

I. ECONOMIC ENVIRONMENT

(1) MAJOR FEATURES OF THE ECONOMY

1. The Republic of Burundi is a land-locked country in Central Africa covering an area of 27,834 km². The neighbouring countries are Rwanda to the north, the United Republic of Tanzania to the east, and the Democratic Republic of the Congo to the west. In 2000, its population was estimated to be 6.8 million, of which almost 91 per cent live in rural areas. The population of the capital, Bujumbura, is 604,000. Population density is 247 inh/km², the highest in Africa after Rwanda. Per capita GDP is US\$110, making Burundi one of the poorest least-developed countries in the world. Over two thirds of the population live below the poverty threshold and Burundi's development has been hampered by the political instability that has prevailed since 1993. It is estimated that between 1993 and 2000, Burundi's GDP fell by almost 30 per cent in real terms, around 250,000 people were killed and in all 1 million were displaced.¹ The majority of socio-economic indicators are notably lower than the average for sub-Saharan Africa (Table I.1) and the HIV/AIDS pandemic has also helped to lower standards of living.

Table I.1
Main socio-economic indicators

Area	27,834 km ²
Population	6.8 million
Annual population growth (1994-2000)	2.0%
UN human development index (1999)	0.31
Overall ranking	160/162
Category	Low human development
Ranking within category	35/37
Life expectancy at birth (1994-2000)	40.6 years
Urban share of population (1999)	9%
Nominal GDP at current market prices (1999)	US\$662 million
Per capita GDP (2000)	US\$110
Per capita GDP annual growth rate (1990-2000)	2.6%
Nominal GDP at current prices (2001)	FBu 550 billion
Mining and quarrying	1%
Agriculture, forestry and fishing	35.6%
Manufacturing	16.1%
Services	37.4%
Enrolment rate in education (1999)	51%
Infant mortality rate (1999)	105 per '000
Adult literacy (1999)	47%

Source: UNDP, *Human Development Report 2001*; World Bank (2002), *World Development Indicators*; IMF, Burundi, *Statistical Annex*.

2. Around 90 per cent of the labour force works in agriculture. The latter sector was responsible for the largest share of the GDP up to 2000, when it was overtaken by services, which now account for 37.5 per cent of the GDP against 35 per cent for agriculture and 16 per cent for manufactures. Burundi has a certain amount of mineral wealth, including nickel, vanadium, cassiterite, colombo-tantalite and gold. Its climate and the fertile soil give Burundi a comparative advantage in certain agricultural sectors. In the past, Burundi's geographical situation was used to advantage to make the country a trade hub in the subregion. This potential is under-exploited, mainly because of the chronic instability, which makes it difficult to implement policies to encourage development and means that

¹ At the time of drafting this report, the United Nations Office for the Coordination of Humanitarian Affairs had defined 300,000 people as displaced, the largest concentration in the world.

investment in Burundi is not very attractive to nationals or foreigners. A sizeable portion of the population depends on subsistence agriculture and the economy is based on the export of a few raw materials, including coffee and tea which, together, account for almost 95 per cent of exports.² This makes Burundi's economy especially vulnerable to external shocks such as climate variations or fluctuations in the prices of these products. The imposition of economic sanctions by countries in the region from 1996-1999 and the Government's implementation of a managed exchange policy up until 2002 incited the development of parallel trade whose scope is difficult to circumscribe.

3. The national currency is the Burundi Franc (FBu). Since August 2002, the Government has pursued a managed float policy for the FBu although it did not announce in advance the trend foreseen in the exchange rate.³ Burundi is a highly indebted poor country (HIPC) whose external debt amounted to US\$1.04 billion in 2001 compared with US\$1.2 billion in 1997. In 2001, Burundi's debt represented 158 per cent of its GDP and the current net value (CNV) of the debt was 1,061 per cent of the value of exports.⁴ Close to 85 per cent of Burundi's debt is multilateral, with the major creditors being the International Development Association (World Bank Group) and the African Development Fund administered by the African Development Bank. Credits held by members of the Paris Club account for almost 52 per cent of the bilateral debt, with the largest bilateral creditor being France, followed by Japan. Burundi has not yet reached any agreements with the members of the Paris Club on rescheduling its debt. Between 1997 and 2001, arrears in payment of the external debt increased sharply from US\$53.7 million to US\$115.7 million. The accumulation of arrears led the African Development Bank to suspend its Burundi operations in 2002. Consideration is currently being given to including Burundi in the Highly Indebted Poor Countries (HIPC) Initiative. Between 1994 and 2001, the level of external aid was around 2.4 per cent of the GDP on average, which reflects in part the withdrawal of bilateral donors following the imposition of economic sanctions.⁵

(2) RECENT ECONOMIC DEVELOPMENTS

4. After two years during which the GDP fell (down by one per cent in 1999 and 0.9 per cent in 2000), there was a slight recovery in economic growth in 2001 when the GDP rose by 2.1 per cent. Annual growth rates of 5-7 per cent will be needed to bring down the poverty level and counteract the impact of the prolonged economic downturn over the past decade. Burundi is faced by a number of external constraints, including its geographical situation, its agriculture's vulnerability to climate conditions and the impact of price fluctuations on commodity markets. The fall in coffee prices since 1999, has meant that there is only a low level of currency reserves (1.6 months of imports in 2001 compared with 3.3 in 1999 and over 6 months from 1994-1997 (Table I.2)), as well as a deterioration in the terms of trade amounting to over 40 per cent between 1999 and 2001.⁶

² Excluding the re-export of gold

³ International Monetary Fund (2002a).

⁴ By way of comparison, the figure at which it is considered that the ratio between the CNV of the debt and exports is unsustainable is 150 per cent.

⁵ International Monetary Fund (2002b).

⁶ Initial estimates for 2002 show an 8 per cent deterioration in the terms of trade.

Table I.2
Economic performance, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001
General								
GDP at current market prices (US\$ millions)	924.8	1,000.4	900.3	972.8	893.7	808.2	709.4	662.3
Nominal GDP (FBu billions)	233.7	249.9	272.6	342.8	400.2	455.5	511.1	550.0
Real GDP, price of factors (1980), FBu billions	107.9	100.4	96.0	96.3	100.2	100.0	98.2	100.6
Real GDP growth, annual percentage variation	-7.6	-6.9	-4.4	0.3	4.0	-0.2	-1.8	2.4
Inflation (consumer price index) , percentage	..	19.4	26.4	31.1	12.5	3.4	24.3	9.3
Burundi franc/US\$ exchange rate	252.7	249.8	302.8	352.4	447.8	563.6	720.5	830.4
Nominal effective exchange rate ^a (change)	..	-1.1	21.2	16.4	27.1	25.9	27.8	15.3
Interest rates								
	Percentage							
Savings deposits with commercial banks	8.0	8.0	8.1	8.0	8.0	7.7	8.2	8.3
12-month Treasury bills	12.0	12.0	12.0	12.0
Fixed-term deposits (up to 24 months)	12.5	12.1	8.6	8.5	8.5	9.4	11.0	11.6
Short-term credit	16.4	15.9	15.4	16.1	17.6	17.7	20.1	21.0
Medium-term credit	16.1	15.4	15.3	15.8	17.6	18.0	20.0	20.4
Long-term credit	14.6	15.0	15.0	14.5	15.4	15.9	16.5	17.1
Broad monetary growth	..	5.8	14.5	10.4	0.0	45.5	4.3	15.0
Government finance								
	Percentage of GDP							
Revenue (including grants)	20.5	21.3	17.8	16.8	18.1	18.7	22.3	21.7
Revenue (excluding grants)	18.0	17.7	15.5	13.6	17.1	16.2	19.2	20.0
Expenditure	24.2	25.9	27.5	21.8	23.2	25.3	24.3	26.9
Deficit (including grants)	-3.7	-4.6	-9.7	-5.0	-5.1	-6.6	-2.0	-5.2
Deficit (excluding grants)	-6.2	-8.2	-12.0	-8.2	-6.1	-9.1	-5.1	-6.9
Balance-of-payments								
	Percentage of GDP							
Trade balance	-9.9	-6.2	-6.6	-0.9	-6.7	-5.2	-8.3	-10.5
Current account (including grants)	-1.6	-0.4	-4.4	0.2	-6.6	-3.7	-7.1	-5.2
Capital account	6.4	0.6	-5.3	-3.4	0.4	-1.5	3.2	-1.9
Overall balance	4.8	0.1	-9.6	-3.6	-6.2	-4.6	-4.1	-4.9
External public debt								
Total (in US\$ millions)	1,108.8	1,183.4	1,173.4	1,079.0	1,118.6	1,101.6	1,077.3	1,046.1
In percentage of GDP	119.9	118.3	130.3	110.9	125.2	136.3	151.9	157.9
Multilateral	886.1	949.5	936.4	927.6	959.4	948.2	916.0	893.2
Bilateral	158.9	167.9	157.3	150.6	158.5	152.6	150.4	133.5
Debt servicing	11.1	14.1	13.4	13.2	13.9	11.1	11.8	10.2
External debt servicing/total exports (percentage)	13.8	12.5	33.1	15.1	21.7	20.2	24.0	26.0
International reserves								
Gross official reserves (in US\$ millions)	213.9	215.3	144.7	117.3	70.5	49.2	39.4	23.6
Net official reserves (months of imports covered)	7.5	15.1	9.6	6.3	3.4	3.3	2.5	1.6

.. Not available.

a A positive sign corresponds to a depreciation.

Source: IMF, *Statistical Annex*, October 2002; Bank of the Republic of Burundi, monthly bulletin, various issues.

5. At the domestic level, the major factor hindering development is political instability. The abandonment of agricultural land when people die or the population is forcibly displaced, the damage caused to the infrastructure, and the financial burden of military expenditure (around 25 to 30 per cent of the Government's total expenditure on average) mean that instability has economic costs in addition to its cost in human terms. Public investment has stagnated at around 6 per cent of the GDP. From 1997 to 2001, the share of military expenditure in the Government's overall expenditure was one and a half times higher than total expenditure on health and education combined. Instability also prevents private operators from making long-term plans and, together with under-developed financial services and the distortions resulting from the Government's economic policy (Chapters III(2)(iii), III(4)(ii)

and IV(5)(i)), help to keep private investment at a low level (2 to 3 per cent of GDP) and discourage foreign direct investment (section (3)(ii) below). Gross domestic savings are negative (less than 6 per cent of GDP), which could reflect a lack of confidence in the economy's future prospects.

6. One of the Government's priorities is to improve macroeconomic management, fiscal discipline in particular. The efforts made since 1996 have not led to a sustained reduction in the deficit despite the relatively high level of government revenue (around 20 per cent of the GDP). In 1999 and 2001, the deficit (excluding external grants) was 9.1 per cent and 6.9 per cent of GDP respectively, an increase of 3 points and 1.8 points compared with the preceding year. The deficits have mainly been financed through the accumulation of arrears in payment of the internal debt and an increase in the credit given to the Government (in 1991 and 2001, the central Government's position in respect of the banking sector deteriorated by 42 per cent and 70 per cent respectively). The focus of fiscal policy is to control Government spending. A system for the monthly control of spending has been put in place on the basis of the conclusions of an analysis conducted in 2000; government spending has been classified according to its function and economic character, and a double entry accounting system has been adopted. It is the Government's intention to establish a court of audit independent of the Legislative and the Executive. The Government also recognizes the need to exercise more control over the granting of custom duty exemptions and a law has been adopted forbidding ministries other than the Ministry of Finance from granting exemptions; special units responsible for monitoring exemptions have been established.

7. The main aim of monetary policy is to control the monetary base so as to exert control over broad money. In practice, however, monetary policy has been adapted to the financial needs of the Government and of the coffee subsector. In 2001, more rapid broad monetary growth (15 per cent, compared with 4 per cent in 2000) reflects the increased credit granted to the Government, as well as the refinancing needs of commercial banks which had granted loans to the coffee subsector. The absence of an interbank market limits the scope of monetary policy, although the introduction of treasury bills has allowed interest rates to be dictated by the market. Apart from these bills, the other main monetary policy instruments used by the Bank of the Republic of Burundi are the incremental reserve requirement and the refinancing rate. Overall, a sustained budget deficit and a monetary policy that has adapted to this situation, together with the successive devaluations of the Burundi Franc and structural factors, particularly the drop in agricultural output, have meant that the inflation rate (calculated according to fluctuations in the consumer price index) stayed at an average of 18 per cent between 1995 and 2001.

8. Burundi has also reformed its exchange policy, gradually abolishing its system of multiple exchange rates. The two exchange markets, one based on auctions held by the Bank of the Republic of Burundi (BRB), and the other on transactions between commercial banks and brokers without BRB intervention, were officially combined in August 2000. Nevertheless, the import licensing system, which differentiated between goods included in an official list for which importers had access to foreign exchange through an auction organized by the BRB, on the one hand, and goods and services transactions for which access to foreign exchange was via a parallel market, on the other, remained in place. This licensing system, added to the fact that auctions only took place occasionally and that the BRB fixed floor and ceiling exchange rates for bids in order to control the value of the Burundi Franc, meant a wide gap between the official rate and a black market rate, that was some 30-35 per cent higher. Successive nominal devaluations aimed at preventing real appreciation of the Burundi Franc resulted in the latter losing over 85 per cent of its nominal value against the United States dollar between 1998 and 2001.

9. In August 2002, the BRB abolished the positive list of goods and extended access to foreign exchange through official auctions to all services transactions relating to the import of goods

(insurance and freight). Restrictions on access to foreign exchange remained in place for all other services transactions. Authorization from the BRB is required for any capital transfers. The fixing of ceiling rates has been abolished and the floor rate is currently used as a reference rate for the BRB's decisions. The depreciation in the Burundi Franc of around 20 per cent which followed the implementation of these reforms has allowed the gap between the official and black market rates to be narrowed. These developments could prove beneficial to producers, especially producers of agricultural goods for export, who will be able to receive prices for their products that are more in line with those on international markets. Disbursement of the promised bilateral and multilateral financing could play an important role in underpinning the exchange policy reforms by lessening the foreign exchange constraints. The application of more stringent fiscal and monetary discipline would also help to reduce the inflationist impact of the depreciations in the Burundi Franc and lessen the risk of further decreases.

10. Burundi imposes an obligation to repatriate and surrender all foreign exchange earned from the export of coffee, tea or cotton. The Government is considering lowering the obligation to 70 per cent, which is the rate applied to exports of other goods. Burundi has not yet accepted the commitments under Article VIII (sections 2, 3 and 4) of the IMF's Articles of Agreement.

(3) FOREIGN TRADE AND INVESTMENT

(i) Trade in Goods and Services

11. Burundi's balance-of-payments shows a chronic deficit in the current account due in particular to a low rate of cover of imports by exports and a relatively large deficit in the services account (table I.3). In 2001, exports and imports of goods accounted for 6.6 and 18.2 per cent of the GDP respectively (chart I.1).⁷ One special feature of the structure of exports is the role played by re-exports of gold.⁸ The share of gold re-exports in total exports fluctuates, from the highest level amounting to 50 per cent of Burundi's total exports in 1994, to zero in 1997 and 1998, and then 32 per cent and 10 per cent in 1999 and 2000 respectively.

Table I.3
Balance-of-payments, 1994-2001
(US\$ millions)

	1994	1995	1996	1997	1998	1999	2000	2001
Current Account	-142.1	-142.7	-332.3	-64.2	-135.7	24.2	-125.8	-95.7
Exports f.o.b.	80.6	112.9	40.5	87.4	64.0	55.0	49.1	39.2
Imports c.i.f.	223.5	232.9	123.3	122.6	156.9	17.7	147.2	138.8
Services (factor and non-factor)	-87.9	-93.4	-40.7	-49.6	-56.1	-38.7	-50.3	-44.3
Non-factor services	-76.5	-81.0	-269.8	-36.0	-42.7	-25.5	-36.7	-31.0
Private unrequited transfers	21.4	15.6	11.2	5.7	6.1	5.5	4.6	6.5
Official unrequited transfers	143.8	136.1	49.8	50.9	49.9	45.6	54.7	72.7
Capital accounts	58.9	5.4	-47.4	3.9	10.5	-12.0	22.5	-9.2
Foreign direct investment	0.0	1.4	0.0	0.0	0.0	0.2	11.7	0.0
Overall balance	-83.2	-137.3	-379.7	-60.3	-125.2	12.2	-103.3	-104.9
Memorandum items:								
Gross external reserves (change)	..	0.7	-32.8	-18.9	-39.9	-29.6	-19.9	-40.1
Terms of trade	42.3	-4.7	-26.5	-8.7	19.4	0.3	-22.3	-21.0

.. Not available

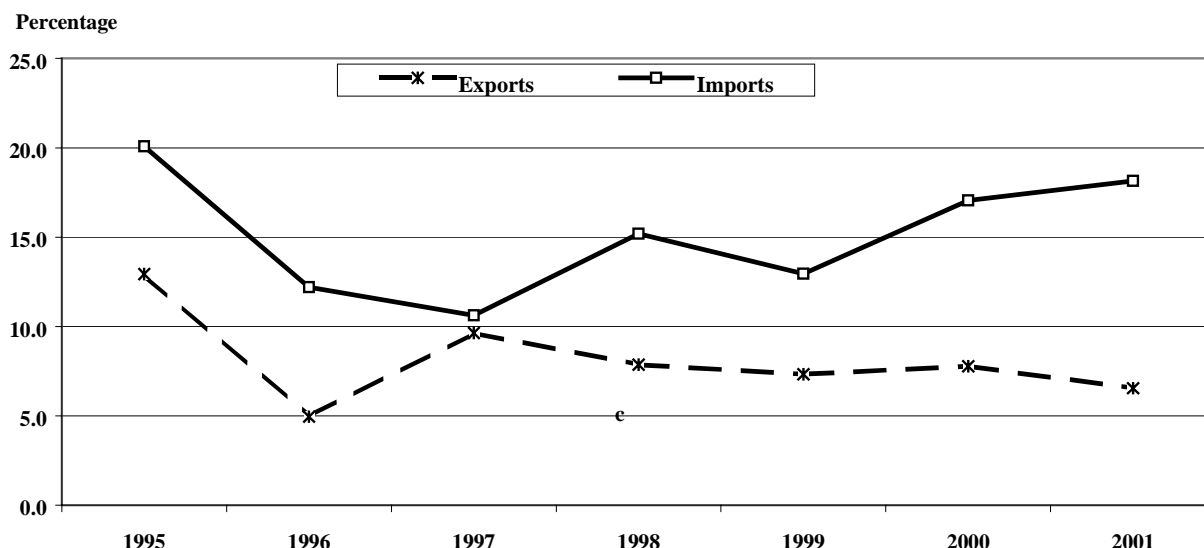
Source: IMF, *Statistical Annex*, October 2002; Bank of the Republic of Burundi, monthly bulletin, various issues.

⁷ Unless otherwise indicated, the export statistics exclude the re-export of gold.

⁸ The statistics on gold exports are not corroborated by the statistics on its mining and production.

Chart I.1

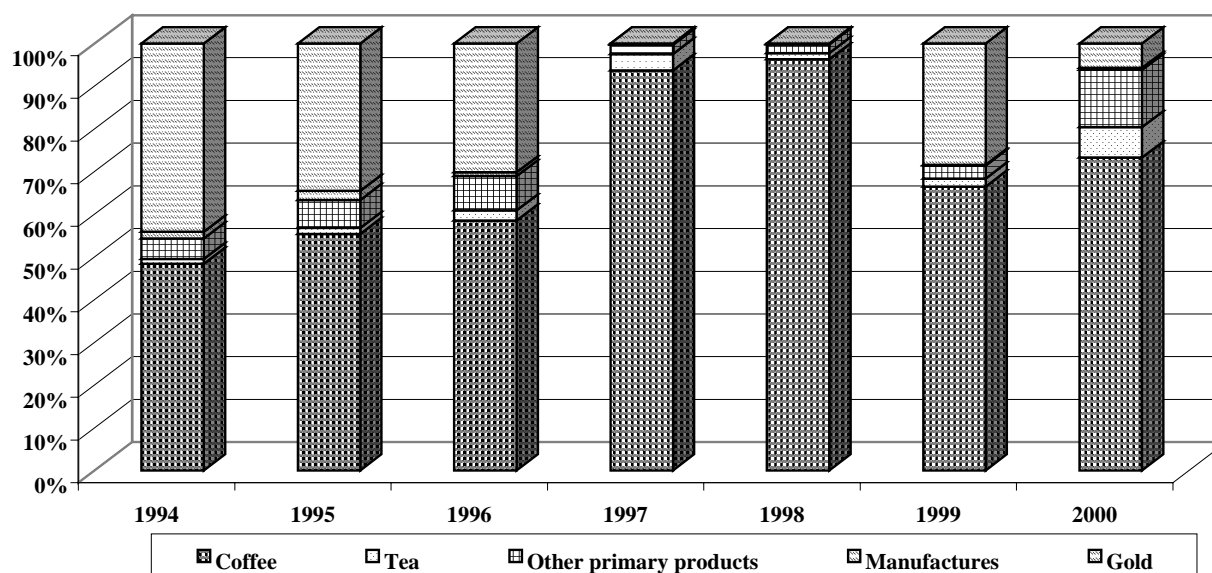
Share of foreign trade in goods in the GDP, 1995-2001



Source : IMF, Statistical Annex, March 2000 and October 2002; Bank of the Republic of Burundi, monthly bulletin, various issues.

12. If re-exports are excluded, the structure of exports is dominated by coffee. The decrease in coffee's share of total exports (excluding gold) from around 90 per cent in 1997 to some 51 per cent in 2001, is a reflection of the fall in coffee prices rather than real diversification of the structure of exports. Export performance essentially depends on the price of coffee, which is the major export (Chart I.2). Despite the lifting of economic and trade sanctions, the stagnation of exports can be attributed in part to the marked fall in coffee prices since 1998. Tea is another important export, accounting for 15 to 20 per cent of Burundi's exports. Although the share of manufactures rose from 5 to 11 per cent in 2001, the Government's desire to promote exports of non-traditional products has not led to any noticeable diversification of the export structure. The goods included in the "other primary goods" category varied, which explains the trend from 1994 to 2001: during the period 1994-97, cotton exports gradually fell and cotton is now no longer exported, whereas since 2000, there has been an increase in exports of mining and mineral products. Exports of manufactures remain low but there are periodic increases: this was the case in 1994-95 for textiles on the markets of some neighbouring countries and in 2001 for beverages on the same markets.

Chart I.2

Structure of exports^a, 1994-00

a Including re-exports.

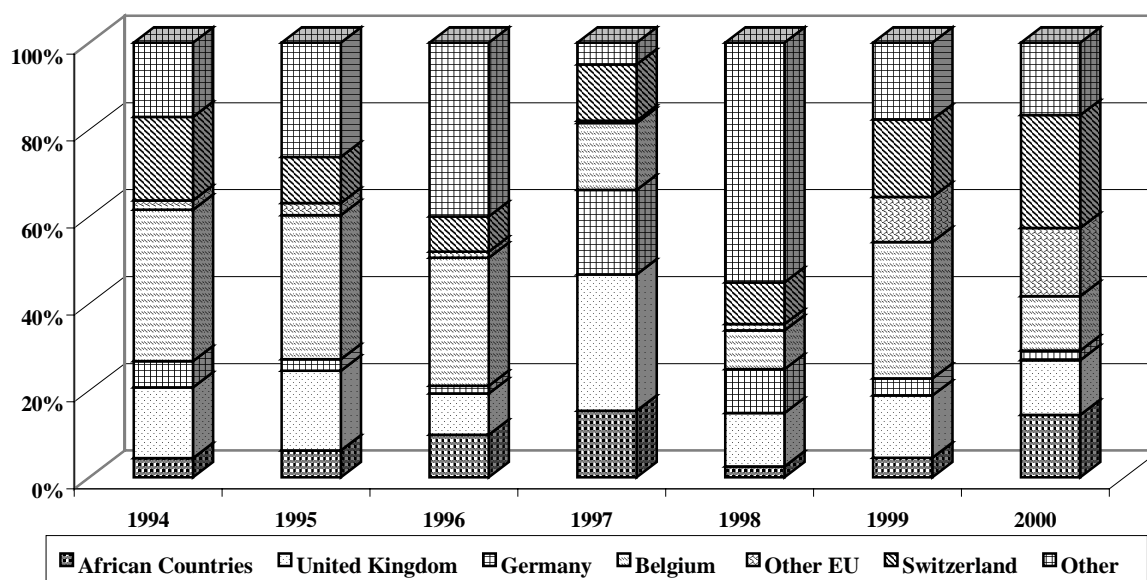
Source: WTO Secretariat calculations based on the United Nations Comtrade database.

13. The majority of Burundi's exports go to the markets of industrialized countries in Europe and to the North American market. Coffee is the main export to these markets whereas re-exports of gold go mainly to Belgium, Luxembourg and Switzerland. The industrialized markets' share of Burundi's exports increased in 1998 and 1999 when the imposition of economic sanctions helped to reduce African countries' share of exports. Following the lifting of sanctions, exports to African markets recovered (Chart I.3). At present, African markets are the main importers of Burundi's manufactures.

14. The combined effects of the economic downturn, the imposition of economic sanctions and the lack of foreign exchange meant a decrease in imports after 1995. The lifting of economic sanctions in 1999 and the return to economic growth in 2001 have helped to increase imports. Imports fell to around 10 per cent of the GDP in 1997 before returning to approximately their 1995 value. There were some changes in the structure of imports between 1997 and 2001. The share of transport equipment fell, caused by the reduction in domestic traffic as a result of the poor security situation and a slowdown in commercial activity. Imports of electrical machinery and semi-manufactures, however, increased. In addition to these two latter categories, the principal goods imported are food products, petroleum products, and chemicals (chart I.4).

15. The European Union countries, Belgium and France in particular, are the major sources of Burundi's imports. Since 1994, the African countries' share of imports has gradually increased. These imports do not appear to have been greatly affected by the economic sanctions imposed from 1996-1999 (Chart I.5). The United Republic of Tanzania, Kenya and Zambia have been the leading African exporters to Burundi. The share of imports from COMESA countries was 19 per cent in 2000, while Asian countries, including Japan, are the third largest source of imports.

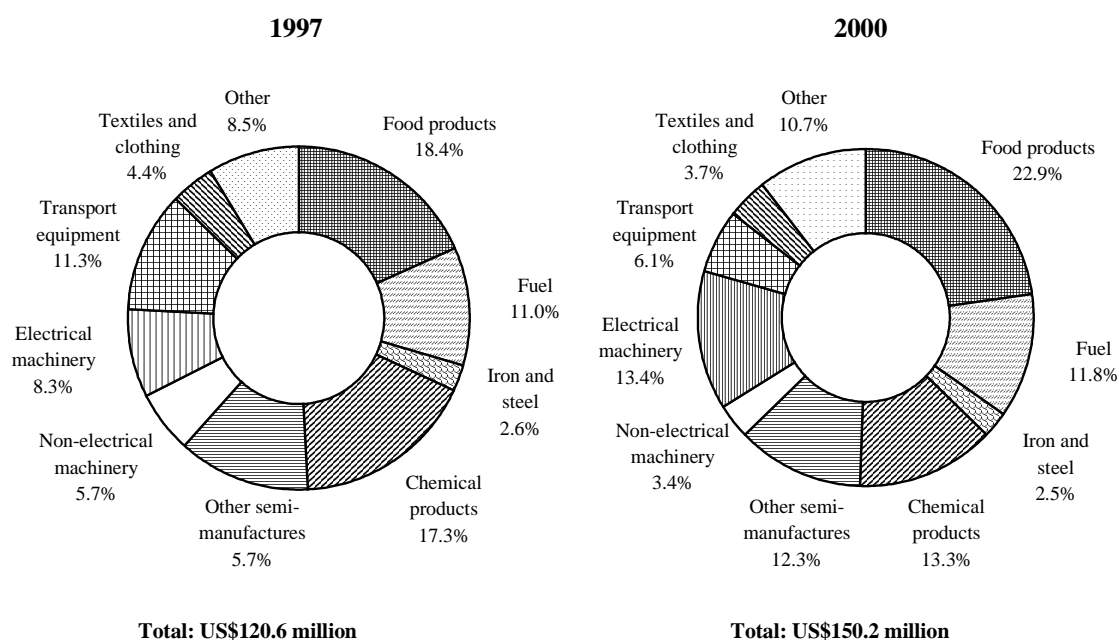
Chart I.3
Exports by destination^a, 1994-00



^a Including re-exports.

Source: WTO Secretariat calculations based on the United Nations Comtrade database.

Chart I.4
Structure of imports, 1997 and 2000



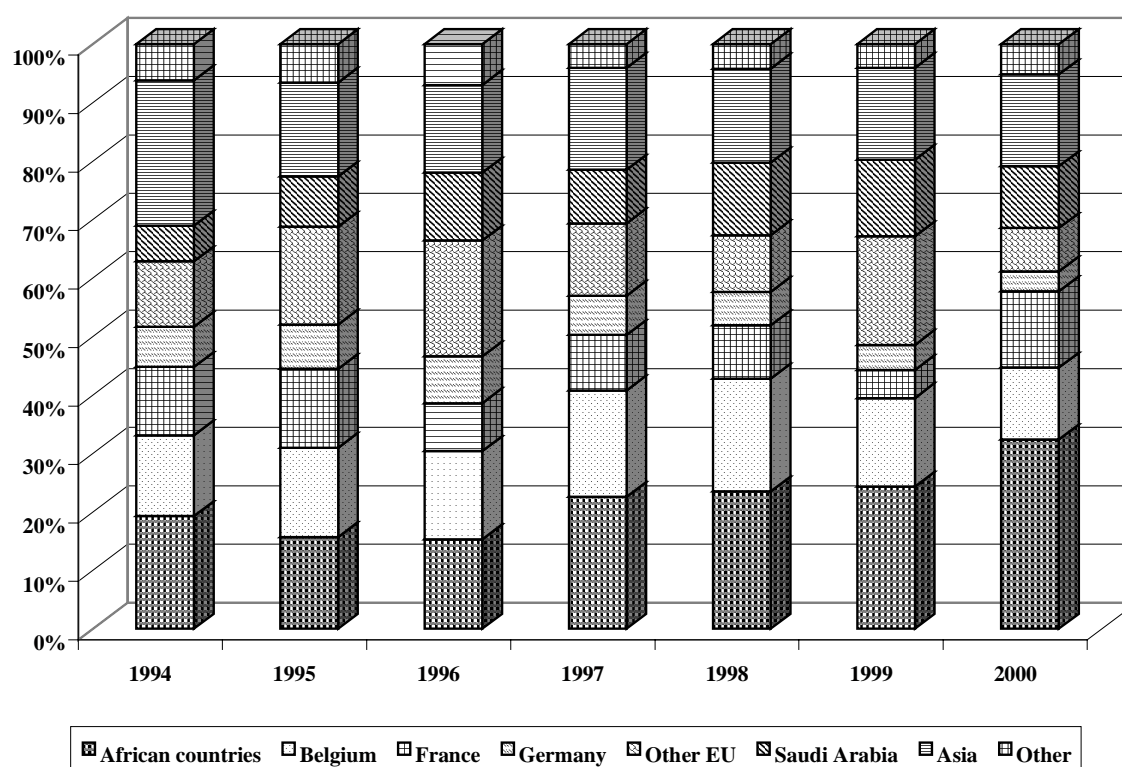
Source: WTO Secretariat calculations based on the United Nations Comtrade database.

16. Burundi is a net importer of services, particularly, trade-related services (transport, freight and insurance). The deficit in the services balance has decreased sharply since 1995 (US\$81 million), with the average between 1996 and 2001 being US\$33 million. This is above all due to the sharp fall in imports of services (particularly import-related services) due to the economic crisis and the lack of foreign exchange. The decline in freight operations, which account for almost half of services imports and whose value is one third of the figure for 1994-95, is indicative of the impact of the crisis on Burundi's trade. The trend in imports of services since 1999 does not show any clear pattern, the value of imports rose from US\$32 million to US\$43 million between 1999 and 2000, but then fell to US\$38 million in 2001.

(ii) Investment

17. Although some sectors of Burundi's economy, especially mining and quarrying, some services subsectors and manufacturing, have the potential to attract foreign direct investment, the performance to date has been extremely disappointing. The total amount of foreign direct investment was US\$47 million, of which over 60 per cent had been invested prior to 1990. During the period 1993-2001, some US\$17 million were invested, of which US\$12 million in 2000, mainly in the telecommunications sector and in the manufacture of beverages. These figures show the unfavourable investment climate in Burundi, caused by internal instability, the economic situation, the distortions created by the trade and exchange policies, the poor quality of the infrastructure, and the high cost of public services and utilities. Although there are a number of regulatory measures to promote investment (Chapter 3(2)(iii)(e) and 3(iv)), these have on the whole had little effect, partly due to the difficulty of applying them. The continuation of the privatization programme and a better regulatory framework, especially in some services subsectors, could help to improve the business climate and attract investment.

Chart I.5
Imports by origin, 1994-2000



Source: WTO Secretariat calculations based on the United Nations Comtrade database.

(4) OUTLOOK

18. The signing of the Arusha Agreement on peace and reconciliation in Burundi in 2000 provided an opportunity for undertaking the political and economic reforms needed for sustainable growth. The Arusha Agreement lays down the general framework for the drafting of all government policy, including economic and development policies. The salient features of the Arusha Agreement are reiterated and set out in programme form in the Interim Economic Growth and Poverty Reduction Strategy Paper (Interim PRSP), which identifies the following major strategic axes: (i) promotion of peace and good governance – lasting peace is an essential precondition for development and economic growth; (ii) stabilization of the macroeconomic framework and promotion of accelerated economic growth conducive to reducing poverty; (iii) development of human capital; (iv) resettlement of the victims of the conflict and underprivileged groups and reintegrating them into the economy; (v) combating HIV/AIDS and sexually-transmitted disease; and (vi) promoting the participation of women in development.⁹ Even though trade policy is not explicitly cited among the six major axes in the interim PRSP, the Government is aware of the fact that reform of trade policies would create the required framework to allow the private sector to act as a catalyst for more rapid growth that would help to reduce poverty. The effectiveness of trade reforms will be closely linked to the continued reform of other sectors of economic policy and vice versa. The challenge facing

⁹ Government of Burundi (2002a).

Burundi is to ensure that the reforms undertaken will be pursued on a permanent basis, unlike those that were adopted in the mid-1980s.

19. In order to support the peace and reconstruction process in Burundi, donors have undertaken commitments amounting to US\$830 million for the period 2001-2004. This sum will be disbursed according to the progress made in the peace process and following the adoption of a stringent and sustainable economic programme. A multilateral trust fund for debt reduction has been set up to allow Burundi to make its payments and settle its arrears with multilateral creditors. Some of the financial support given to Burundi will be in the form of debt reduction measures taken by members of the Paris Club and other major donors (which would be a "first" for Burundi). External support should allow public investment to rise to 8 per cent of GDP and the Government's priorities will be to rehabilitate the infrastructure, develop rural areas and reduce poverty. Some of this support will also be used to increase the BRB's foreign exchange reserves. In October 2002, the International Monetary Fund granted a US\$12.5 million line of credit and the World Bank has disbursed a first credit tranche of US\$20 million. This is to be used in support of financing the balance-of-payments, particularly imports of essential goods and services, and to give the Government assistance in financing sectoral projects, *inter alia*, labour-intensive projects to rehabilitate the infrastructure damaged by war, and for priority sectors such as health and education.

20. The Government's economic programme for 2002-2003 envisages growth of 5 per cent in 2003 provided that there is an increase in trade and manufacturing. Reaching this figure will require the implementation of the reforms described above. Parliament has adopted a revised budget for 2002 with the aim of lowering the public deficit from 6.8 per cent of GDP in 2001 to 6.2 per cent in 2002 and 5.6 per cent in 2003. The programme is also aimed at containing inflation, whose rate is expected to be 8 per cent on average in 2002 and 2003, despite the effects of depreciation of the Burundi franc, with a rate of 5 per cent at the end of 2003. Budgetary performance in 2003 depends in part on the security situation, whose improvement will allow the Government to reduce military expenditure. The Government plans to set up a special unit within the Taxation Department to deal with large taxpayers. It also intends to put in place a medium-term economic framework that will enable it to improve its budgetary policy planning over a period of two to three years. The International Monetary Fund forecasts an increase in the balance-of-payments deficit in the short and medium terms¹⁰, due to the fact that imports respond more rapidly than exports to economic recovery and to the application of trade liberalization measures. In such a context, timely disbursement of the aid promised would allow Burundi to pursue its economic reforms on an ongoing basis.

¹⁰ IMF (2002c).