	8.6	16.9	-18.6	-4.1	11.7	10.9	11.1	10.6	17.1	10.8	**5.6**	**10.4**
Memorandum items:													
PV of external debt 7/	...	...	21.0	29.7	32.0	29.1	26.9	24.3	22.4	8.9	4.5		
In percent of exports	...	...	294.4	302.1	257.5	220.3	189.0	150.5	134.6	64.6	22.1		
Total external debt service-to-exports ratio	8.5	7.5	11.4	23.2	22.5	21.0	12.2	11.8	9.9	8.4	1.7		
PV of PPG external debt (in Million of US dollars)			822.6	946.9	978.6	994.0	1016.9	1023.9	1040.0	965.2	1284.4		
(PVt-PVt-1)/GDPt-1 (in percent)				3.2	1.0	0.5	0.7	0.2	0.4	-0.1	0.1		
Non-interest current account deficit that stabilizes debt ratio	10.7	9.8	15.7	2.4	19.5	19.4	17.9	15.9	12.6	12.7	24.3		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

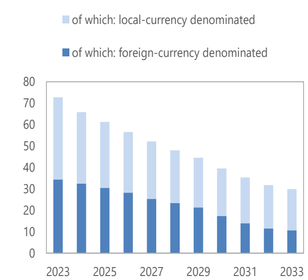
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

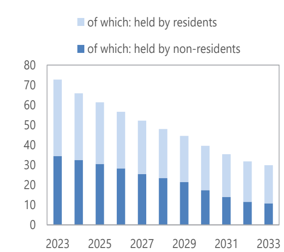
Table 4. Burundi: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–43
(In Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	**66.0**	**66.6**	**68.4**	**72.7**	**65.8**	**61.3**	**56.6**	**52.2**	**48.0**	**29.9**	**22.5**	**50.7**	**48.9**
of which: external debt	**17.7**	**20.2**	**19.9**	**34.4**	**32.5**	**30.5**	**28.2**	**25.4**	**23.4**	**10.7**	**6.8**	**18.9**	**22.7**
Change in public sector debt	6.0	0.6	1.8	4.4	-6.9	-4.5	-4.7	-4.4	-4.2	-1.9	-1.2		
Identified debt-creating flows	**3.3**	**-1.3**	**1.2**	**-7.0**	**-6.9**	**-3.1**	**-4.0**	**-3.3**	**-3.0**	**-1.2**	**-1.0**	**2.5**	**-3.2**
Primary deficit	**3.4**	**2.3**	**9.5**	**1.9**	**-0.1**	**1.3**	**0.0**	**0.5**	**0.2**	**0.2**	**0.3**	**4.7**	**0.5**
Revenue and grants	23.1	25.1	26.7	30.8	33.0	29.5	28.4	26.4	24.3	19.6	19.9	**22.4**	**25.4**
of which: grants	4.9	6.2	8.1	14.9	16.9	13.1	11.3	9.3	6.9	2.3	1.3		
Primary (noninterest) expenditure	26.5	27.4	36.2	32.7	32.9	30.8	28.4	26.9	24.4	19.8	20.2	**27.1**	**25.9**
Automatic debt dynamics	**-0.1**	**-3.6**	**-8.3**	**-8.9**	**-6.8**	**-4.4**	**-4.0**	**-3.7**	**-3.2**	**-1.5**	**-1.2**		
Contribution from interest rate/growth differential	0.1	-3.5	-7.0	-8.9	-6.8	-4.4	-4.0	-3.7	-3.2	-1.5	-1.2		
of which: contribution from average real interest rate	0.3	-1.5	-5.8	-6.7	-2.7	-0.7	-0.7	-0.6	-0.5	0.0	-0.1		
of which: contribution from real GDP growth	-0.2	-2.0	-1.2	-2.2	-4.1	-3.7	-3.3	-3.2	-2.7	-1.5	-1.1		
Contribution from real exchange rate depreciation	-0.2	-0.1	-1.3	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**2.7**	**1.9**	**0.6**	**11.4**	**0.0**	**-1.4**	**-0.7**	**-1.2**	**-1.1**	**-0.6**	**-0.3**	**1.9**	**-0.3**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**69.7**	**74.9**	**67.1**	**62.2**	**57.5**	**52.9**	**48.4**	**28.6**	**20.4**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**261.3**	**243.2**	**203.6**	**210.5**	**202.8**	**200.3**	**199.3**	**145.9**	**102.5**		
Debt service-to-revenue and grants ratio 3/	**58.3**	**48.5**	**45.8**	**35.2**	**31.0**	**39.5**	**35.6**	**39.2**	**41.2**	**44.5**	**35.0**		
Gross financing need 4/	16.9	14.5	21.7	12.5	9.9	12.7	9.9	10.6	10.0	8.9	7.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.3	3.1	1.8	3.3	6.0	5.9	5.7	5.9	5.5	5.0	5.0	**1.4**	**5.2**
Average nominal interest rate on external debt (in percent)	1.0	1.0	1.2	3.2	3.6	3.2	2.7	2.7	2.7	2.8	2.0	**0.8**	**2.9**
Average real interest rate on domestic debt (in percent)	0.8	-2.0	-10.4	-14.0	-8.7	-3.6	-3.3	-3.0	-2.7	-0.2	-0.7	**-4.4**	**-3.6**
Real exchange rate depreciation (in percent, + indicates depreciation)	-1.1	-0.7	-7.0	...	...	...	...	...	...	...	...	**-1.8**	**...**
Inflation rate (GDP deflator, in percent)	6.0	8.5	18.4	24.0	17.0	10.9	11.0	10.7	10.9	10.7	12.0	**7.8**	**12.5**
Growth of real primary spending (deflated by GDP deflator, in percent)	0.6	6.7	34.4	-6.6	6.7	-0.7	-2.7	0.3	-4.1	2.4	4.2	**2.2**	**-0.3**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.6	1.7	7.7	-2.5	6.8	5.8	4.7	4.9	4.3	2.1	1.5	**2.3**	**4.0**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 5. Burundi: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–33
(In Percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of debt-to GDP ratio											
Baseline	30	**32**	29	27	24	22	20	17	13	11	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	30	26	22	20	18	19	16	14	13	12	11
B. Bound Tests											
B1. Real GDP growth	30	**36**	**37**	**34**	**31**	28	25	21	17	13	11
B2. Primary balance	30	**33**	**31**	29	27	25	23	20	16	13	11
B3. Exports	30	**34**	**35**	**32**	29	27	24	21	16	13	11
B4. Other flows 3/	30	**39**	**41**	**38**	**35**	**33**	30	25	20	16	13
B5. Depreciation	30	**42**	**32**	29	26	24	21	18	14	11	9
B6. Combination of B1-B5	30	**43**	**45**	**42**	**38**	**36**	**32**	28	22	17	14
C. Tailored Tests											
C1. Combined contingent liabilities	30	**35**	**32**	**30**	29	27	25	22	18	14	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	30	**32**	29	27	24	22	20	17	13	11	9
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	**302**	**258**	**220**	**189**	**151**	135	117	102	87	75	65
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**302**	**210**	**168**	139	113	112	94	86	85	87	83
B. Bound Tests											
B1. Real GDP growth	**302**	**258**	**220**	**189**	**151**	135	117	102	87	75	65
B2. Primary balance	**302**	**264**	**233**	**202**	**164**	**150**	133	118	103	91	80
B3. Exports	**302**	**371**	**469**	**403**	**323**	**290**	**254**	**224**	**193**	**166**	**142**
B4. Other flows 3/	**302**	**315**	**313**	**270**	**217**	**196**	**173**	**154**	133	114	97
B5. Depreciation	**302**	**258**	**184**	**157**	124	110	95	81	69	59	51
B6. Combination of B1-B5	**302**	**403**	**293**	**393**	**316**	**284**	**251**	**222**	**191**	**164**	140
C. Tailored Tests											
C1. Combined contingent liabilities	**302**	**280**	**246**	**213**	**178**	**163**	**145**	131	116	104	92
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**302**	**258**	**220**	**189**	**151**	135	117	102	87	75	65
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	**23**	**23**	**21**	**12**	**12**	10	**12**	**12**	**12**	9	8
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**23**	**20**	**20**	**12**	**12**	**10**	**13**	**15**	**16**	**14**	**13**
B. Bound Tests											
B1. Real GDP growth	**23**	**23**	**21**	**12**	**12**	10	**12**	**12**	**12**	9	8
B2. Primary balance	**23**	**23**	**21**	**12**	**12**	**10**	**12**	**12**	**12**	**10**	9
B3. Exports	**23**	**31**	**39**	**23**	**22**	**19**	**22**	**22**	**22**	**20**	**17**
B4. Other flows 3/	**23**	**23**	**22**	**13**	**13**	**11**	**13**	**12**	**14**	**13**	**11**
B5. Depreciation	**23**	**23**	**21**	**12**	**11**	10	**12**	**12**	**11**	8	7
B6. Combination of B1-B5	**23**	**28**	**34**	**20**	**20**	**16**	**19**	**19**	**22**	**19**	**17**
C. Tailored Tests											
C1. Combined contingent liabilities	**23**	**23**	**21**	**13**	**12**	**10**	**12**	**12**	**12**	10	9
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**23**	**23**	**21**	**12**	**12**	10	**12**	**12**	**12**	9	8
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	**14**	**17**	**17**	10	11	9	12	11	10	8	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**14**	**16**	**16**	10	11	10	13	14	14	11	10
B. Bound Tests											
B1. Real GDP growth	**14**	**20**	**21**	13	**14**	12	**14**	**14**	13	10	8
B2. Primary balance	**14**	**17**	**17**	10	11	10	12	11	10	8	7
B3. Exports	**14**	**18**	**17**	11	12	10	12	12	11	9	8
B4. Other flows 3/	**14**	**17**	**18**	11	12	10	12	12	12	10	9
B5. Depreciation	**14**	**23**	**22**	13	**14**	12	**15**	**14**	13	9	7
B6. Combination of B1-B5	**14**	**19**	**21**	13	14	12	**14**	14	**14**	11	10
C. Tailored Tests											
C1. Combined contingent liabilities	**14**	**17**	**17**	10	11	10	12	11	10	8	7
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**14**	**17**	**17**	10	11	9	12	11	10	8	7
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 6. Burundi: Sensitivity Analysis for Key Indicators of Public Debt, 2023–33

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	PV of Debt-to-GDP Ratio										
Baseline	**75**	**67**	**62**	**58**	**53**	**48**	**45**	**39**	35	31	29
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**75**	**80**	**83**	**86**	**88**	**90**	**91**	**89**	**87**	**86**	**88**
B. Bound Tests											
B1. Real GDP growth	**75**	**76**	**82**	**80**	**77**	**74**	**72**	**67**	**63**	**59**	**58**
B2. Primary balance	**75**	**74**	**73**	**68**	**62**	**57**	**52**	**46**	**40**	**36**	33
B3. Exports	**75**	**69**	**68**	**63**	**58**	**53**	**49**	**43**	**38**	33	31
B4. Other flows 3/	**75**	**75**	**75**	**70**	**64**	**59**	**55**	**48**	**42**	**36**	33
B5. Depreciation	**75**	**71**	**64**	**59**	**53**	**48**	**43**	**37**	31	27	24
B6. Combination of B1-B5	**75**	**74**	**71**	**62**	**58**	**54**	**51**	**46**	**42**	**38**	**36**
C. Tailored Tests											
C1. Combined contingent liabilities	**75**	**90**	**82**	**76**	**69**	**63**	**58**	**51**	**45**	**40**	**37**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**75**	**70**	**70**	**69**	**68**	**67**	**66**	**64**	**62**	**59**	**59**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
	PV of Debt-to-Revenue Ratio										
Baseline	243	204	210	203	200	199	188	174	167	153	146
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	243	228	255	270	293	324	333	344	373	381	400
B. Bound Tests											
B1. Real GDP growth	243	219	252	256	268	285	284	282	292	287	290
B2. Primary balance	243	223	248	239	235	233	219	203	194	178	169
B3. Exports	243	210	229	221	218	218	205	190	181	165	156
B4. Other flows 3/	243	226	255	247	244	244	231	212	200	181	170
B5. Depreciation	243	222	225	214	207	201	185	166	153	135	125
B6. Combination of B1-B5	243	223	232	213	215	220	212	202	199	188	183
C. Tailored Tests											
C1. Combined contingent liabilities	243	272	279	268	261	259	243	225	215	197	187
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	243	214	240	250	267	284	289	293	303	300	304
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	35	31	40	36	39	41	43	45	48	48	45
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	35	33	48	47	63	72	81	93	109	120	123
B. Bound Tests											
B1. Real GDP growth	35	33	46	45	54	62	69	75	85	89	88
B2. Primary balance	35	31	46	45	54	59	53	55	60	57	53
B3. Exports	35	31	40	36	39	41	44	45	49	49	45
B4. Other flows 3/	35	31	40	36	40	42	44	45	50	51	47
B5. Depreciation	35	31	41	36	40	41	44	45	48	47	43
B6. Combination of B1-B5	35	31	41	38	43	46	51	54	59	61	59
C. Tailored Tests											
C1. Combined contingent liabilities	35	31	62	45	78	64	56	67	66	60	59
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	35	31	42	43	53	66	72	80	89	94	93
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.