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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

Burundi is at high risk of external and overall debt distress. [1] One external debt burden indicator (the ratio of external debt service to exports) breaches its threshold under the baseline, signaling a high risk of external debt distress rating. The external debt indicators under the baseline fall below their thresholds in the medium term. The breach in the PV of the public debt-to-GDP ratio under the baseline is significant and protracted and remains above the threshold until end of the horizon, implying that the risk of overall public debt distress is high. However, the indicator is on a declining trend. Stress tests show that the largest deterioration in external debt burden indicators result from shocks to the exports and exchange rate, the latter triggering a deterioration for one year. Similarly, the largest deterioration in overall debt burden indicators result from a shock to the GDP growth, commodity prices, and exchange rate, the effects of the latter receding by mid-long term. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to fiscal consolidation from the unwinding of COVID-related spending and improvement in revenue collection, expectations of donor financing, and a positive macroeconomic outlook, including robust exports and GDP growth. The GDP rebasing, which will likely raise GDP estimates and improve public debt ratios, which are already on a declining trend, is an additional mitigating factor. Given the country's good track record in servicing its debt, there is a high likelihood that

[1] Burundi's debt-carrying capacity is classified as weak just as in the last (October 2021) DSA. The country's composite indicator (CI) is 2.06, based on the April 2022 WEO data and 2020 CPIA scores. The October 2021 DSA found the risk of external and overall debt distress as high, with the following characterization. Two external debt burden indicators (PV of external debt-to-exports and debt service-to-exports ratios) and one overall public debt indicator (PV of debt-to-GDP ratio) breached the respective thresholds under the baseline, with the breach of the public debt indicator being significant and protracted. The breaches of external debt indicators were mild, and the indicators fell below but near the threshold in the medium term. Burundi's debt was assessed as sustainable based on the authorities' commitment to fiscal consolidation from unwinding of COVID-related spending, moderate improvement in revenue collection, expectations of stronger donor financing, and a positive macroeconomic outlook, including robust exports and GDP growth.

Burundi will be able to meet all its current and future financial obligations. Prospects of a more ambitious reform agenda, notably in relaxing FX access limitations will also help alleviate key growth bottlenecks. This assessment is subject to significant risks. Delays in fiscal consolidation, delays in structural reforms to enhance competitiveness and boost exports and growth, including through exchange rate unification and greater flexibility in exchange rate management, lack of up-to-date information on arrears, and a prolonged COVID-19 shock or war in Ukraine would further heighten debt vulnerabilities. Burundi's public debt is especially vulnerable to shocks to the exchange rate, 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 external and domestic debt of the central government (Text Table 1). 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 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.

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. The contingent liability stress test accounts for an external loan contracted by the central bank in 2019 to replenish reserves, potential domestic arrears accumulation since 2018 and data coverage limitations (Text Table 2). The central bank contracted in December 2019 a government-guaranteed loan of $40 million from AFREXIM bank (3-year maturity), with a remaining balance of US$ 5 million (0.14 percent of GDP) at end-2021. Potential domestic arrears that may have accumulated since

[2] The authorities are strengthening capacity in the debt unit to improve debt management and tracking of public sector liabilities, including enhancing the reporting of SOEs (with the inclusion of SOEs in public debt statistics) and publicly guaranteed debt. As part of the World Bank's SDFP (Sustainable Development Finance Policy) framework, one of the performance and policy actions (PPA) was to expand debt reporting to include debt of SOEs and domestic arrears in the annual debt report. This has been implemented successfully. The authorities confirmed that they usually receive SOEs' financial statements but had not yet been exploiting them to estimate total SOEs liabilities. They noted that challenges faced by SOEs include overstaffing and inability to pay dividends on time, with two SOEs no longer paying dividends at all. Staff raised contingent liabilities to 11.1 percent of GDP from 9.5 percent of GDP in the October 2021 DSA.

2018 are accounted for through a contingent liability assumed to amount to 4.1 percent of GDP at end-2021 (para. 8). In addition, accounting for data limitations, contingent liabilities on SOEs' debt are set at the default value of 2 percent of GDP to cover fiscal risks that may arise from SOEs' weak reporting and domestic arrears. Commercial banks' liabilities (about 71 percent of GDP at end-2021) 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-September 2021). 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 at about 11.1 percent of GDP.

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	4.1	This deviation accounts for a loan contracted in 2019 by the central bank to replenish reserves (0.14 percent of GDP at end 2021). It was guaranteed by the central government but has been serviced by the central bank. Contingent laibilities also include possible domestic arrears cumulated since 2018 and that have not yet been identified o recognized (4 percent of GDP).
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	2.0	
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)			11.1	

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%.

DEBT DEVELOPMENTS

3. 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.

4. Public debt increased somewhat in 2021, as the increase in external debt more than offset the decline in domestic debt (Text Tables 3 and 4). Domestic debt fell from 48.2 percent of GDP in 2020 to 46.3 percent of GDP at end 2021, mainly because of the fall in debt to the central bank and to a smaller extent lower issuance of bonds and treasury bills to commercial banks. External debt increased from 17.7 percent of GDP at end-2020 to 20.2 percent of GDP at end-2021 mainly because of an IMF loan (Rapid Credit Facility or RCF, 2.3 percent of GDP). As a result, total public debt rose from 66 percent of GDP at end-2021 to 66.6 percent of GDP at end-2021.

Text Table 3. Burundi: Domestic Debt Stock by Creditor at end-2020 and end-2021

	2020		2021	
	Nominal (BIF billion)	Percent of GDP	Nominal (BIF billion)	Percent of GDP
Total Debt	2850.4	48.2	3063.2	46.3
BRB	894.7	15.1	901.5	13.6
Ordinary advances	0.0	0.0	36.1	0.5
Bonds and treasury bills	0.0	0.0	0.0	0.0
Special credit	6.9	0.1	0.0	0.0
Restructured loans	708.3	12.0	691.0	10.4
Loans for coffee sector	27.5	0.5	0.0	0.0
Loans for subsidized fertilizers	150.0	2.5	113.3	1.7
Loans for youth insertion programs	2.0	0.0	17.5	0.3
Others	0.0	0.0	43.6	0.7
Commercial banks	1735.4	29.4	1914.0	28.9
Assets in Postal Services Accounts	0.0	0.0	0.0	0.0
Bonds and treasury bills	1547.4	26.2	1710.1	25.9
Obligations sur titrisation	67.3	1.1	105.9	1.6
Others	120.8	2.0	98.0	1.5
Others	220.3	3.7	247.7	3.7

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

5. **The continued increase in public debt reflects the economic difficulties that Burundi has been facing since 2015 and the impact of the COVID 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 7.8 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. There are no identified external arrears.

6. **Burundi owes most of its external debt to multilateral and regional lenders** (Text Table 4). 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). The central government also has an outstanding debt to Libya (US$ 4.64 million at end-2021 or 0.14 percent of GDP) that is not being serviced owing to ongoing negotiations.[3] The central bank has an outstanding loan from AFREXIM bank, which was contracted in 2019 (para. 2). Debt to the IMF (US$ 94.8 million at end-2021 or 2.9 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. Burundi has not accessed private external capital markets. Burundi received debt

[3] In line with the DSA guidance note, this is a "de minimums case" (arrears are less than 1 percent of GDP) that does not trigger the rating of "in debt distress".

service relief from Exim Bank of China and the Kuwait Fund (US$ 0.93 million at end-2021) under the G20 Debt Service Suspension Initiative (DSSI), which is considered in this analysis.

7. Burundi's outstanding external debt at end-2021 retains a grant element of 29.2 percent.[4]

8. Burundi is current on servicing external debt (except the debt to Libya) and government securities. The stock of domestic arrears is unknown. The authorities set up a committee for the securitization of government arrears in March 2018 and domestic arrears accumulated from 2005 to 2017 (about BIF 230 billion or about 4 percent of 2020 GDP) were cleared through cash payments and securitization.

Text Table 4. Burundi: External Debt Stock by Creditor at end-2020 and end-2021

	2020		2021	
	Nominal (Millions of US dollars)	Percent of GDP	Nominal (Millions of US dollars)	Percent of GDP
Total Debt	538.7	17.7	667.3	20.2
Multilateral	377.9	12.4	477.5	14.5
World Bank (IDA)	135.3	4.5	132.2	4.0
OPEC Fund	86.6	2.9	86.8	2.6
Arab Bank for Ec. Dev. in Africa (BADE,	44.0	1.4	54.8	1.7
Intl. Fund for Agric. Dev. (IFAD)	31.1	1.0	30.5	0.9
AfDB (incl. FAD)	30.4	1.0	30.2	0.9
IMF 1/	26.0	0.9	94.8	2.9
EU	24.6	0.8	48.1	1.5
Bilateral	160.8	5.3	189.8	5.8
Paris club	0.0	0.0	0.0	0.0
Non-Paris club	160.8	5.3	189.8	5.8
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).

MACROECONOMIC FORECASTS

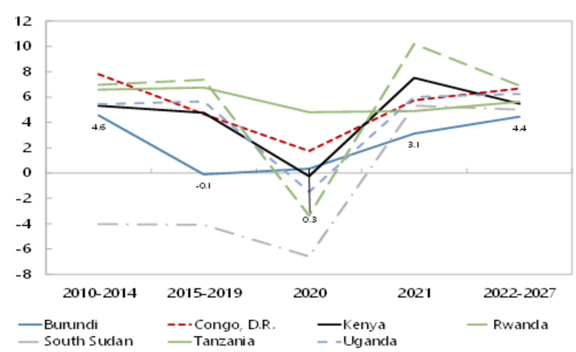
9. The baseline underpinning the DSA assumes further economic recovery in 2022, which will continue over the medium term, supported by public investment. The growth outlook is predicated on a pickup in vaccination, continued political stability, and reengagement with the international community, with sustained although still limited external financing flows. GDP growth is projected to recover to 3.3 percent in 2022, slightly dampened by the effects of the war in Ukraine. This growth outlook is predicated on a slowdown of the pandemic and greater public investment financed by resources from the 2021 SDR allocation, as per the authorities' plan.[5] An accelerated surge of COVID-19 cases since early 2021, social distancing measures abroad, and border closures kept growth in the services sector anemic. Floods and landslides, that occurred in the second quarter of 2021 hampered agricultural production and related

[4] 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).

[5] Staff projects that the central bank will on-lend in local currency to the government the equivalent of half of the SDR allocation in FY2022/23 (2.6 percent of GDP) and the remainder in FY2023/24 and FY2024/25. These resources would fast-track implementation of the authorities' public investment plan (PIP), including a regional railway linking Burundi to Tanzania and road, electricity, and health projects.

activities. The 2022 outlook is positive reflecting partly greater availability of COVID-19 vaccines, and the impact of the SDR allocation in alleviating imports rationing, and global growth recovery. In line with its peers in sub-Saharan Africa (Text Figure 1), Burundi's growth would pick up to around 5 percent in the medium term supported by stronger services activities, agricultural and manufacturing[6] production, and investment[7] (several of which are ongoing and close to being finalized or planned under the World Bank and the AfDB current project portfolio) and resulting increases in productive capacity. If sustained, investment will support growth and mitigate the effects of the expected fiscal consolidation stemming from the unwinding of COVID-related spending. These areas of growth drivers are consistent with Burundi's development plan. Growth will also be supported by a more peaceful and stable political environment compared to before 2019, building on successful elections in 2020 and a government elected with a strong reform mandate. Inflation is projected to rise to 11 percent in 2022, pushed by increased prices of imported food and fuel, reflecting the effects of the war in Ukraine on the global economy. It is however expected to remain contained, as price regulations help limit imported inflation.

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



Source: IMF WEO and IMF staff projections and calculations

10. External accounts would remain weak in 2022 and beyond. The current account deficit is expected to further widen in 2022, driven by higher imports owing to: (i) the unfavorable impact of the war in Ukraine on Burundi's terms of trade (higher prices on imports such as petroleum and lower prices on exports such as coffee and tea); (ii) vaccines and other COVID-19 related needs; and (iii) easing of import restrictions as the RCF disbursement and SDR allocation improved FX availability. Export volumes will recover mildly in 2022 with mining exploitation restarting following the end of contract negotiations and a vibrant food industry. Imports would remain large including because of high economic activity and public investment and donations of vaccine doses, which would cover 21 percent of the population (US$ 1.8 million for each percentage point of the covered population). Beyond 2022, the CA deficit would

[6] Stronger manufacturing production will be supported by ongoing imports substitution policies (expansion of cement and fertilizer factories) and food and beverage production increases, financed by special refinancing terms of the BRB to involved commercial banks.

[7] Prospects of successful implementation are very strong. Notably, several hydroelectric dam projects are currently in train with European, Chinese and IDP financing, while construction of a solar project financed by the World Bank began this year (estimated combined cost of around $600 million). Three of these projects are on track to be finalized and start production by 2022 and three others will be finalized during 2023–25, two of which involve the World Bank. Power line and road projects are being funded in partnership with the AfDB, valued at around $100m.

subsequently narrow as terms of trade improve slightly and imports decline. It would be financed mainly with donor inflows, which are conservative, accounting for Burundi's normalization of relations with the international community and limited implementation capacity, and private borrowing (trade credits).[8] FX reserves are projected at 2.1 months of imports in 2022 and would decrease afterwards partly owing to the import content of investment projects, in the absence of significant inflows.

11. The main changes compared to the 2021 DSA are as follows (Box 1 and Text Table 5):

- **Real sector.** Real GDP growth has been revised downward for 2022 and 2023 (0.9 and 0.6 percentage points respectively) as the negative impact of the war in Ukraine on prices and global demand offset the positive impact of the SDR allocation and the RCF loan, which are expected to support increase in public investment and alleviate FX access limitations, and hence boost economic growth in the secondary sector, especially through the construction of public infrastructure.

Text Table 5. Burundi: Selected Macroeconomic Indicators, 2020–41

	Average 2020-25	Average 2026-41	2020	2021	2022	2023	2024	2025	2026	2027
Real GDP growth (percent)										
October 2021 DSA	3.3	4.1	-1.0	1.6	4.2	4.7	4.9	5.2	4.8	4.6
Current DSA	3.5	4.1	0.3	3.1	3.3	4.1	4.9	5.1	4.8	4.6
Primary fiscal balance (percent of GDP) 1/										
October 2021 DSA	-1.7	1.2	-3.2	-4.3	-4.3	-1.1	0.1	0.2	0.3	0.4
Current DSA	-2.4	-0.3	-3.1	-5.0	-1.8	-4.1	-3.0	-0.6	0.4	0.5
Non-interest current account balance (in percent of GDP)										
October 2021 DSA	-17.8	-19.7	-10.2	-17.0	-22.6	-19.4	-19.1	-18.7	-18.9	-19.1
Current DSA	-12.6	-8.6	-10.0	-13.3	-14.1	-13.8	-13.1	-11.0	-10.3	-9.7
Exports growth (percent)										
October 2021 DSA	6.5	7.6	-15.9	16.9	9.9	8.8	9.2	9.9	6.4	6.6
Current DSA	10.2	7.0	-15.9	-10.8	71.2	0.4	5.2	11.4	5.9	6.1
Imports growth (percent)										
October 2021 DSA	11.6	6.2	2.7	33.1	16.9	5.2	5.6	5.9	6.5	6.3
Current DSA	8.7	5.2	2.7	14.1	24.5	5.3	4.3	0.9	3.7	4.0

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 remain broadly in line with projections during the 2021 DSA. Project grants are higher in the medium term mainly because of the inclusion in fiscal tables of vaccine grants in FY2022 and project grants from the US and EU starting in FY2023. Project grants from the World Bank have been increased in 2022–23 but reduced starting in 2024. Starting in 2028, the DSA assumes World Bank financing to Burundi on concessional credit terms (loans) rather than grants, which reduces overall grants significantly compared to projections during the

[8] In principle, the authorities compile trade credit data from enterprises, customs, and commercial banks surveys. However, in the absence of such surveys for several years, the authorities have been estimating trade credits. They have also requested CD support in this area.

2021 DSA. Current spending is slightly higher in the medium term mainly because of higher interest payments. Public investment is higher mainly because of the inclusion of project grants from the US and EU and higher domestically-financed investment in FY2022–25. As a result, the path of the projected fiscal deficit worsened compared to projections at the time of the RCF, especially in FY2023 and in FY2024, when higher (domestic) investment is supported by the SDR allocation and the RCF loan. Beyond FY2024, the worsening of the deficit is mainly due to higher interest payments and higher investment as well as lower grants (starting in 2028). The path of the fiscal adjustment is weaker than the one envisaged in the 2021 DSA because of higher investment, interest payments and lower grants starting in 2028. The expected fiscal adjustment and supporting reforms are expected to raise the primary fiscal balance from an annual average of -2.4 percent of GDP during 2020–25 to an annual average of -0.3 percent of GDP during 2026–41. The baseline assumes significant fiscal adjustment starting in FY2025 as spending pressures related to COVID-19 subside, the ambitious investment program of FY2022–24 is completed, revenue collection moderately improves owing to stronger growth, widening of the tax base and administrative measures (better enforcement and computerization), budget support increase, and subsidies remain contained to provide room for domestically-financed public investment (Text Table 6).

Text Table 6. Burundi: Decomposition of Fiscal Adjustment

	2020/21 Est.	2021/22 Proj.	2022/23 Proj.	2023/24 Proj.	2024/25 Proj.	2025/26 Proj.	2026/27 Proj.	2027/28 Proj.	2028/29 Proj.	2029/30 Proj.	2030/31 Proj.	2031/32 Proj.	2032/33 Proj.	2033/34 Proj.	2034/35 Proj.	2035/36 Proj.	2036/37 Proj.	2037/38 Proj.	2038/39 Proj.	2039/40 Proj.	2040/41 Proj.	2041/42 Proj.
Revenue and grants	1.0	0.6	5.5	-0.4	-1.2	-0.2	-0.3	-2.0	-1.9	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax revenue	0.6	0.1	0.7	-0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Taxes on income, profits, and capital gains	-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	0.0	0.0	0.0	0.0	0.0
Taxes on goods & services	0.2	0.2	0.3	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
Taxes on international trade & transactions	0.5	-0.2	0.4	-0.2	0.0	0.0	0.0	-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
Other revenue [1]	0.1	0.2	-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	0.4	0.3	4.8	-0.3	-1.3	-0.3	-0.4	-2.0	-1.9	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Program grants	0.0	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	-0.1	0.3	5.2	-0.8	-1.3	-0.3	-0.3	-2.0	-1.8	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other grants and transfers [2]	0.5	0.0	-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	0.0	0.0	0.0	0.0
Total expenditure	2.9	-2.2	7.9	-1.7	-3.7	-1.3	-0.5	-1.0	-1.0	-0.6	-0.5	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Expense	2.9	-3.7	0.2	-0.5	-0.7	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Compensation of employees	-0.2	-0.5	0.2	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	0.0	0.0
Purchases/use of goods & services	-0.3	-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	0.0	0.0
Subsidies and Social benefits	1.7	-1.8	-0.2	-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
Interest	0.0	0.3	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Of which: Domestic	0.0	0.3	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Other expense	1.8	-1.1	0.0	-0.6	-0.6	-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
Of which: Domestically financed	1.6	-0.9	0.0	-0.6	-0.6	-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
Of which: Covid spending	1.1	0.4	-0.8	-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	0.0
Net acquisition of nonfinancial assets	0.0	1.5	7.7	-1.2	-3.0	-1.1	-0.4	-0.8	-0.9	-0.5	-0.4	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1
Of which: Domestically financed	0.7	0.8	2.6	-0.5	-1.9	-0.8	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 lending (+) / borrowing (-)	-1.8	2.9	-2.4	1.3	2.5	1.1	0.2	-1.0	-0.9	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3

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

[1] Sale of fixed capital assets included in nontax revenue rather than under expenditure.

[2] Includes the grant for the IMF debt service falling due from October 16, 2021 to April 13, 2022, which is subject to the availability of resources under the CCRT.

- **External sector**. The path of the non-interest current account balance in the current DSA is more favorable than in the 2021 DSA with lower deficits mainly due to downward revisions in projections of imports of goods and services to more realistic levels starting in 2022. The path of export growth was negatively affected in 2020 and 2021 by the COVID-19 pandemic and regulatory changes in key exports markets to enforce repatriation of exports proceeds. Export growth is expected to recover in 2022 and remain strong in the medium and long term mainly owing to a projected good performance of traditional exports (coffee and tea) and mining expansion, especially gold.

12. Domestic borrowing is projected to finance most of the declining fiscal deficit going forward, though net external borrowing would remain and substantially increase starting in 2028. Significant external disbursements, including from the IMF, have financed COVID-related spending and the economic recovery. As the pandemic wanes and the large investment program of FY2022–24 is completed, fiscal consolidation is expected to reduce financing needs—fiscal deficits would gradually decline and limit the impact of domestic borrowing on private investment and macroeconomic stability. Multilateral and regional lenders accounted for most external borrowing in 2021 (82.4 percent) mainly because of the RCF loan from the IMF. Their share is projected to fall to around 51–57 percent during 2022–27 before rising to about 90 percent starting in 2028 when the DSA assumes World Bank financing on credit terms. 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.[9] 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. As a result, in the medium term, domestic sources are projected to finance almost all of the fiscal deficit and deposit accumulation until FY2027. Starting with FY2028, net external borrowing picks up, and the contribution of domestic financing of the fiscal deficit declines from about 68 percent to about 51 percent by FY2032. In the longer term, an improving fiscal balance would reduce financing needs and the need for domestic 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 8.5 percent.

Box 1. Medium-to-Long Term Macroeconomic Forecasts

Growth is expected to peak at around 5.1 percent in the medium-term as delayed growth-enhancing projects are implemented, before settling at around 4 percent in the long-term. Growth would increase to 3.3 percent in 2022 (3.1 percent in 2021), slightly dampened by the effects of the war in Ukraine, and increase to around 5.1 percent by 2025 as sectors targeted under the *National Development Plan 2018–2027* (NDP) benefit from additional investment, more skilled labor, and favorable business conditions, partly stemming from the implementation of reforms envisaged in the NDP, which aims to address key weaknesses through export diversification, infrastructure development, improved access to social safety nets and public services, and better governance. Growth would progressively stabilize around 4 percent over the medium term, supported by relatively stable terms of trade,[1] higher production in agriculture, mining and services sectors, and capital projects. 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.

Inflation is projected to decline. Inflation is projected to rise to 11 percent in 2022, pushed by increased prices of imported food and fuel, reflecting the effects of the war in Ukraine on the global economy. It is however

[9] 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).

expected to remain contained, as price regulations and FX allocation policy limit imported inflation. Annual inflation is expected to be around 4 percent in the medium term. Inflation 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. Tax revenue is expected to gradually rise from 16.7 percent of GDP in FY2020/21 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 2022–27 (about 8 percent of GDP per year on average) from a level of 4.7 percent of GDP in FY2020/21. Grants are projected to fall to about 2 percent of GDP in the long term as the DSA assumes World Bank financing on credit terms from 2028. Current spending is projected to drop significantly from 23.2 percent of GDP in FY2020/21 to about 16.6 percent of GDP in the long term. This reflects efforts to contain subsidies and transfers and unwinding of the COVID-related spending. Capital spending would reflect the decline in foreign project support, decreasing from about 8 percent of GDP in FY2020/21 to about 6 percent of GDP in the long term.[2] As a result, the fiscal balance will improve from a deficit of about 7.8 percent of GDP in FY2020/21 to smaller deficit of 3.2 percent of GDP in 2031/32 and further improve in the much longer term. Public debt would peak in 2023 at 67.7 percent of GDP and start declining thereafter.[3]

The current account deficit would remain large as the slightly improved exports are offset by large imports and declining transfers. Stronger exports and a large import bill would maintain the trade deficit high, despite declining from 21.6 percent of GDP in 2021 to about 12.5 percent of GDP in the long term. The balance in services will slightly improve in the medium term because of lower outlays on freight. The balance on the income account would remain insignificant. Transfers would decline from 14.1 percent of GDP in 2021 to about 7 percent of GDP in the long term. As a result, the current account deficit will remain large, despite declining from 13.4 percent of GDP in 2021 to about 8 percent of GDP in the long term. It will be financed mainly with project grants, which will average about 8 percent of GDP per year in the medium term and about 2 percent of GDP per year in the long term, and public and private sector borrowing, including trade credits, which would average about 4.5 percent of GDP per year during 2022–42.

[1] Manufacturing production will be boosted by ongoing imports substitution policies (expansion of cement and fertilizer factories) and food and beverage production increases. The expansion will be financed by strong private sector credit, supported by the BRB's special refinancing measures and newly created banks.

[2] The baseline assumes that the central bank will advance to the government the equivalent of half of the SDR allocation in FY2023 (2.8 percent of GDP) to boost public investment and the remainder of the SDR allocation in 2024 (about 3 percent of GDP). 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 6 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 (26.2 percent of Burundi 2022 GDP) railway to connect the two nations and boost trade. Staff assumed that the Burundi government will spend BIF 200 billion (2.5 percent of GDP) in FY2023 and BIF 100 billion (1.1 percent of GDP) in FY2024 on this project. The DSA does not assume further financing from Burundi tied to this project.

13. Realism tools highlight the sensitivity of external debt to the current account deficit, which is mainly due to weak exports (Figure 3). The projected path of the external debt indicators in this DSA is broadly similar to the ones in the 2021 DSA. Burundi's large current account deficits have been financed mainly by project grants, public sector borrowing, and private non-FDI inflows, largely trade credits.[10] FDI inflows have been modest. Even though the current account deficit is projected to remain large, its

[10] The large residuals for external debt in Table 1 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.

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.

14. 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 this DSA is broadly similar to the one in the 2021 DSA, though the path of public external debt somewhat worsens starting in 2028 as this DSA assumes World Bank financing on credit terms from 2028 onward. The 2021 DSA projected public debt to decline to 38.6 percent of GDP by end-2032 after peaking to 70.8 percent of GDP at end-2021. Going forward, debt relative to GDP is expected to peak at end 2023 and start on a gradual downward path, reaching 49.9 percent of GDP by end-2032, with contributions from lower fiscal deficits and GDP growth over the next five years being more favorable than in recent years.

15. 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 normal range for low-income countries. The fiscal adjustment over this period reflects in part the anticipated winding down of COVID-related spending and the scaling up of public investment.

- **Consistency between fiscal adjustment and growth** (Figure 4 top right chart). The tool is not well suited to take account of the impact of the pandemic on growth. Nonetheless, it suggests that the projected growth impact of public spending in the near-to-medium term is consistent with realistic fiscal multipliers

- **Consistency between public investment and growth** (Figure 4 bottom charts). The increase in public investment will clearly support projected growth, slightly more than in the 2021 DSA. Other factors, including private investment will have a positive contribution to projected growth, though much lower than the contribution observed in the 2021 DSA

16. Both upside and downside risks to the outlook are significant: on the upside, growth could get a bigger boost from the recently announced mining sector developments and emergency grants, as well as donor support reaching its full post-reengagement potential; on the downside, external and domestic risks could dampen growth and exacerbate external imbalances.

- **Upside risks.** Recently announced donor support and foreign direct investment in the mining sector would significantly strengthen the BOP and support growth.[11] Higher yield of recent revenue measures (Text Table 7) would increase fiscal space and may improve debt dynamics. There could potentially be a larger external financing from the international community (not built into the baseline), reflecting the recent lifting of U.S. and E.U. sanctions and the full effect of the

[11] These include recently announced in-kind grants from Japan (fuel) and Russia (fuel, fertilizers, medicines, and health equipment), and an equity disbursement from a mining contract signed on March 29, 2022 for a nickel exploitation project. Press reports noted that the contract includes an equity deposit of US$500 million, which has not yet been made.

reengagement with the international community.[12] The 2022 Article IV Consultation could help boost donor confidence and catalyze this support. Disbursements of grants and project loans could be larger than current staff projections, especially for the AfDB (Text Table 8) if project implementation accelerates after the pandemic. 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[13] and other reforms to support a structural change of the economy and enhance competitiveness would improve the outlook.

Text Table 7. Burundi: Revenue Measures Implemented with 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

[12] 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 8 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 (0.5 percent of GDP) starting in FY2024. Projected project grants are assumed to come mainly from the World Bank (until 2027), AfDB, EU and US.

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

Text Table 8. Burundi: Staff Projections on Disbursements vs. Potential Disbursements, 2022–32 1/

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Loans (Projects)											
Projected disbursements (staff)	1.0	0.9	0.8	0.7	0.7	0.6	3.0	2.6	2.4	2.2	2.1
Potential disbursements (Authorities)	2.2	1.5	1.0	0.1	-	-	-	-	-	-	-
Multilateral	0.8	0.3	0.1	0.1	-	-	-	-	-	-	-
Of which: IMF	-	-	-	-	-	-	-	-	-	-	-
Of which: IDA	-	-	-	-	-	-	2.4	2.1	1.8	1.7	1.6
Of which: AfDB	-	-	-	-	-	-	-	-	-	-	-
Of which: Others	0.8	0.3	0.1	0.1	-	-	-	-	-	-	-
BADEA	0.5	0.1	-	-	-	-	-	-	-	-	-
OPEC Fund	0.3	0.2	0.1	0.1	-	-	-	-	-	-	-
Bilateral	1.5	1.2	0.9	-	-	-	-	-	-	-	-
Paris Club	-	-	-	-	-	-	-	-	-	-	-
Non Paris Club	1.5	1.2	0.9	-	-	-	-	-	-	-	-
India	0.9	0.8	0.7	-	-	-	-	-	-	-	-
EXIM Bank of Indian(EBI)	0.9	0.8	0.7	-	-	-	-	-	-	-	-
Saudi Arabia	0.5	0.3	0.2	-	-	-	-	-	-	-	-
Fonds Saoudien	0.5	0.3	0.2	-	-	-	-	-	-	-	-
Koweit	0.1	0.0	-	-	-	-	-	-	-	-	-
Fonds Koweitien	0.1	0.0	-	-	-	-	-	-	-	-	-
Grants (Projects)											
Projected disbursements (staff)	10.2	10.6	8.3	8.0	7.8	7.3	3.9	3.6	3.4	3.3	3.2
Of which: IDA	6.4	6.3	3.9	3.7	3.6	2.9	-	-	-	-	-
Of which: AfDB	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Of which: IMF *(CCRT grants)*	0.1	-	-	-	-	-	-	-	-	-	-
Of which: Others (incl. US and EU)	2.8	3.4	3.6	3.5	3.4	3.6	3.1	2.8	2.6	2.5	2.4
Memorandum items:											
GDP at current market prices											
In billions of Burundi Francs	7416.0	8305.0	9316.2	10457.3	11620.3	12867.6	14215.1	15675.0	17249.2	19002.8	20918.7
In billions of US$	3.6	4.0	4.3	4.7	5.1	5.5	5.9	6.3	6.7	7.2	7.7

Source. Authorities and IMF staff projections

1/ Potential disbursements are based on discussions between staff and the authorities and development partners. Staff projections are based on the absorption capacity.

- **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 modest 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 the end of the pandemic and possible stronger and longer spillovers from the war in Ukraine, as well as natural disasters potentially leading to higher domestic inflation; a deterioration of the political and security situation (spillovers from the war in Ukraine and domestic risks); rising energy and food prices and borrowing costs following accommodative monetary policies unwinding by major central banks; and weak global demand and investor confidence owing to outbreaks of COVID-19 variants.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

17. Burundi's debt-carrying capacity is classified as weak just as in the 2021 DSA. The country's composite indicator (CI) is 2.06, based on the April 2022 WEO data and 2020 CPIA scores (Text Table 9). Under weak debt carrying capacity, the thresholds applicable to the public and publicly 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 2.06	Weak 2.23	Weak 1.95

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.

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

18. Stress tests use standard settings, except the contingent liabilities and exchange rate depreciation stress tests. Both bound tests and tailored tests on commodity prices use the default settings. The contingent liabilities stress test accounts for a recent loan contracted by the central bank that the government guarantees but that will still be serviced by the central bank itself and potential domestic arears accumulated since 2018 (para. 2). The exchange rate stress test assumes a real depreciation of 70 percent in 2023 to close the real exchange rate overvaluation.

DEBT SUSTAINABILITY

EXTERNAL DEBT SUSTAINABILITY: SIGNALS FROM THE MODEL

19. Burundi's risk of external debt distress is high. One indicator breaches its respective threshold under the baseline, suggesting that Burundi is at high risk of external debt distress. The PV of external debt to GDP is relatively low and remains under its threshold under the baseline and shock scenario. The ratio of external debt service-to-exports breaches its threshold in 2027–29 when repayment of the 2021 RCF loan starts. It drops below the threshold starting in 2030.

20. The stress tests suggest that Burundi's external debt sustainability is particularly vulnerable to shocks to exports and non-debt flows, including transfers and FDI, and the exchange rate.[14] A shock to exports would result in large and protracted breaches of the thresholds for two debt burden ratios. A large one-time depreciation of the exchange rate commensurate to the parallel exchange rate premium would sharply increase the ratio of the PV of external debt to GDP in the near term, which

[14] 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.

would nonetheless remain below its sustainability threshold. In the longer term, this ratio would improve substantially.

PUBLIC DEBT SUSTAINABILITY: SIGNALS FROM THE MODEL

21. 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.[15] The breach narrows in the forecast but remains above the threshold throughout the projection horizon. The decline in the PV of public debt to GDP below the 35 percent benchmark after 2032 is predicated on sustained growth and fiscal consolidation assumed in the baseline.

22. The stress tests suggest that Burundi's public debt sustainability is particularly vulnerable to shocks to the exchange rate, commodity prices and GDP growth. A standard shock to commodity prices or growth, or a large shock to the exchange rate (commensurate to the parallel exchange rate premium) would leave the PV of public debt-to-GDP ratio well above the benchmark for a significant portion of the projection horizon and even beyond this horizon for the shock on growth or commodity prices. A large shock to the exchange rate (commensurate to the parallel exchange rate premium) would sharply increase this ratio in the near term. In the longer term, this ratio would improve substantially, reaching the threshold of 35 percent by 2032.

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

CONCLUSION: RISK RATING AND VULNERABILITIES

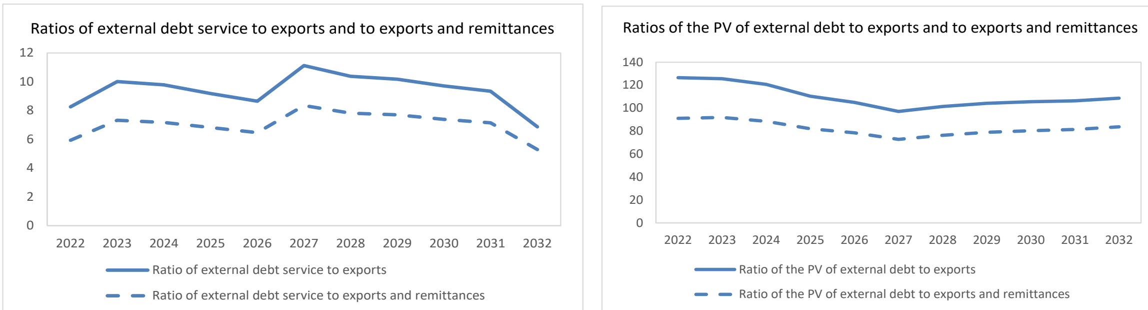
24. This DSA finds that Burundi is at high risk of external and overall debt distress. This finding results from mechanical risk signals on external and overall public debt burden indicators, and staff sees no reason to override these signals using judgment. The most important vulnerabilities to the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

25. Staff assesses Burundi's debt as sustainable based on the authorities' commitment to re-engagement with the international community, 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. Although the overall debt service to revenue ratio and gross financing needs remain high in the near term, given the large share of domestic debt, roll-over risks are limited. Given the country's good track record in servicing its 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 (Text Figure 2).

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

Prospects of a more ambitious reform agenda, notably in relaxing FX access limitations will also help alleviate key growth bottlenecks and improve the debt to GDP path

Figure 2. Burundi: Rations of External Debt Service and PV of External Debt to Exports and to Exports Remittances
(In percent)



Sources: Country authorities; and staff estimates and projections.

26. Staff's assessment of debt sustainability is subject to significant risks, including from domestic policies and the external environment. In addition to risks to the baseline outlook (para. 16), existing domestic and external imbalances including the large parallel ER market premium further heighten risks to debt sustainability. A longer muddle-through exchange rate policy stance, which could lead to increased parallel ER market premium, would amplify these existing imbalances. 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 war in Ukraine would also heighten debt vulnerabilities. Burundi's debt is vulnerable, especially to shocks to exports, non-debt flows, growth, commodity prices and the exchange rate. 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.

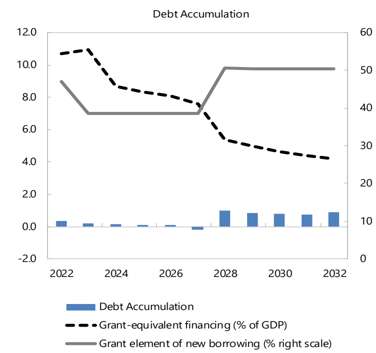
AUTHORITIES' VIEWS

27. The authorities reiterated their commitment to maintaining macroeconomic stability, including external and debt sustainability. To improve FX market functioning and the management of exchange rate policy, the authorities have engaged in capacity building activities to determine the equilibrium exchange rate, accounting for the gap between the official ER and the parallel ER market. The authorities appreciated the ongoing discussions, anchored on (i) cross-country experiences on ER unification and reforms; (ii) options of ER regimes, MP framework, and MP instruments to be adopted as part of this reform, as well as potential socio-economic implications; and (iii) the coordination framework between fiscal and monetary policies. The authorities stressed their commitment to agree with staff on a policy reform roadmap, which will guide their actions in implementing the ER reform in the medium term, while accounting for the specificities of Burundi's economy as well as the economic and socio-political implications of the reform.

Table 1. Burundi: External Debt Sustainability Framework, Baseline Scenario, 2019–42

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	18.3	17.7	20.2	18.9	17.5	16.2	14.9	13.8	12.6	16.7	15.6	19.3	15.6
of which: public and publicly guaranteed (PPG)	18.3	17.7	20.2	18.9	17.5	16.2	14.9	13.8	12.6	16.7	15.6	19.3	15.6
Change in external debt	1.1	-0.6	2.5	-1.3	-1.4	-1.4	-1.3	-1.0	-1.2	0.6	-0.5		
Identified net debt-creating flows	11.7	9.5	11.8	13.5	13.1	12.3	10.1	9.5	9.1	8.0	6.9	11.3	9.9
Non-interest current account deficit	11.5	10.0	13.3	14.1	13.8	13.1	11.0	10.3	9.7	8.7	7.6	13.4	10.6
Deficit in balance of goods and services	23.8	24.3	28.0	28.7	28.1	26.7	24.0	22.8	21.9	19.2	15.5	25.4	23.0
Exports	9.9	8.8	7.5	10.5	9.8	9.5	9.6	9.5	9.4	9.2	9.3		
Imports	33.7	33.1	35.5	39.2	37.9	36.3	33.6	32.3	31.2	28.3	24.8		
Net current transfers (negative = inflow)	-11.9	-13.5	-14.1	-14.0	-13.7	-13.1	-12.5	-12.1	-11.7	-10.2	-7.8	-11.7	-11.9
of which: official	0.0	0.0	0.0	0.0	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5		
Other current account flows (negative = net inflow)	-0.4	-0.7	-0.6	-0.6	-0.6	-0.5	-0.5	-0.4	-0.4	-0.3	0.0	-0.2	-0.4
Net FDI (negative = inflow)	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-1.5	-0.2
Endogenous debt dynamics 2/	0.2	-0.3	-1.2	-0.4	-0.5	-0.6	-0.6	-0.5	-0.4	-0.4	-0.5		
Contribution from nominal interest rate	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1		
Contribution from real GDP growth	-0.3	-0.1	-0.5	-0.6	-0.7	-0.8	-0.8	-0.7	-0.6	-0.6	-0.6		
Contribution from price and exchange rate changes	0.5	-0.4	-0.9	...	...	...	...	...	...	...	...		
Residual 3/	-10.6	-10.1	-9.3	-14.8	-14.5	-13.6	-11.4	-10.6	-10.3	-7.4	-7.4	-11.8	-10.3
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	...	...		13.3	12.4	11.5	10.6	10.0	9.1	10.0	9.2		
PV of PPG external debt-to-exports ratio	...	...	188.9	126.6	125.7	120.7	110.3	105.0	97.0	108.7	98.7		
PPG debt service-to-exports ratio	8.7	8.5	8.2	8.3	10.0	9.8	9.2	8.7	11.1	6.9	6.7		
PPG debt service-to-revenue ratio	4.9	4.1	3.2	4.4	5.1	4.8	4.5	4.2	5.3	3.2	3.1		
Gross external financing need (Million of U.S. dollars)	371.0	325.4	456.9	537.9	577.3	595.9	545.8	550.4	574.8	693.1	1201.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	1.8	0.3	3.1	3.3	4.1	4.9	5.1	4.8	4.6	4.0	4.0	1.7	4.3
GDP deflator in US dollar terms (change in percent)	-2.6	2.1	5.3	5.3	4.5	3.9	3.7	3.0	2.8	2.7	2.9	2.7	3.4
Effective interest rate (percent) 4/	0.6	1.0	1.0	1.2	1.2	1.3	1.3	1.3	1.3	1.1	0.9	0.7	1.2
Growth of exports of G&S (US dollar terms, in percent)	-0.5	-9.2	-7.9	52.8	2.1	5.4	10.4	6.1	6.1	6.9	7.3	1.9	10.5
Growth of imports of G&S (US dollar terms, in percent)	12.3	0.5	16.3	20.2	5.2	4.2	1.0	3.6	3.9	5.4	5.8	2.6	5.7
Grant element of new public sector borrowing (in percent)	...	...	...	47.0	38.6	38.6	38.6	38.6	38.6	50.3	50.3	...	44.7
Government revenues (excluding grants, in percent of GDP)	17.8	18.2	18.9	19.5	19.4	19.5	19.5	19.6	19.6	19.7	20.4	15.5	19.6
Aid flows (in Million of US dollars) 5/	529.9	506.5	636.6	387.3	427.7	366.8	385.0	403.8	407.1	371.0	464.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	10.7	11.0	8.7	8.3	8.1	7.6	4.2	2.8	...	7.1
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	95.3	95.3	94.6	94.8	95.0	95.1	80.4	84.1	...	88.0
Nominal GDP (Million of US dollars)	3,012	3,086	3,351	3,644	3,963	4,316	4,704	5,075	5,456	7,653	15,062		
Nominal dollar GDP growth	-0.8	2.5	8.6	8.8	8.7	8.9	9.0	7.9	7.5	6.9	7.1	4.3	7.8
Memorandum items:													
PV of external debt 7/	...	...	14.1	13.3	12.4	11.5	10.6	10.0	9.1	10.0	9.2		
In percent of exports	...	...	188.9	126.6	125.7	120.7	110.3	105.0	97.0	108.7	98.7		
Total external debt service-to-exports ratio	8.7	8.5	8.2	8.3	10.0	9.8	9.2	8.7	11.1	6.9	6.7		
PV of PPG external debt (in Million of US dollars)			472.3	483.4	490.1	495.9	500.5	505.4	495.4	762.5	1382.8		
(PVt-PVt-1)/GDPt-1 (in percent)				0.3	0.2	0.1	0.1	0.1	-0.2	0.9	0.4		
Non-interest current account deficit that stabilizes debt ratio	10.3	10.6	10.8	15.5	15.2	14.5	12.2	11.3	10.9	8.1	8.1		

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.

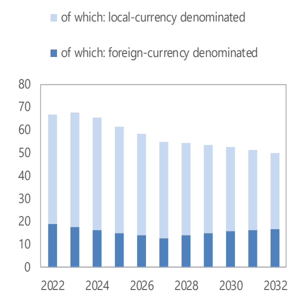
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

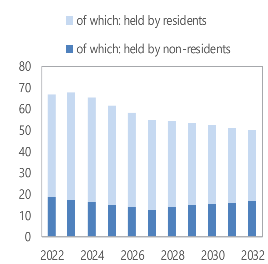
Table 2. Burundi: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–42
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	60.0	66.0	66.6	66.9	67.7	65.5	61.4	58.1	54.8	49.9	30.5	**46.2**	**57.8**
of which: external debt	18.3	17.7	20.2	18.9	17.5	16.2	14.9	13.8	12.6	16.7	15.6	**19.3**	**15.6**
Change in public sector debt	7.0	6.0	0.6	0.4	0.8	-2.3	-4.0	-3.3	-3.3	-1.2	-2.3		
Identified debt-creating flows	5.6	3.5	-2.4	0.6	1.3	-1.9	-3.8	-3.2	-2.9	-1.1	-2.2	**2.5**	**-1.2**
Primary deficit	4.1	3.6	1.3	4.0	4.4	1.5	-0.4	-0.5	-0.6	0.8	-0.9	**4.0**	**1.3**
Revenue and grants	22.4	22.3	23.6	29.7	30.0	27.8	27.6	27.4	27.0	22.9	22.6	**22.9**	**25.9**
of which: grants	4.6	4.2	4.7	10.2	10.6	8.3	8.0	7.8	7.3	3.2	2.2		
Primary (noninterest) expenditure	26.4	26.0	25.0	33.7	34.4	29.3	27.2	26.9	26.4	23.6	21.7	**26.9**	**27.2**
Automatic debt dynamics	1.5	-0.1	-3.8	-3.4	-3.2	-3.5	-3.4	-2.7	-2.3	-1.9	-1.3		
Contribution from interest rate/growth differential	0.6	0.1	-3.6	-3.4	-3.2	-3.5	-3.4	-2.7	-2.3	-1.9	-1.3		
of which: contribution from average real interest rate	1.6	0.3	-1.6	-1.3	-0.6	-0.3	-0.2	0.1	0.2	0.1	-0.1		
of which: contribution from real GDP growth	-1.0	-0.2	-2.0	-2.1	-2.6	-3.1	-3.2	-2.8	-2.5	-2.0	-1.3		
Contribution from real exchange rate depreciation	0.8	-0.2	-0.2	...	...	...	...	...	...	...	...		
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	1.5	2.4	3.0	-0.2	-0.4	-0.3	-0.3	-0.2	-0.4	-0.1	-0.1	**1.6**	**-0.3**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	60.6	61.5	62.8	60.9	57.3	54.4	51.4	43.3	24.1		
PV of public debt-to-revenue and grants ratio	...	...	256.5	207.1	209.0	219.3	208.1	198.4	190.6	189.5	106.9		
Debt service-to-revenue and grants ratio 3/	51.7	60.3	50.8	51.0	47.5	66.3	55.0	63.9	56.3	59.6	31.6		
Gross financing need 4/	15.6	17.1	13.4	19.1	18.7	20.0	14.8	17.0	14.6	14.4	6.3		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	1.8	0.3	3.1	3.3	4.1	4.9	5.1	4.8	4.6	4.0	4.0	**1.7**	**4.3**
Average nominal interest rate on external debt (in percent)	0.6	1.0	1.0	1.2	1.3	1.3	1.3	1.3	1.3	1.1	1.0	**0.7**	**1.2**
Average real interest rate on domestic debt (in percent)	5.1	0.8	-2.3	-0.8	-0.5	-0.3	-0.2	0.5	0.7	0.7	0.7	**-4.6**	**0.3**
Real exchange rate depreciation (in percent, + indicates depreciation)	5.1	-1.2	-1.1	...	...	...	...	...	...	...	...	**-1.0**	**...**
Inflation rate (GDP deflator, in percent)	0.8	6.0	8.5	8.6	7.6	7.0	6.8	6.1	5.9	5.8	6.0	**7.4**	**6.5**
Growth of real primary spending (deflated by GDP deflator, in percent)	10.3	-1.4	-0.8	39.2	6.4	-10.7	-2.5	3.7	2.5	2.9	3.4	**-2.9**	**4.3**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-3.0	-2.3	0.7	3.6	3.6	3.8	3.7	2.9	2.7	2.0	1.5	**-1.5**	**2.9**
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.

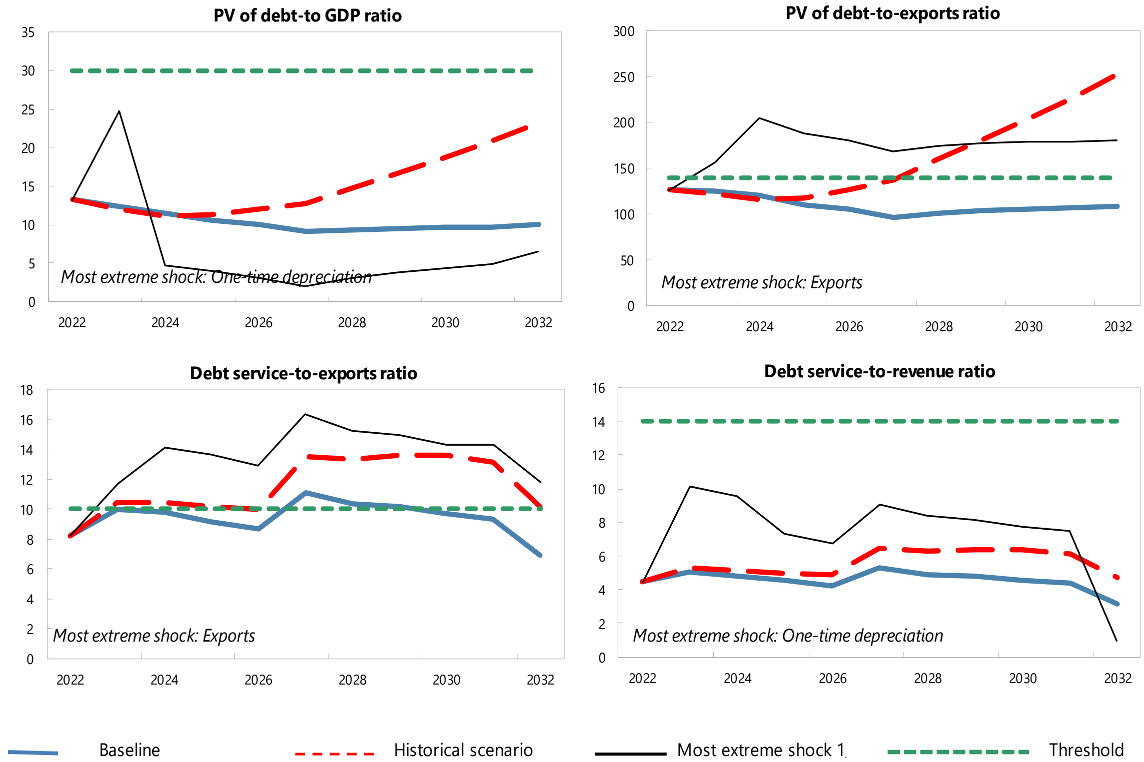
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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.

Figure 1. Burundi: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2022–32



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

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	1.2%	1.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	7	7

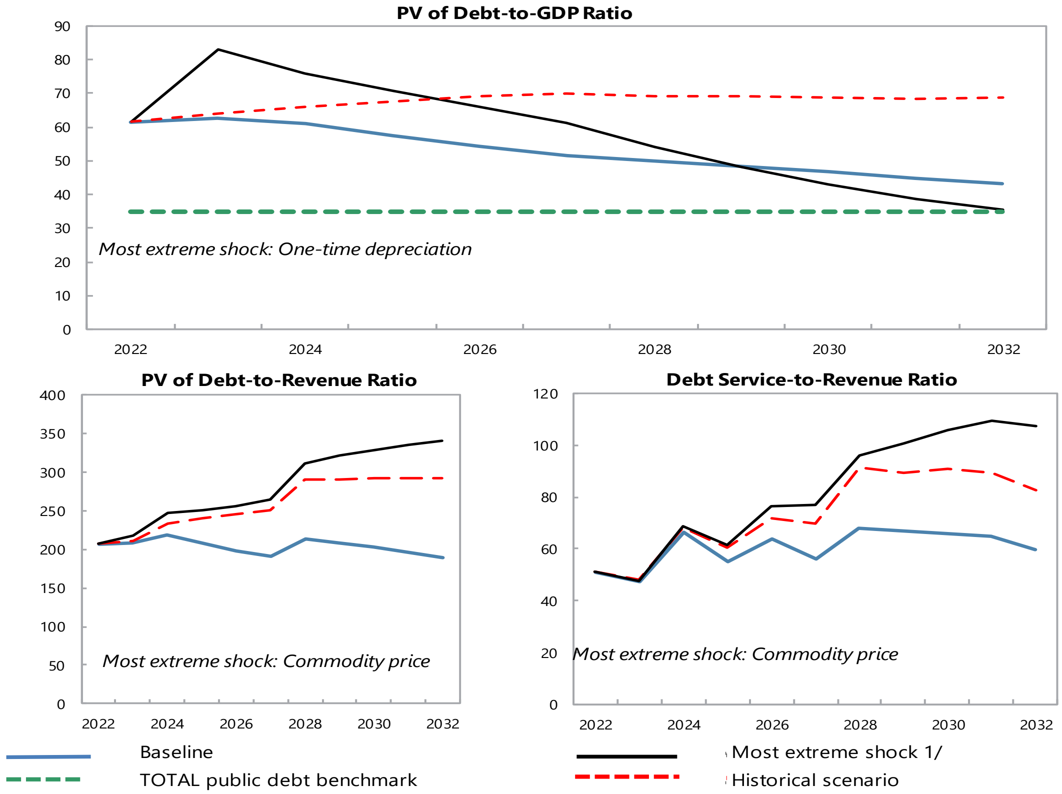
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2032. 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. Burundi: Indicators of Public Debt under Alternative Scenarios, 2022–32



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	9%	9%
Domestic medium and long-term	64%	64%
Domestic short-term	27%	27%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.2%	1.2%
Avg. maturity (incl. grace period)	29	29
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	-0.3%	-0.3%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	-1.5%	-1.5%

* 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 2032. 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.

Table 3. Burundi: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–32
(In Percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of debt-to GDP ratio											
Baseline	13	12	11	11	10	9	9	10	10	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	13	12	11	11	12	13	15	17	19	21	23
B. Bound Tests											
B1. Real GDP growth	13	13	14	13	12	11	11	11	12	12	12
B2. Primary balance	13	12	12	11	10	9	10	10	10	10	10
B3. Exports	13	13	14	13	12	11	12	12	12	12	12
B4. Other flows 3/	13	16	19	18	17	16	16	16	16	16	15
B5. Depreciation	13	25	5	4	3	2	3	4	4	5	7
B6. Combination of B1-B5	13	19	18	16	15	14	15	15	15	15	15
C. Tailored Tests											
C1. Combined contingent liabilities	13	13	12	11	11	10	11	11	11	11	12
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	13	12	11	11	10	9	9	10	10	10	10
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	127	126	121	110	105	97	101	104	106	106	109
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	127	122	116	118	127	137	**159**	**182**	**204**	**227**	**252**
B. Bound Tests											
B1. Real GDP growth	127	126	121	110	105	97	101	104	106	106	109
B2. Primary balance	127	127	123	113	108	101	106	109	111	112	114
B3. Exports	127	**157**	**206**	**189**	**181**	**169**	**174**	**178**	**179**	**179**	**180**
B4. Other flows 3/	127	**167**	**202**	**187**	**180**	**171**	**174**	**175**	**175**	**172**	**169**
B5. Depreciation	127	126	25	20	17	10	16	21	24	27	36
B6. Combination of B1-B5	127	**178**	**147**	**162**	**155**	**145**	**150**	**153**	**154**	**152**	**153**
C. Tailored Tests											
C1. Combined contingent liabilities	127	132	128	118	116	109	114	119	121	123	126
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	127	126	121	110	105	97	101	104	106	106	109
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	8	**10**	10	9	9	**11**	**10**	**10**	10	9	7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	8	**10**	**10**	**10**	**10**	**14**	**13**	**14**	**14**	**13**	**10**
B. Bound Tests											
B1. Real GDP growth	8	**10**	10	9	9	**11**	**10**	**10**	10	9	7
B2. Primary balance	8	**10**	10	9	9	**11**	**10**	**10**	10	9	7
B3. Exports	8	**12**	**14**	**14**	**13**	**16**	**15**	**15**	**14**	**14**	**12**
B4. Other flows 3/	8	**10**	**11**	**11**	**10**	**12**	**12**	**11**	**11**	**12**	**12**
B5. Depreciation	8	**10**	10	7	7	9	9	9	8	8	1
B6. Combination of B1-B5	8	**11**	**13**	**12**	**11**	**14**	**13**	**13**	**12**	**14**	**10**
C. Tailored Tests											
C1. Combined contingent liabilities	8	**10**	10	9	9	**11**	**11**	**10**	10	10	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	8	**10**	10	9	9	**11**	**10**	**10**	10	9	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	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	4	5	5	5	4	5	5	5	5	4	3
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	4	5	5	5	5	6	6	6	6	6	5
B. Bound Tests											
B1. Real GDP growth	4	5	6	5	5	6	6	6	5	5	4
B2. Primary balance	4	5	5	5	4	5	5	5	5	4	3
B3. Exports	4	5	5	5	4	6	5	5	5	5	4
B4. Other flows 3/	4	5	5	5	5	6	6	5	5	6	5
B5. Depreciation	4	10	10	7	7	9	8	8	8	7	1
B6. Combination of B1-B5	4	6	7	6	6	7	6	6	6	7	5
C. Tailored Tests											
C1. Combined contingent liabilities	4	5	5	5	4	5	5	5	5	4	3
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	4	5	5	5	4	5	5	5	5	4	3
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

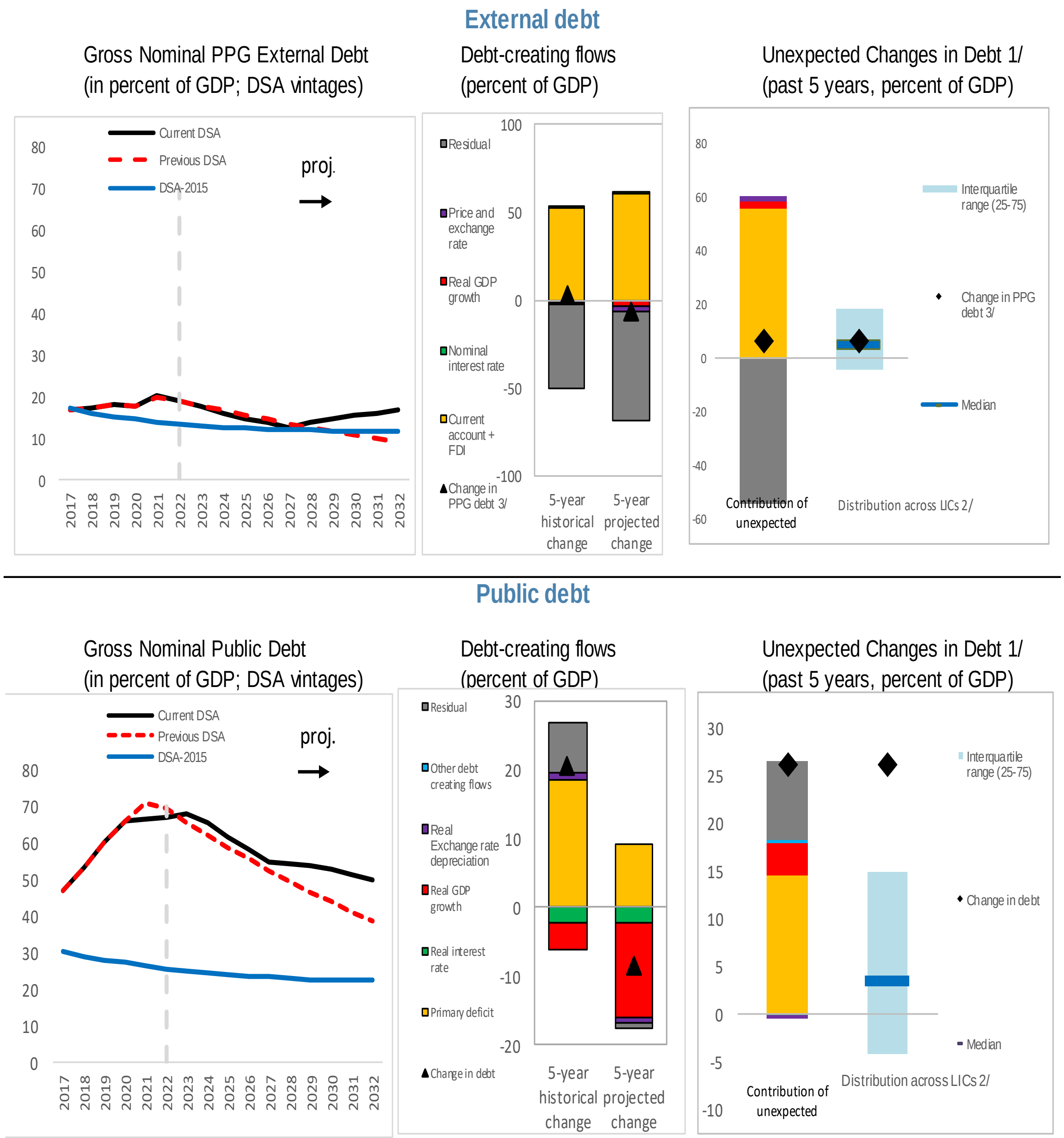
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private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

Table 4. Burundi: Sensitivity Analysis for Key Indicators of Public Debt, 2022–32
(In percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	PV of Debt-to-GDP Ratio										
Baseline	**61**	**63**	**61**	**57**	**54**	**51**	**50**	**48**	**47**	**45**	**43**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	**61**	**64**	**66**	**68**	**69**	**70**	**69**	**69**	**69**	**68**	**69**
B. Bound Tests											
B1. Real GDP growth	**61**	**69**	**77**	**76**	**76**	**75**	**76**	**77**	**77**	**77**	**78**
B2. Primary balance	**61**	**65**	**65**	**61**	**58**	**54**	**53**	**51**	**49**	**47**	**46**
B3. Exports	**61**	**64**	**63**	**60**	**57**	**53**	**52**	**50**	**49**	**47**	**45**
B4. Other flows 3/	**61**	**67**	**69**	**65**	**62**	**58**	**57**	**55**	**53**	**51**	**49**
B5. Depreciation	**61**	**83**	**76**	**71**	**66**	**61**	**54**	**48**	**43**	**38**	**35**
B6. Combination of B1-B5	**61**	**60**	**61**	**57**	**54**	**51**	**49**	**47**	**46**	**44**	**42**
C. Tailored Tests											
C1. Combined contingent liabilities	**61**	**73**	**71**	**67**	**63**	**60**	**58**	**56**	**54**	**51**	**50**
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	**61**	**65**	**68**	**69**	**70**	**71**	**73**	**74**	**76**	**77**	**78**
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	207	209	219	208	198	191	213	208	203	196	190
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	207	211	234	240	245	251	290	291	292	292	293
B. Bound Tests											
B1. Real GDP growth	207	225	264	263	263	265	315	321	326	329	331
B2. Primary balance	207	215	232	220	210	202	225	219	213	206	199
B3. Exports	207	212	228	216	206	198	222	217	211	204	197
B4. Other flows 3/	207	223	247	235	225	217	242	237	231	222	214
B5. Depreciation	207	294	288	270	253	239	239	213	191	172	159
B6. Combination of B1-B5	207	205	220	207	197	189	209	204	198	191	185
C. Tailored Tests											
C1. Combined contingent liabilities	207	244	255	242	230	221	246	240	233	224	217
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	207	218	247	251	257	264	311	321	329	335	340
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	51	47	66	55	64	56	68	67	66	65	60
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	51	48	68	60	72	70	91	90	91	89	83
B. Bound Tests											
B1. Real GDP growth	51	50	76	66	80	77	98	101	104	107	104
B2. Primary balance	51	47	68	58	68	62	72	71	70	69	63
B3. Exports	51	47	66	55	64	56	68	67	66	65	60
B4. Other flows 3/	51	47	67	56	64	57	68	67	66	66	62
B5. Depreciation	51	46	66	54	62	55	66	65	64	62	54
B6. Combination of B1-B5	51	46	65	55	63	57	67	66	65	64	59
C. Tailored Tests											
C1. Combined contingent liabilities	51	47	78	60	85	68	75	82	78	73	70
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	51	47	69	62	76	77	96	101	106	109	108
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.

Figure 3. Burundi: Drivers of Debt Dynamics – Baseline Scenario



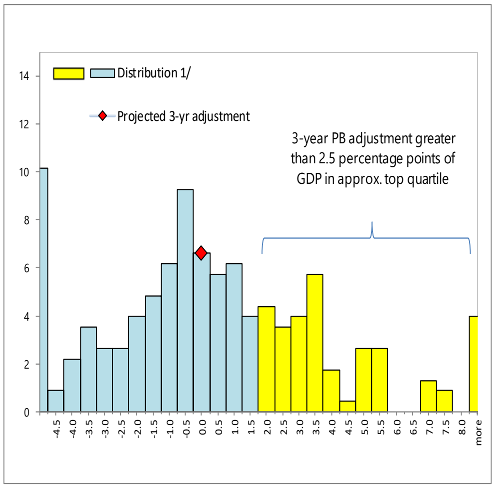
1/ Difference between anticipated and actual contributions on debt ratios.

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.

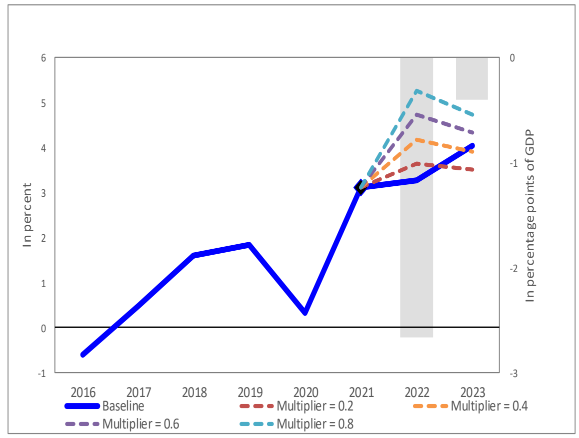
Figure 4. Burundi: Realism Tools

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



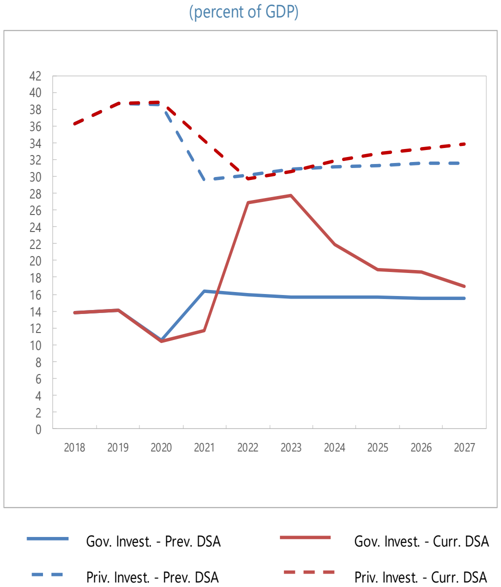
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)