



# REPUBLIC OF BURUNDI

**Accelerated and Shared Growth for Peace Consolidation**



**First Meeting of the Consultative Group**

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## I. INTRODUCTION

1. **As a result of the consensual peace process in Burundi, it is now possible to focus on stabilizing institutions and promoting growth.** In effect, the efforts leading to the signing of the Arusha Agreement in August 2002 were continued by transition governments between 2002 and 2005 up to the setting up of a new Constitution approved in February 2005. This formed the constitutional basis on which Burundi's people successfully organized the first democratic elections in over 12 years and set up stable presidential and parliamentary institutions that reassured public opinion from August 2005. It is also thanks to this spirit of consensus that the long and difficult negotiations with the National Liberation Forces (FNL), the last armed rebel movement, successfully led to a complete ceasefire in Burundi, the restoration of security throughout the country, and increasingly inclusive institutions.

2. **The first Poverty Reduction Strategy Paper (PRSP) implemented in 2006 was the primary result of efforts to stabilize Burundi, make it secure, and stimulate economic growth.** While an interim PRSP had been prepared in an only partially peaceful context, the country prepared and began implementing a full PRSP from the fourth quarter of 2006. This ongoing program centers around four focal points: (i) peace and security; (ii) equitable economic growth; (iii) human capacity building; and (iv) the fight against HIV/AIDS. In this regard, progress made at the level of reforms enabled Burundi to reach the completion point of the Heavily Indebted Poor Countries (HIPC) Initiative in January 2009, thus marking a new starting point in its economic and social recovery. In effect, the country's commitment to use budgetary savings resulting from debt relief to develop social and priority sectors over a 30-year period strongly indicates that the government has made poverty alleviation and community-based development its highest priority.

3. **Although significant progress has been made, more remains to be done.** Progress is being made toward peaceful democracy and the development of social services (to date, budgetary expenditures on the poor have increased from 47% in 2006 to 55% in 2008). Fiscal consolidation has led to the enactment of an Organic Law on public finance (2008) and the recent adoption of the Public Finance Management Strategy (May 2009). Moreover, the country's economic recovery has continued despite the world economic and financial crisis. In spite of these achievements, the currently fragile situation indicates that much remains to be done. Viewed generally, the economic growth rate is still low, ranging between 3 and 5% over the 2006-2008 period. This rate is still too low to enable the country to make rapid progress toward poverty alleviation and improve social indicators relating to the Millennium Development Goals (MDGs).

4. **However, the merit of this outcome is that it allows a discussion of challenges and future prospects such as the transition from a post-conflict economy to a developing economy.** In effect, the country's achievements have brought it to a crossroad where it can choose between relapsing or treading the path to growth. Burundi has made the irreversible decision to build a vision of a transition involving safeguarding expenditures on the poor and controlling security spending to release economic potential and open prospects for a future built around accelerated and equitable growth.

5. **Consolidating peace and stability and restoring good governance are prerequisites for strengthening key growth sectors.** While achievements made so far in this regard are incontrovertible, the government remains aware that considerable and steady efforts will be necessary to ensure sustainable peace and stability, two key prerequisites for growth. As such, political governance and justice, in particular, remain areas of great concern and are important components of the program, including the autonomy of the judiciary and compliance with the criterion of competence in the appointment of judges, capacity building, the operation of the Joint Verification and Monitoring Mechanism for transitional justice, and respect for human rights, religious freedom, and democratic debate. In this regard, the government will continue to disarm the civilian population and professionalize the army and the police force. Furthermore, reforms in the economic and justice sectors should continue to deter the corrupt practices and mismanagement that still plague economic governance.

6. **The challenge of accelerated and equitable growth will focus on four strategic key factors for economic growth.** To build on the progress made and increase momentum, the government has identified the four focal points listed above as well as four additional focal points to be addressed under the PRSP as key future components of growth. These are agriculture, infrastructure (water, energy, roads, and ICT), the private sector, and tourism. As already stated in the National Economic Memorandum currently under way, these sectors should logically constitute the structural frame for the second phase of the PRSP, which will be elaborated in 2010. Supporting increased activity in agriculture, which is the economy's primary mainstay with about 45% of economic activity, will require considerable resources to increase productivity by, among other things, increasing soil fertility and investing in the production and diversification of facilities. However, the smooth operation of the agro-processing industry and that of other potential growth sectors such as mining will require an adequate supply of water and energy. Whether Burundi makes the most of the opportunities resulting from its opening up to trade and investment within the framework of the East African Community (EAC) will depend on the transportation and public works sector and more especially on the quality of its road network and of New Information and Communications Technologies (ICT). Finally, to ensure sustainable growth, the government will have to look seriously into the problems surrounding the business environment (Burundi is ranked 176<sup>th</sup> out of 183 countries in the 2010 Doing Business report) and in a general way support the budding private sector by (among other measures) developing the tourism sub-sector, which, thanks to the restoration of security, has the potential to help Burundi not only to increase its resources but also to permanently improve its image.

7. **The Burundi government hopes that the meeting of the first Consultative Group will enable it to present the PRSP report to its partners and also share its vision of the future and** of future strategies in all sectors: political, economic, and social. Burundi will be able to seek the opinion and advice of its partners on what has been achieved and on what future governments will have to do to consolidate the progress made and release the potential of the country's economy and human resources. It will seize this opportunity to specify to its partner community how and where their support is needed.

8. **This document draws on sectorial work carried out in preparation for the Consultative Group** meeting. This includes: (i) a macroeconomic framework; (ii) a summary

of the results of two years of PRSP implementation, and (iii) sectorial notes on governance, agriculture, infrastructure, the private sector, and tourism. Finally, the document focuses on the following three themes: (a) the impact of the socio-political crisis of the 1990s, (b) a progress report on the country's recent development, and (c) a vision of the future centered upon accelerated and equitable growth.

## II. CONTEXT

### A. Political Context

9. **The signing of the Arusha peace accord marked a new phase in Burundi's political reconstruction and search for sustainable peace.** By signing this global peace and reconciliation agreement in 2000, about 30 political and ethnic groups laid the foundation for a transition government in 2002 and a new Constitution, which was approved in February 2005 and which instituted the principle of ethnic checks and balances. Based on this institutional framework, presidential and parliamentary elections were organized in August 2005 and a new government was established in September 2005. A year later, a ceasefire agreement was negotiated with the PALIPEHUTU-FNL, the last of the rebel movements.

10. **These efforts toward political reconstruction were put to the test by political and security tensions that were calmed by the political consensus.** At the beginning of 2007, tensions with the government led to a long halt in parliamentary activities. Two major events accounted for this political deadlock: (i) the eviction of former officials of the ruling party (CNDD-FDD), which was detrimental to the government's parliamentary majority, and (ii) the PALIPEHUTU-FNL's withdrawal from the peace talks in July 2007. Nevertheless, the political consensus led to the signing of an agreement with the major opposition parties in November 2007, the reshuffling of the government to include representatives of these parties, and the resumption of parliamentary activities, which a new political conflict crippled until mid-2008. Major security tensions developed in April of the same year when the PALIPEHUTU-FNL unilaterally decided to end the ceasefire, resulting in renewed armed skirmishes with government troops.

11. **Since negotiations resumed, the results achieved have for the first time given Burundi's people the hope of enjoying sustainable peace.** In June 2008, following pressure from the international community and the intervention of regional powers such as South Africa and Tanzania, the FNL leadership agreed to be part of the Joint Verification and Monitoring Mechanism set up by of the Joint Agreement. After granting political immunity to FNL leaders, weekly peace talks gradually restored confidence among the public and led to the signing of a new ceasefire to consolidate the peace process and accelerate the demobilization and reintegration of ex-combatants into civilian life. In December 2008, these repeated efforts resulted in power sharing between the government and the last rebel movement, which agreed to drop the part of its original name that had ethnic connotations. In return for this gesture, the government undertook to release FNL political prisoners and accelerate the disarmament, demobilization, and reintegration of FNL combatants on or before January 30, 2009. As a result of this process, the FNL was recognized as a political party in April 2009.

12. **Thanks to the political will of Burundi's people and the support of the international community, the country's political and security reconstruction has made significant**

**progress.** Since the Arusha accord, development partners have increased initiatives to consolidate peace and national reconciliation. The implementation of the national Demobilization, Reinsertion, and Reintegration (DDR)<sup>1</sup> program was facilitated by the United Nations peacekeeping operation (BINUB), which coordinates the reform program in the security sector. In conformity with the peace process, the United Nations Peacebuilding Commission (PBC) decided to create a group suitable for Burundi's specific needs in June 2006. The new support phase for the DDR program is currently underway as donors showed their confidence in the Burundi government by granting it funding in June 2009. The objectives of dismantling irregular forces within the framework of this program will be achieved as the Burundi government is aware of their significance in the reconstruction of peace and the restoration of human and social resources that were especially affected by the conflict. Our traditional partners in this key sector have already promised to increase funding for the program while other donors are considering the possibility of additional contributions. In spite of the expected difficulties encountered in implementing the DDR process, the Burundi government recognizes that these voluntary initiatives must be maintained in order to ensure greater consolidation of peace and national reconciliation beyond what has already been achieved.

## **B. Poverty and Social Indicators**

**13. Reforms in public finance management and human capital development are slow in putting an end to the population's precarious living conditions.** Poverty is especially widespread in rural areas, where about 90% of the population lives. About 80% of the population suffer from food insecurity. According to a recent study, the incidence of poverty was 66.9% in 2006, a marked improvement on the 81% poverty rate recorded in 1998. Yet in spite of this improvement, Burundi will not attain the 18% objective in 2015 as fixed by the MDGs without substantial support from development partners in key growth sectors. Moreover, the poverty rate in rural areas is twice that in urban areas, and regional disparities are considerable, ranging from 28.7% in Bujumbura to 82.3 in Kirundo Province. The intensity of poverty also differs across social groups. It is less likely for members of an urban household to be or feel poor where the head of the household has a higher level of education and a better job. Put simply, the long years of conflict destroyed economic and social infrastructure and increased a large number of vulnerable people, among whom are abused women and children.

**14. In 2008, Burundi was ranked 172<sup>nd</sup> in the world by the UNDP on account of its low human development performance.** In addition to its monetary poverty, Burundi is very unlikely to attain most of the MDGs by 2015. For example, life expectancy rose only slightly from 42.8 years in 2000 to 44.6 in 2005. However, vaccination rates have experienced a steady increase over time to the point of reaching 100% according to estimates from the last population and housing census of 2008. Government authorities made efforts to cover a larger part of the country by announcing in May 2006 that healthcare services would be free for children below five and pregnant women. Nevertheless, the shortage of essential drugs and qualified personnel impacts negatively on the quality of services provided. Containing the spread of HIV/AIDS continues to be the priority of the government, with a general

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<sup>1</sup> This program was supported by the World Bank and the Multi-Country Demobilization and Reintegration Program (MDRP) in the Great Lakes area.

prevalence rate of 2.9% in 2007. About 76% of the urban population has access to drinking water (slightly higher than the 75% average for Sub-Saharan Africa), as against 43% of the rural population.

15. **Although remarkable progress has been recorded in the education sector, much remains to be done to develop the country's human capital.** Since 2005, this sector accounted for about 29% to 32% of government spending.<sup>2</sup> Although about 60% of the adult population is currently literate (67% of men and 52% of women), education at all levels is plagued by a shortage of qualified teachers, teaching materials, and adequate infrastructure. The offer of free primary education implemented in 2005-2006 increased the net enrollment rate from 72% in 2004-2005 to 83% in 2005-2006 and 85% in 2006-2007 and reduced the gender and regional disparities that still constitute a major concern for the country.<sup>3</sup> Nevertheless, the quality of instruction is poor and the completion rate (transition from primary to secondary school) is only 37%. Consequently, the chances of attaining the second MDG (e.g., 100% completion rate/transition to secondary school) are very slim.

16. **In the health sector, access to healthcare increased following the free healthcare action for pregnant women and children below five.** Health expenditure has steadily increased as a proportion of the total budget, from 3.5% in 2005 to 7% in 2007 and 9.6% in 2008. This sector is one in which regional disparities are most pronounced. There are currently 201 doctors, 87 of whom are in the public sector.<sup>4</sup> About 52% of doctors in the public service are administrative staff stationed in Bujumbura and the provincial capitals, and 27% of paramedics are in the capital. According to a 2007 assessment, the health sector would have to train 1,282 physicians to comply with international standards, which would represent a 116% increase. In 2008, with support from partners, the government prepared human resource development plans, reformed training in paramedical institutions, and set up staff motivation and mobilization schemes. Targeted programs increased vaccination coverage (currently about 100%), facilitated the distribution of antimalarial drugs at subsidized prices as well as insecticide-treated bed nets, and improved tuberculosis diagnosis and treatment. Hospital deliveries increased from 23% in 2005 to 41% in 2007 and 50% in 2008. Maternal mortality and the mortality of children below five dropped.<sup>5</sup> Medical consultations for children below five increased from one to two per child per year in 2008 relative to previous years, and acute malnutrition dropped from 57% in 2000 to 53% in 2005 and 46% in 2007.

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<sup>2</sup> Units are calculated here using the administrative allocation of government spending on self-generated resources, excluding common costs (debt burden).

<sup>3</sup> Following the elimination of tuition fees as a result of this measure, primary school enrollment increased from 1.3 million in 2005 to 1.7 million in 2008, with a marked increase in the enrollment of girls. The gender ratio (parity index) in primary school stood at 0.95 in 2008 compared to 0.93 in 2007. In 2000, it was 0.80 but had already risen to 0.91 in 2005. The gross enrollment ratios in less developed provinces (e.g., Muyinga (56%), Ngozi (57%), Kirundo (64%), Bubanza (71%), Cibitoke (75%), and Cankuzo (75%) are now all above 90% except in Cankuzo and Muyinga.

<sup>4</sup> A total of 114 of these are in the private sector and NGOs.

<sup>5</sup> Recent figures range between 1,000 per 100,000 in 2000 and 615 per 100,000 in 2005 and between 190 per 1,000 in 2000 and 176 per 1,000 in 2005 for maternal mortality and infant mortality, respectively.

### C. Economic Context

17. **After a persistent drop in its per capita GDP, the Burundi economy is currently experiencing positive growth thanks to the ongoing restoration of stability.** During the war, per capita GDP dropped by at least 40% from US\$180 in 1993 to \$110 in 2007. Although the consolidation of the peace process opened new prospects for economic recovery, Burundi, as is typical of most post-conflict countries, has not yet experienced rapid growth. Since 2000, the country is gradually recovering from a decade of negative growth (an average of -1.8% per year), leaving room for a growth rate ranging between 3% and 5% over the 2006-2008 period. However, this growth remains highly volatile primarily because of its heavy dependence on agriculture, a sector in which production remains very unstable.

18. **Agriculture, a predominant part of Burundi's economy, accounts for 46% of GDP and is a source of income and employment for over 90% of the population.** While subsistence farming is predominant in the agricultural sector, cash crop production (coffee and tea) on average accounts for only 5% of yearly GDP. Cash crop farming is strategic for the country as it accounts for 60% of its export earnings. The poor performance of agriculture in general is primarily due to the fragmentation of landholdings, a continuing drop in soil quality, and a lack of basic agricultural inputs. However, the favorable coffee prices seen in the last six years have counteracted the adverse effects of these structural constraints on farm exports. With 37% of GDP, services experienced some relative growth triggered primarily by public services (education, health, and justice), which accounts on average for 65% of the sector's production. Financial services are under-developed due to a lack of real opportunities in the country's business sector. Industry accounts for the balance of the economy, with 17% of GDP. The processing of agricultural products constitutes a major part of this sector's activities. Prominent examples include drinks, cigarettes, foodstuffs, textile, and construction materials designed primarily for the national market. The significant drop in this promising industrial sector's production in the 1990s made room for increased production in recent years. After slowing down during the war, construction work resumed substantially and increased by 200% between 2001 and 2008. Bujumbura benefited greatly from this resumption. However, these operations slowed down in the first half of half of 2009.

19. **The economy's macroeconomic stability is gradually being restored with support from the Bretton Woods institutions.** Since 2004, the combination of sound monetary policy and fiscal discipline has gradually improved the economy's chances at obtaining credit, which increased by 11% in 2007 and by 30% in 2008. This increase in credit stems from the activities of the commercial banks that finance coffee production. In spite of the prudent policy of the monetary authorities, the money supply came under great pressure. After a 25% peak in 2003, growth in money supply dropped to 15% in 2007-2008. Loans granted to the government shrank significantly during the same period. A prudent monetary policy kept inflation in line with international price trends. Thus the recent increase in the world price of food and petroleum products led to inflation that stood at 8.3% in 2007 and 24.4% in 2008. The depreciation of the national currency, the Burundi Franc (BFI), also fueled cyclical inflationary pressures over the past two years.

20. **Budgetary balances have improved significantly since 2005.** This positive outcome has been the result of continuing improvement in the management of government spending for PRSP development programs, national tax revenue enhancements, and use of foreign aid

from financial partners. These reforms immediately led to a considerable drop in the budget deficit (based on commitments and disbursements) from 6% of GDP in 2005 to an average of 0.7% over the 2006-2008 period. With a primary deficit (excluding drawdowns and interest on debt) of 10% on average from 2001 to 2006 and of 17% and 23% in 2007-2008, Burundi's budgetary position is not sustainable and will require highly concessional loans in the coming years. Since January 2009, debt relief through the Highly Indebted Poor Countries (HIPC) initiative has given Burundi increased room for budgetary maneuver, enabling it to fund priority expenditures for annual amounts ranging between US\$30 and US\$40 million over the next 30 years. Since 2006, this initiative has already allocated more than 70% of HIPC resources provided by donors to priority sectors (education, health, justice, and agriculture).

**21. Aware of its tremendous significance to its development, the government has accelerated its regional integration into the East African Community (EAC).** In effect, the diversification of exports and the economic growth of a landlocked country depend on prospects for accessing the sub-regional market. In June 2007, Burundi ratified the Pact on Security, Stability, and Development in the Great Lakes. After becoming a member country of the EAC in July 2007, Burundi had to adapt very quickly in order to enter the EAC Customs Union, in existence since 2004. In this regard, Burundi will have to remove all non-tariff barriers, promote transport infrastructures, and adapt to EAC policies and standards. Burundi also introduced a value-added tax (VAT) in July 2009 and hopes to continue carrying out the reforms necessary to comply with the requirements resulting from EAC membership and to benefit from the advantages of the Economic Partnership Agreement signed with the European Union in November 2007.

**22. In spite of the global economic and financial crisis, Burundi's medium-term economic growth prospects remain positive.** As a result of a drop in coffee production and the effects of the recent economic and financial crisis, the economic growth rate for GDP is expected to drop from 4.5% in 2008 to 3.2 in 2009 (see Table 1). Annual growth is expected to range between 3.6% and 4.8% over the period 2010-2012. Strong growth in the agriculture and services sectors, which are dependent on aggregate economic growth, may face the following problems: (i) low levels of foreign direct investment especially in the coffee sector, (ii) a decline in private transfers, and (iii) low coffee prices in the world market.

**23. In the medium-term, the government and the Bretton Woods institutions will monitor the macroeconomic framework.** Firstly, the objective of the monetary authorities will be to control inflation, estimated to fall to 5% by 2012 from an expected level of 20.3% in 2009 as a result of a continuing drop in petroleum and food prices, improved liquidity management, and the monitoring of the use of government funding by the Central Bank. Next, the current account deficit is expected to decrease in 2009 thanks to the drop in petroleum and food prices, which will be greater than the decrease in exports resulting from the fall in worldwide demand for Burundi's products. In addition to these impacts, the drastic fall in private transfers will increase this deficit to 24.4% from 2009 to 2012. Moreover, the budgetary deficit is expected to grow in 2009 to 28.1% of GDP as opposed to its average level from 2002 to 2008 of 17.2% of GDP. A declining trend is expected until 2012 to 21.7% of GDP thanks to revenue enhancement, a drop in defense and security spending, and a decline in interest payments. Finally, budgetary support and special programs are fundamental components of fiscal projections (excluding development projects) over the 2010-2012 period as they account for about 50% to 60% of all aid granted to Burundi.

Dependence on these financing facilities is expected to decrease gradually as a result of national tax revenue enhancements and the government's commitment to improving the quality of its expenditures in the light of macroeconomic stabilization programs supported by the Bretton Woods institutions.

Table 1: Selected macroeconomic indicators

	2002-08	2009	2010	2011	2012	2009-12
	Average	Projections				Average
		(annual percentage change)				
Real GDP	3.2	3.2	3.6	4.2	4.8	4.0
Real GDP per capita	0.5	0.2	0.6	1.2	1.7	0.9
Inflation (GDP-deflator)	10.8	20.3	6.8	6.0	5.4	9.6
Exports, F.O.B. (US Dollar)	7.2	-0.4	27.1	7.3	3.6	9.4
Imports, F.O.B. (US Dollar)	18.2	-32.3	16.7	12.1	9.1	1.4
Export volume	-1.8	35.5	27.2	6.6	4.2	18.4
Import volume	9.5	6.0	6.1	5.5	5.4	5.8
Terms of trade	2.3	15.0	-9.2	-5.3	-4.0	-0.9
		(percent of GDP)				
<i>Balance of Payments</i>						
Current account balance						
incl. official transfers	-8.8	-9.5	-10.6	-13.6	-14.7	-12.1
excl. official transfers	-28.7	-23.5	-24.2	-25.1	-24.7	-24.4
Gross official reserves						
(months of imports)	4.6	5.5	5.0	4.5	4.0	4.7
Total external debt	179	32	33	34	34	33
<i>Investment</i>	13.9	22.4	26.9	25.4	26.8	25.4
Private	4.0	6.0	9.7	9.8	11.9	9.4
Public	9.9	16.3	17.3	15.6	14.9	16.0
<i>Public finance</i>						
Total revenue (excl. grants)	19.7	18.0	18.6	19.3	19.5	18.8
Total expenditure	36.9	46.1	45.5	41.8	41.2	43.6
Primary fiscal deficit*	-14.1	-26.8	-26.1	-21.8	-21.1	-23.9
Fiscal deficit (comm. basis, excl. grants)	-17.2	-28.1	-26.9	-22.5	-21.7	-24.8
Fiscal deficit (comm. basis, incl. grants)	-3.0	58.4	-4.0	-1.9	-1.3	12.8
<i>Memorandum</i>						
Nominal GDP (BIF billion)	886	1,710	1,892	2,089	2,308	1,999

Source: IMF, World Bank, and World Bank calculations.

### III. TWELVE YEARS OF CONFLICT AND ECONOMIC AND SOCIAL DECLINE

24. **Twelve years of political rivalry and ethnic conflict have eroded the nation's foundations and disrupted its social and economic fabric.** War and insecurity have interrupted the flow of commerce and created near-insuperable divisions between communities. Over that 12-year period, GDP shrank by a yearly average of 1.4% while the population grew by almost 2.35%. In real terms, per capita GDP fell by 36% between 1990 and 2000. Despite its environmental diversity and wealth in mineral and human resources, Burundi has become one of the world's poorest countries. Twelve years of conflict, physical destruction, suspension of aid, and financial scarcity along with three years of sanctions have destroyed the infrastructure and the agricultural and industrial base and disrupted government services, public-sector companies, and social services. Primary-school

enrollment ratios dropped from 54% in 1990 to 50% in 2000. In 2000, maternal mortality was still 800 per 100,000 and mortality among children under five was 190 per 1,000. Poverty rates rose from 36% in 1990 to 81% in 1998 before declining to 70% in 2004.

25. **The extensive destruction of human and physical resources was matched by the destruction of technical, institutional, and organizational capacity.** The country's government services have suffered from a decline in the numbers of managerial and qualified staff and from delays in restructuring and modernization. Dated or obsolete legal and regulatory frameworks impede government management and monitoring in a number of sectors including in the areas of economic and financial management.

#### **IV. POLITICAL, ECONOMIC, AND SOCIAL GOVERNANCE IN BURUNDI**

26. **Following the Arusha accord, the Government of Burundi prepared and implemented a Poverty Reduction Strategy Paper (PRSP) to reconstruct the country and revive development.** The PRSP was adopted by the government in September 2006 after lengthy consultations with the country's main political, economic, and social actors and the grassroots communities that make up Burundi's society. The resulting strategy was designed to be consensual and enlist support. Its long-term goals are: (i) a country at peace with itself; (ii) peaceful provinces conducive to economic integration; (iii) the eradication of poverty; (iv) access to essential services (education, health, and sanitation); (v) an adequate level of education for young people; (vi) diversification and modernization of the agricultural sector; (vii) an industrialized, competitive economy fully integrated with regional and global trade; (viii) controlled population growth; and (ix) transparent institutions autonomous from government and resource allocation. The first report on PRSP implementation was published in 2008 and a second report is about to be published. The Annex contains abstracts from both reports. The information that follows is intended to provide a means for assessing the performance of political and economic governance policies in the social and economic sectors.

##### **A. Political and Administrative Governance**

27. **The 2005 Constitution lays out the foundations for democratic principles.** It establishes the constitutional distribution of powers in compliance with universal principles and guarantees the preservation of fundamental rights for all citizens of Burundi. This has resulted in freedom of the press and the holding of free multi-party elections in 2005. Since then, Burundi's political institutions have been on a steep learning curve. Disagreement has at times disrupted parliamentary debate and the application of government measures. In a post-conflict nation such as Burundi, consensus requires considerable effort and has often been difficult to reach. This has taught Burundi's people a valuable lesson: they must preserve consensus as a means of government.

28. **Burundi's people have lived in safety only since 2008 despite the fact that Burundi was declared a post-conflict country at the start of the 21<sup>st</sup> century.** Agreements were negotiated with the last of the rebel movements (the National Liberation Forces – FLN). Therefore, until the first six months of 2008, violent conflict still threatened the civilian community. The FLN subsequently agreed to lay down its arms and become a political party, defending its program and interests within the political framework laid out by the Constitution.

29. **Demobilization has been slow due to political and security constraints.** Constant insecurity, delays in demobilizing and re-incorporating ex-combatants into the community, and the decision to allow significant numbers of ex-rebel combatants to join the army and police have meant that numbers in the security forces have not declined according to plan. Nevertheless, army and police numbers fell significantly between 2005 and 2008. Numbers rose slightly in 2009 following the incorporation of ex-FLN combatants into the security forces, but the downward trend is expected to continue over the coming years. In 2005, the army and the police absorbed 44.7% (42.4% after data adjustment) of recurrent government spending (excluding investment and debt servicing) compared to 29.5% in 2009. Reintegration of demobilized combatants into the community poses a more difficult challenge. Future success in this area will require reinforced educational programs and, above all, accelerated economic growth.

30. **Civilian disarmament operations have had limited success.** Mine-clearing operations have slowed down recently despite the significant progress made prior to 2007, when three high-risk provinces were considered to have been fully cleared of mines.

31. **For security to be consolidated, there has to be reform of the justice system.** Local courts (*Tribunaux de Résidence*) have been set up throughout the country, making justice more widely accessible, and the judiciary has been professionalized through training programs for magistrates. However, enforcing judgments remains a major difficulty. Initiatives are under way that will allow enforcement to be verified.

32. **A strategy for national governance is being developed** at the government's request in consultation with non-government representatives. The strategy, which will be carefully studied by the government, will make specific recommendations regarding urgent measures to be implemented in the immediate future.

## **B. Economic and Financial Governance**

33. **The macroeconomic stabilization plan has yielded satisfactory results since 2005.** The plan has eased and consolidated the management of the national currency and foreign assets, maintained relatively high fiscal pressure, contained public expenditure, and improved the share of social sector spending.

34. **Burundi has gradually returned to growth** despite its economy's sensitivity to climate change, fluctuations in global commodities prices, and the negative effects of the global recession. Table 2 shows the plan's impact on Burundi's economic growth. Following prolonged GDP decline between 1993 and 2000, growth averaged 2.2% per annum between 2000 and 2005 and 4.3% from 2006 to 2008. It is expected to drop to 3.2% in 2009 due to the negative impact of the global recession. The table shows that although Burundi has largely succeeded in turning around its economy, growth rates are still too low given a population growth rate of 2.35%. The country's greatest priority is to accelerate economic growth.

Table 2: GDP growth, 1993-2009

1993-2000 annual average	2000-2005 annual average	2005	2006	2007	2008	2009
-3.3	2.2	0.9	5.1	3.6	4.5	3.2

Source: Ministry of Economic Planning and Reconstruction.

**35. Key economic growth sectors are being increasingly singled out by the government.**

Strategic sectors (coffee, tea, sugar, cotton, horticulture) have been restructured to comply with national profitability and efficiency objectives. Public sector companies have been restructured on similar criteria within the framework of reforms to state-owned enterprises. The Commercial Code and the Public and Private Companies Code have been revised and modernized with the aim of enhancing the private sector and better integrating Burundi into the global economy. Rural development, which can act as a lever in the fight against poverty and under-employment while ensuring Burundi's food self-sufficiency, is also a government objective.

**36. Budgetary policy reflects the government's priorities.** Budgetary policy targets: (i) growth (economic infrastructure development, support for private initiatives), (ii) human capital development (health, education, training), and (iii) the protection of citizens (human rights) and vulnerable populations (refugees and the poor). Social sector priorities, especially education and more recently infrastructure and rural development, absorb an increasing share of social sector spending. The budgetary share of priority economic and social sectors has increased from 38.9% of total expenditure in 2005 to 48.5% in 2008 (Table 3).

Table 3: Breakdown of own-resources government spending excluding global outlays (debt servicing)

	2005	2006	2007	2008	2009
Administrative Sector	Actual	Actual	Actual	Actual	Budget
Health	3.5%	5.0%	7.0%	9.6%	9.1%
Education. Vocational Training. and Scientific Research	29.6%	31.7%	31.6%	30.1%	28.7%
Justice	3.4%	3.1%	3.9%	4.1%	3.2%
Agriculture and Livestock	1.5%	1.5%	2.4%	4.1%	4.3%
Water. Power. Mines	0.4%	1.0%	1.0%	1.0%	3.0%
Transport. Postal and Telecom Services	0.5%	0.3%	0.4%	0.6%	0.7%
Envir.. Land Mgt and Public Works	2.0%	2.6%	2.5%	4.2%	5.4%
Interior. Public Security	12.1%	13.1%	13.1%	10.8%	10.5%
Defense	29.0%	22.8%	20.8%	15.4%	14.4%
Others (excluding global outlays)	18.0%	18.8%	17.3%	20.0%	20.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Ministry of Finance

37. **Tracking poverty-reducing expenditure.** The method adopted will improve the identification and assessment of poverty-reducing budgetary policies. Table 4 shows the increase of poverty-reducing spending as a proportion of government spending (own resources, excluding debt servicing). The table excludes externally financed poverty-reduction spending.

Table 4: Poverty-reducing spending (own resources, excluding debt servicing)

	2006	2007	2008	2009
BIF (billion)	Actual	Actual	Actual	Budget
Non Poor	111.0	129.8	167.8	211.4
Poverty-reducing	99.1	122.8	204.2	256.9
Total	210.1	252.7	372	468.3
Non-poverty reducing	52.80%	51.40%	45.1%	45.1%
Poverty-reducing	47.20%	48.6%	54.9%	54.9%
Total	100.0%	100.0%	100.0%	100.0%

Source: Ministry of Finance.

38. **Burundi has benefited from a substantial increase in official development assistance** thanks to its own public policy efforts and the goodwill of its partners. Total external financing (payments) increased from 11.7% of GDP in 2005 to 25% in 2008. This includes substantial budgetary aid and investment in priority economic and social sectors.

39. **A modern public spending management system is under development.** The system is based on a recently passed Organic Law that defines functions in preparation for the gradual devolution of spending commitments and responsibilities to the relevant technical ministries. A public finance reform strategy that takes into account recommendations by partners will be adopted and will act as a reference document for future public finance reform programs.

40. **Control of the public finances has benefited from the use of increasingly efficient tools.** Despite some shortcomings, the Integrated Public Finance Management System is meeting its essential objectives of providing real-time monitoring of how public spending plans are implemented and timely financial reports based on reliable information. It has improved control of spending cycles and helped prevent the build-up of arrears. Monthly treasury plans and spending commitment plans since 2009 now enable expenditure to be adjusted if resources have been overestimated. On the whole, monitoring of spending plans has been rationalized and reinforced.

41. **Internal and external auditing procedures have been strengthened.** The Court of Audits, the General State Inspectorate (IGE), and the Tax Inspectorate have identified cases of malpractice. These practices suggest that the government's commitment to eliminating corruption irrespective of scale remains a daunting task.

### C. Social Sector Performance

42. **Education was initially the prime beneficiary of increased social sector spending.** The share of spending on education rose from 17.5% in 2005 to 22% in 2006 and 23.5% in 2008. The goal of free primary education, approved in 2005 and implemented since 2006, was the government's main educational policy tool, resulting in increased enrollment ratios

from 60% in 2005-2006 to 80.8% in 2007-2008 and a reduction in gender and regional disparities in enrollment. Female enrollment (79.3%) gradually caught up with male enrollment (82.2%) and surpassed it in first-year admissions (53.7% vs. 53.3%) in 2007-2008.

43. **Focus on the quality of education.** Quality will be improved by increasing capacity and teacher training, reducing teacher-to-student ratios, and issuing textbooks. Major problems are high drop-out and repeat rates, with close to 50% of primary school government spending going on students who will not go beyond primary school due to insufficient secondary school facilities and staffing. The government is committed to limiting this waste of resources.

44. **Core policy for basic health care: free access to care for pregnant women and children under five.** The share of healthcare in public expenditure rose substantially for the first time in 2007, from 3.4% in 2006 to 5.2% in 2007 and 7.6% in 2008. Free access to healthcare stimulated demand, and supply is now catching up.

45. **Lack of personnel and regional disparities are particularly acute in the health sector.** There are 201 qualified doctors in Burundi, with 87 working in the public sector.<sup>6</sup> Approximately 52% of doctors in the public sector are administrative staff based in Bujumbura and in provincial capitals. In addition, 27% of paramedical personnel work in the capital and 43% of medical technicians cover an area where 90% of the population lives. A 2007 assessment found that 1,282 medical staff would have to be trained (an increase of 116%) for Burundi to comply with international standards. In 2008, with support from Burundi's partners, human resource development plans were drawn up, paramedical training was reformed, and programs were set up to motivate personnel and stabilize commitment.

46. **The performance of the health sector has improved, despite shortcomings.** Thanks to targeted programs, vaccination coverage is now close to 100%, anti-malaria medication and insecticide-treated bed nets have been distributed at subsidized prices, and tuberculosis screening and treatment have improved. Health indicators are on the rise. Hospital births increased from 23% in 2005 to 41% in 2007 and 50% in 2008. Maternal mortality has fallen from 800 per 100,000 in 2000 to 615 per 100,000 in 2005. The mortality rate for children under five dropped from 190 per 1,000 in 2000 to 176 per 1,000 in 2005. Medical visits for children under five doubled to two per child per annum between 2005 and 2008. Finally, chronic malnutrition declined from 57% in 2000 to 53% in 2005 and 46% in 2007.

#### D. Rehabilitation of Infrastructure

47. **Rehabilitation of infrastructure has been slow.** The share of internally financed infrastructure investment increased to 5.4% in 2009 from 2% in 2005. However, most investment in this sector is financed externally. In the last two years the government has launched a substantial rebuilding and rehabilitation program for national infrastructure, with assistance from private donors.

48. **Priority has been given to road building and road maintenance.** Funds allocated to the National Highway Fund (*Fonds Routier National*) increased by 60% from 2004 to 2006

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<sup>6</sup> The remaining 114 doctors work in the private sector and in NGOs.

and have almost doubled since then. Maintenance relies on increasingly labor-intensive techniques.<sup>7</sup> Between 2004 and 2009 the number of roads under maintenance increased by 140%. Payments of foreign aid increased more than threefold from 2006 to 2008. However, development in many provinces is still held up by the deplorable state of road connections. Rehabilitation of the road network has only just begun. Burundi's donors have made major contributions in this area, supporting rehabilitation and planning projects, the asphaltting of roads aiming to open up isolated areas to internal and external access, and labor-intensive projects such as street paving in larger urban areas. Other donors have expressed their intention to support this sector in the future.

49. **Other measures taken to improve infrastructure** include facilitating transit on the Northern corridor to Mombasa, draining the main dock at Bujumbura port, and carrying out regular improvements to the international airport at Bujumbura.

50. **Strong growth in the energy sector requires large-scale investment and steps to ensure the financial viability of the REGIDESO public utilities company.** Substantial reform of this priority sector began in 2007-2008 with rate increases and the introduction of prepaid meters, attracting substantial external investment. However, the impact of reforms and new projects on performance will be slow and gradual. Although the sector's main institutional player, REGIDESO, is committed to improving services, revenue is currently insufficient to cover maintenance and operating costs.

51. **Extending water coverage.** Although water production rose from 26.3 million m<sup>3</sup> in 1997 to 33.1 million in 2004 and 37.4 million in 2008, urban water coverage is still estimated at only 79.7%.<sup>8</sup> Rural coverage is only 63.4%, posing acute problems of access to drinking water. The government, with support from partners, its own budgetary resources, and REGIDESO resources, has adopted an investment program aimed at improving access to clean water and drinking water in both urban and rural areas.

52. **Progress in water management.** Water loss has decreased from 46% in 1997 to 45% in 2004 and 42% in 2008 despite the fact that consumption rose from 14.2 million m<sup>3</sup> in 1997 to 18.4 million in 2004 and 21.6 million in 2008. However, water loss remains well above the acceptable rate of 17%. Institutional reform has begun, with the aim of harmonizing water management. Policy is defined by the Water Ministry, created in December 2008, and the government has decided to adopt a National Water Policy and a corresponding Water Action Plan. These political steps in the water sector express the government's intention to give water a central role in the national economy and thus meet the Millennium Development Goal in this area. The commitment of Burundi's development partners is indispensable in meeting priorities in this sector.

53. **Spectacular progress in Information Technology and Communications (ITC).** The government began to liberalize and restructure the ITC sector in 1997. Investment by private operators began in 1998-1999. By the end of 2008, Burundi had two fixed-line operators, six

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<sup>7</sup> Roads are maintained by family-run community development projects. Each project is allocated approximately 10 km of roadway. This system has yielded good results and contributes to fighting poverty in rural areas.

<sup>8</sup> 1997, 2004, and 2008 REGIDESO Annual Reports.

mobile telephone operators,<sup>9</sup> and six Internet providers. There are now more than 500,000 users compared to approximately 15,000 in the 1990s. A total of 470,000 are mobile phone users. Although telephone density is still low (6.3%),<sup>10</sup> demand is high and supply is capable of meeting it.

#### **E. Revival of Agriculture and Livestock Farming**

54. **Agriculture has finally moved up in the government's list of priorities, though with meager results.** Agriculture's share of the budget rose to 3.3% in 2008 from less than 2% in previous years. Weak spending was partly offset by external aid payments, especially since 2007. The government's key objective in the last four years has been to gradually rebuild an efficient research and management system. To boost food production, the government distributed improved seeds, drained marshes, and provided pedal pumps. Cereal production in 2008 was still at 1990s levels despite population growth of approximately 20%. Burundi, which used to be self-sufficient in food production, now depends on imports, and a significant part of its population is subject to food insecurity. Reform of the cash crop system in coffee production, intended to revive the sector and increase revenue through quality production, has begun with the privatization of a number of washing and hulling plants. Development of livestock farming has been more effective. Livestock has increased over the past decade and especially in 2007, when cattle stocks went up by 10%, goat stocks by 12%, and poultry stocks by 15%. With the exception of poultry, growth slowed in 2008 due to technical problems, disease, and increased slaughter rates.

55. **The agricultural sector has considerable potential.** Climatic conditions are largely favorable. The geographic terrain and environmental conditions are diversified, permitting the diversification of crops. The labor force is motivated and hardworking and it responds well to technical advice. The country's well-distributed hydrography favors the development of irrigation and fishing. Burundi intends to systematically develop this potential, which was badly damaged by armed conflict in the 1990s.

56. **As political stability gains ground, the government and its development partners are undertaking projects to revive agriculture and livestock farming.** However, financial resources remain modest. Agriculture's share of the budget rose from less than 2% to 4.1% of own resources in 2008 but remains well below the 10% target set at the 2003 Maputo Conference of African Agriculture Ministers. The steps taken to increase production have therefore had only limited impact.

57. **Political stability has motivated donors to increase resources for agriculture.** Projects and programs set up by the government and its development partners have been reinforced and have begun a revival of basic agricultural services. For example, these actions have strengthened the National Center for Food Technology. They have produced and distributed seeds, in particular healthy cassava (manioc), and improved seed centers. They have distributed chemical fertilizer and created a strategic fertilizer stock (since 2008), regenerated livestock herds, drained marshes, and rehabilitated the Imbo irrigation system. They have promoted small-scale irrigation, promoted education about animal diseases and

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<sup>9</sup> In two cases, networks have not yet begun operating.

<sup>10</sup> Percentage of the population with telephone lines.

epidemics, preserved catchment areas, and deployed additional technical staff by training and appointing monitors in communities including local administrative districts (*collines de recensement*). Among export industries, priority has been given to reforming coffee production. Crop renewal has begun with donor support and a number of washing and hulling plants have been privatized with the intention of reviving the sector and increasing revenue for producers. A committee for the reform of tea production has been set up, and its recommendations are in the process of being adopted. Reports are being prepared on the privatization of tea production. Cotton production has not seen major progress, though steps have been taken to increase the land area dedicated to cotton crops. Agricultural data collection will be enhanced by setting up a national food hygiene and security monitoring system and by collecting data for a series of agricultural reviews.

**58. A National Agriculture Strategy and a National Food Security Program were adopted in 2008.** In compliance with NEPAD's Comprehensive African Agricultural Development Program (CAADP), Burundi intends to give agriculture strategic, policy, and budgetary priority. The key objective of future agricultural policy will be to turn from subsistence farming to intensive, modern, market-oriented agriculture.

#### **F. Private Sector and Tourism**

**59. The private sector has benefited from political stability and macroeconomic prudence.** The government has also taken specific steps to enhance conditions for investors, including (i) payment of arrears owed by the government, (ii) reform of the Commercial Court, (iii) reform of business law, (iv) the creation of a coordination and joint action framework, and (v) a revival of privatization. Burundi's membership of the East African Community (EAC) is expected to provide Burundi's businesses with new opportunities. However, substantial efforts still need to be made before legislation is implemented and the private sector can develop.

**60. Tourism has benefited from the restoration of security.** There is considerable potential in Burundi for the development of tourism. Tourism would contribute to diversifying the country's economy and creating employment in most other sectors.

#### **V. VISION FOR THE FUTURE – OUTLINE OF FUTURE STRATEGIES**

**61. The government has just finalized a macroeconomic framework for the next three years.** This framework projects a gradual economic recovery (3.6% in 2010, 4.2% in 2011, and 4.8% in 2012) to be driven by growth in agricultural production as well as services and sustained by substantial aid flows (20% of GDP, one third of this amount being in the form of budgetary supports). In line with macroeconomic stabilization trends in recent years, the government is committed to pursuing sound economic management: a stable exchange rate against the dollar (BIF 1,230 per US\$ in 2009), foreign reserves equivalent to more than four months of imports (compared to 6.6 in 2009), and a single-digit inflation rate (5% in August 2009). Even if growth rates expected in the medium term are above 4%, this may still be inadequate to sustain a vigorous poverty reduction policy given that the population growth rate reached 2.35% between the two last population censuses.

**62. In 2010, the structure of the second generation of the PRSP will be developed**

**based on results of the previous program.** As in 2005, this work will be based on consultations with all political, social, and economic groups as well as all grassroots communities on the political and economic priorities of future governments of Burundi. Without predicting at this point the results of these consultations, it is recognized that the aspirations and demands of Burundi's people remain very similar to those that dominated the preparation of the first PRSP. It is therefore likely that the major priorities of the second PRSP will also be: (i) governance and security; (ii) shared growth (especially in rural areas, where 90% of the population lives); and (iii) human resource development and improvement in essential social services. However, lessons drawn from the first PRSP experience are likely to lead designers of the new strategy to partially shift priorities in favor of the second objective – accelerating growth – through massive investments in infrastructure and additional efforts in favor of rural areas as well as the development of the private sector. Gender mainstreaming will be a strategy for rationalizing women's potential so that they not only contribute to, but also benefit from, the country's development.

#### **A. Strengthening Governance and Security**

64. **The government is taking measures to ensure that elections are held under the best conditions. After the adoption of the electoral code, the government is mobilizing the necessary resources for the Independent National Electoral Commission (INEC) to organize elections.** With support from the UN, needs were estimated at US\$ 44 million, with US\$ 6 million to be provided by the government. A fundraising project has just been approved by both UNDP and the government. In addition, in order to assist the work of INEC, the project is providing support for security as well as the monitoring of elections by civil society and the media. During and after elections, the Forum for Dialogue between the government, political parties, and civil society will remain active to encourage consensus on all political issues of common interest.

65. **Regarding security, substantial efforts will be pursued.** Demobilization will be continued to reach numbers that the country's financial capacity can absorb (25,000 soldiers and 15,000 police officers). The professionalization of the defense and security forces will be accelerated through the provision of barracks and the training and retraining of both police officers and soldiers. Trainers within the command have already benefited from capacity building programs. Concerning the prevailing insecurity due to the slow pace of disarmament of civilians, a new law on gun carrying by the civilian population includes a time table for a surrender of arms that does not go beyond 2009. This will help the relevant commission be more effective beyond mere sensitization in its operations to withdraw arms illegally held by people before elections. The national police force has recently adopted a 10-year capacity and professionalization plan that will enable it to carry out effectively its mission of protecting the population.

66. **As regards justice, the government is determined to fight effectively against impunity.** The government will intensify training programs with the support of partners and put in place mechanisms and procedures to ensure compliance with competence criteria in recruitment and to strengthen the independence of the bench as well as the institutional stability of magistrates. In addition, a code on criminal proceedings will be promptly promulgated and made operational. The activities of the Independent National Commission on Human Rights will be strengthened. This will involve the translation into Kirundi and the dissemination of laws on human rights to sensitize the population to the rule of law. The

government will also implement the recommendations resulting from consultations on transitional justice mechanisms.

67. **To consolidate peace once and for all, government is defining a sustainable reintegration policy for all categories of people affected by the war alongside the demobilization process.** This policy will deal comprehensively and on a priority basis with land-related conflicts, which are one of the major issues for the judiciary in Burundi. In terms of administrative governance, progress will be sustained through the implementation of newly adopted instruments. The law separating political and technical functions will be applied to make public administration more effective. The next step will be to reform public administration by adapting its size to the country's financial opportunities (better recruitment mechanisms, promotion strategy, etc.). Concerning decentralization, the next General Assembly on this issue will be followed by a law on the transfer of expertise and resources to local authorities. A capacity building program will be promptly put in place to facilitate the enforcement of this law.

### **B. Improving the Quality of Economic and Financial Governance**

68. **Efforts will be guided by the implementation of the public finance reform strategy adopted by the government in May 2009.** This strategy was developed based on a recent evaluation of the public finance management system, especially the Review of Public Expenditure and Financial Accountability (PEFA). It aims at building a more effective, rigorous, and transparent financial system. Through this, the government intends to put in place in the medium term: (i) a new and operational legal and regulatory framework; (ii) the capacity to mobilize resources to finance national policies; (iii) a more efficient, rigorous, and transparent management of public expenditure; (iv) coherent and effective internal and external audit systems compliant with international standards, (v) enhanced institutional capacity at the ministry responsible for finance and among partner institutions; and (vi) the capacity to produce and disseminate economic and budgetary information to strengthen social dialogue and partnership.

69. **As part of the legal and regulatory framework, the government will seek to apply the many mechanisms set forth in a series of laws developed and adopted over the past four years, particularly:**

- The organic law on Public Finance adopted by parliament and promulgated by the President of the Republic in 2008. This law aims to consolidate the foundations of the existing public finance management system in Burundi by correcting its defects, clarifying ambiguities, and filling gaps within it. It paves the way for the adoption of new concepts regarding program-by-program budgeting and performance based budgeting concepts. Finally, it clearly defines the roles and responsibilities of actors involved in the management of the public finances as well as relevant sanctions.
- Law n° 1/002 of March 31, 2004 confers on the Auditor General's Department all the prerogatives that enable the legislative branch to have full control over the executive branch in terms of the execution of the budget and use of public resources.
- The Decree of September 26, 2006 rehabilitates the internal control function by instituting a General Inspectorate with sweeping powers of inspection, audit, and control of all public institutions.

- The Public Procurement Code adopted in 2008 institutes procedures for awarding public procurement contracts in conformity with international recommendations, especially regarding competition, information on public procurement, and the independence of the regulatory authority.
- The Tax Code and the Customs Code, revised in 2005, clarify and update regulations on the tax and customs obligations of citizens.
- The Law on Value-Added Tax provides for the modernization of the tax system and corrects anomalies in the previous Transactions Tax, which had adverse effects on economic operators.
- The establishment of the Common External Tariff will help concretize Burundi's integration into the EAC economic space.
- The Banking Law helps clarify the relationship between State and Central Bank, improve credit facilitation, control the money supply, and regulate the financial markets.
- The Investment Code will help promote direct investments in Burundi.
- The law establishing a Revenue Authority aims to improve the tax base, ensures efficiency in tax collection, and enhances compliance with tax laws and obligations.
- The law governing procedures for the sale of government property aims to strengthen transparency in the management of public properties.
- The law on Statistical Analysis will enhance economic governance capacities.

Many other regulatory texts have been adopted in pursuance of new legal provisions or are being prepared. These include budgeting and accounting classifications and a general regulation on public accounting. These legal and regulatory instruments will become substantial assets and will shape the modern management system desired by Burundi and equipped the country with all the quality criteria required by international standards.

**70. The government is also planning to restructure services responsible for financial and economic administration.** The aim is to streamline the various functions relating to economic and financial management and make them more operational while complying with principles and rules governing organizational procedures and best practices in public finance management. In this regard, the new structures described in the Public Procurement Code have been set up and are being strengthened. The Burundi Revenue Authority will become operational in January 2010. The reorganization of some ministries in charge of economic and financial management (Finance, Planning, Interior and Local Government, Civil Service, Justice) is under study in order to strengthen complementarity and coherence across their activities. In addition, capacity building for these administrations must take into account a more suitable remuneration policy that will reconcile the need to build capacity while maintaining budgetary balances. The Burundi authorities are feeling the effects of numerical and qualitative weaknesses in their human capacity. These could be addressed through a well adapted salary and training policy. The government intends to place special emphasis on the organization of functions and to control institutions.

**71. Internal and external audit systems are gradually taking shape and strengthening their independence as well as developing their competencies.** However, audit and control

institutions are more reactive than proactive. Although they all know their weak points in the area of public management, none has the capacity to address problems associated with this type of management. As these institutions still lack resources, it is important to maximize the use of current resources. The IGE (General State Inspectorate) will be called upon – with the support of the Auditor’s Department – to hold consultations with all control and audit bodies in order to develop a multi-annual program that will be implemented by all the entities concerned.

### **C. Pursuing Human Capital Development**

72. **Efforts will be pursued to expand access to primary education and broaden reforms in secondary and tertiary institutions.** This will involve training teachers and providing needed teaching materials and resources to improve the quality and efficiency of the school system. Drastic measures will be taken to reduce by half the incidence of repetitions and school dropouts especially among girls. With regard to secondary and tertiary education, the issue is complex and will require thorough reflection on objectives being pursued and priorities.

73. **The modernization of the health system is a priority for the government.** This will be achieved through the design and implementation of an effective and sustainable drug policy and a gradual reform of the mode of financing the health system. There will be in-depth reflection to guide the new policy on drug supply, which is based on integrated logistics and targeted essential drugs and a gradual transfer of the drug supply functions of the Central Agency for Drug Purchases (CAMEBU). Similarly, to sustain health system reforms, there will be a need to provide the resources required by the system to ensure that free medical care for pregnant women and children below five years is efficient and reimbursements are made within a reasonable period of time. The method of reimbursement for health services will be extended. It will not be based on the projection of needs but on the number and nature of services provided. It will be backed by controls on the quality of services. Measures have already been taken to provide incentives to doctors and nurses to accept postings to the provinces and especially the poorest regions. Recruitment and training programs will focus on the priority needs of the most deprived regions.

74. **The government also intends to launch a deep reform of health insurance to extend coverage to users in the informal sector.** To this end, the government will seek the advice and support of its partners to facilitate the implementation of the INAMA program.

### **D. Finalizing Infrastructure Rehabilitation and Restarting Infrastructure Development**

75. **Infrastructure rehabilitation and development will be part of the major objectives of future governments in Burundi.** This priority is necessary to stimulate growth. Notes on the various sectors shown in the Appendix define for every sector policy directions and major investments that will be made with the support of the international community.

76. **In the highway sector, the maintenance of the main road network will be given the highest priority,** especially through a gradual increase in the resources allocated to the National Highway Fund and the rational planning of construction work, using a highway database that is being compiled. Results from Community Development Association (ACD) reports will be assessed in order to extend this work gradually to a greater portion of the

national network. Alongside the decentralization policy, there will be a need to reflect on how to support local communities in the implementation of programs for rural and feeder roads. There are also plans to rehabilitate, build, and surface more than 1,000 kilometers of vital roads to open up the provinces and improve communication with neighboring countries. Nearly US\$500 to US\$600 million is required to implement or initiate this work over the next five years. The rehabilitation of infrastructure in general will continue to be an opportunity to increase women's access to salaried work by using their labor.

**77. Regarding other modes of transport, substantial investments totaling nearly US\$130 million are planned.** Aside of the Bujumbura port and airport, the most ambitious project is a rail project that will involve the rehabilitation or construction of the Dar es Salam-Isaka rail line as well as the construction of two branch lines inside Burundi toward Kigali and Munsongati. The detailed technical studies will begin in the coming months. The viability of this investment is justified by the transport potential, which is estimated at 10.98 million tons by 2044, coupled with future nickel production at Kabanga in Tanzania and Nyabikere, Waga, and Munsongati in Burundi, which are estimated at 4.5 million tons (2018-2035).<sup>11</sup>

**78. The government and the private sector will give priority to the expansion of electricity production as a means of stimulating growth.** The Burundi economy is severely affected by shortfalls in energy supply. Despite its considerable water resources, the country imports nearly 40% of its electricity and is unable to meet rapidly growing demand. In the short term, the acquisition of a thermal plant seems indispensable while waiting for the construction of new a hydroelectric plant. However, it is urgent to launch studies and construction on two national projects (Mpanda and Kabu 16) and two regional projects (Rusizi III and Rusumo Falls). It is also important to link Burundi's electric grid to those of neighboring countries (Rwanda and DRC). Furthermore, the possible development of nickel production will justify this huge investment. About US\$130 million is need to be invested immediately in the acquisition of a thermal plant and the two most urgent national projects. Burundi's share of regional projects is estimated at US\$280 million. To ensure the success of this strategy, the utilities provider REGIDESO must be transformed into a financially viable company through the rehabilitation of the distribution network and a stringent public and private debt recovery policy as well as a gradual alignment of tariffs with the cost structure.

**79. The development of the water sector, which is essential in all sectors, requires substantial resources.** Burundi's vision is to be a country where water is available in sufficient quantity and quality to meet the needs of present and future generations and used judiciously and fairly for sustainable development without compromising the environment. This will require investments to the tune of US\$432 million, with a substantial portion being allocated to water infrastructure estimated at US\$300 million, including the reform of provincial authorities to ensure good maintenance of existing and new water supply systems. Other investment will be required to strengthen the legal and institutional framework, determine potential, protect and preserve water resources, and forestall havoc resulting from natural disasters linked to the climate. The government's priorities are as follows: (i) build the capacity of institutional and legal frameworks to ensure better coordination of activities in the sector and develop legal and land regulatory legislation; (ii)

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<sup>11</sup> Drawn from feasibility studies of the ISAKA-KEZA-KIGALI/KEZA-GITEGA-MUSONGATI railway project.

improve related knowledge and ensure optimum development and sustainable use of the resource by determining in terms of quantity and quality the country's water resources, be it surface or ground water; (iii) increase the rate of drinking water supply and sanitation to achieve related MDGs by 2015; (iv) protect and preserve water resources to ensure improvement in the quality and quantity of water available and to satisfy the needs of present and future generations; (v) develop water resources to ensure economic growth and the welfare of the people, especially women; and (vi) prevent, adapt, and reduce natural disasters linked to the climate.

80. **Completion of Burundi's Backbone Network is essential for the development of the ICT sector.** This will connect Burundi to fiber optic cables in the Indian Ocean, improve considerably the quality and reliability of the service while reducing the cost of telephone and Internet communication. This will be supplemented by a national fiber optic network. In this sector, with the exception of these two projects and the shift from analog to digital broadcasting, the bulk of investments will be financed by the private sector. The government will have to create an enabling environment for such investments, improve the legal framework, and contribute to the training of technicians to facilitate the introduction of ICT in public services and the educational system. To enable telecoms provider ONATEL to participate more actively in the development of this growing sector, the government has decided to privatize the company.

#### **E. Sustaining the Boost in Agriculture and Livestock Production**

81. **The vision of the country's future agricultural policy will be to shift from subsistence agriculture to a modern and intensive as well as market-oriented agriculture. The primary objective of future programs will be to boost food production.** This will be achieved through the distribution of quality seeds and chemical fertilizers, improvement to acid land, and the promotion of small-scale irrigation as well as provision of generalized and quality agricultural extension services. The new strategy will focus on the establishment of a stable agricultural information system that will help monitor the implementation of the various programs. The shortage of land and population growth means that the intensification of farming structures is the only option for the development of this sector. Proposed programs will be supported by measures aimed at protecting the environment through the promotion of techniques for restoring soil fertility. The government is very much concerned by the shortage of land and related problems. It is calling on its partners for advice and support in the design and implementation of sustainable agrarian and land reform to stimulate growth and safeguard social peace.

82. **Reform in the export sector will be consolidated.** The reform launched recently in the coffee sub-sector will lead to the privatization of only parts of the washing and sorting stations, but it will show that such reforms can enable coffee producers to derive maximum benefits from a world demand increasingly oriented toward quality products. It will help the country prepare better for reform in other sectors, namely tea, cotton, and sugar.

83. **The replenishment of livestock is showing promising results, and it will be pursued and intensified.** Priority will be given to pig and small ruminant rearing, which is better adapted to the needs of small, rural farms. In addition, efforts will aim to provide support for livestock activities by strengthening the monitoring and control of animal diseases, supporting veterinary laboratories, and improving the legal and regulatory

framework governing livestock farming in the country.<sup>12</sup>

84. **The modernization of agriculture in Burundi will be achieved by improving access to credit and developing mechanisms well suited to the characteristics of family holdings.** Special attention will be paid to the promotion of partnerships. The government will rely to a large extent on associations of producers to improve the distribution and storage of inputs and harvests and the transportation and marketing of produce. In-depth reflection on this issue will be initiated.

#### F. Promoting the Private Sector

85. **The development of the private sector, and particularly business law, will be one of the main components of the policy for accelerated growth.** Recently, the government has begun the reform of business-related laws. Many codes were thoroughly revised to introduce in Burundi a modern legal system in tune with international best practice. Some of these codes are yet to be approved and implementation texts has not been drafted. Completing this reform will be one of the next priorities. A framework for consultation between the public and private sectors has been established but will only become operational when government takes the necessary initiatives and the ongoing reorganization of professional associations within the private sector is completed. This dialogue between government and business is expected to be effective as well as efficient. The private sector has specific ideas about the country's economic and financial future as well as the role of government in this area. Its voice will be heard and its suggestions taken into account. The Investment Code has been revised and a reform of flat-rate taxation, which weighs heavily on small businesses, has been designed. A new Tax Code is being prepared and will take these measures into account. Burundi has major mining potential. The Mining Code will be revised in order to create an environment conducive to the rational development of this potential. Special efforts will be made to further promote entrepreneurship among women and women's access to capital.

86. **Beyond the legal framework governing investments and business operations, many other measures will be required to create a favorable investment environment.** One of these measures will be the resumption of the privatization program. Up until now, this program covered mainly small-scale public enterprises of little strategic importance. A decision has now been taken to complete the privatization of strategic companies: (i) coffee, because the existing structure has proved unequal to the task of developing the sector, which has very bright prospects in the long term; and (ii) telecoms provider ONATEL, which has failed to deliver and because of its structure is unable to participate actively in this fast expanding, cutting-edge industry. These two decisions should help convince the international community and national private investors that the government will take the necessary steps to ensure that the private sector becomes the real engine of growth. Professional organizations in Burundi have developed a support program that will help them defend the interest of businesses and provide information and advice to their members. The government is actively supporting this program, details of which are attached as an Appendix to the note on private sector development.

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<sup>12</sup> To date, three draft decrees have been prepared namely: (i) draft decree on the practice of the veterinary profession; (ii) draft decree on the establishment of an association of veterinary doctors; and (iii) draft directive on the practice of veterinary pharmacy.

## G. Developing Tourism

87. **Tourism is a sector that is to a large extent private and is developing at a relatively rapid pace and with good prospects for a better future.** Recent improvement in the security situation gives room for such expectations. The expansion in tourism is a sign of renewal. War and embargo have isolated Burundi from the rest of the world. The time has come for the country to reclaim its modest but promising position in the world economy. It is in this spirit that the government requested its development partners to finance the preparation of a National Tourism Development Strategy for Burundi. The country, its landscapes, and its cultures have many attractions. The people of Burundi want to make these better known. The advice and support of partners is welcome.

## VI. CONCLUSION

88. **The message is clear: the government wants to pursue actions and reforms to improve governance, develop human capital, and ensure that all of Burundi's people have access to quality social services. But economic growth is the key to success.** In a peaceful political climate, robust economic growth now seems possible. Yet there is a need to wipe out traces of 12 years of war in minds and infrastructures. The authorities need to allay fears and reassure people with the support of civil society. The lasting solution to economic and institutional constraints lies in the improvement of investment and economic growth. The government will continue do all in its power to stimulate growth, rationalize its budget choices, mobilize resources, and use these more efficiently.

89. **In the meantime, Burundi will continue to depend on its partners' support to achieve its peace and development objectives.** This support must be commensurate to the expectations of Burundi's population. These expectations are born out of national reconciliation, which is in turn nurturing the ambition to see Burundi return to the position it deserves in the family of nations. The first meeting of the Consultative Group will provide the opportunity for the Burundi government to present to its partners an evaluation of its PRSP and share its vision as well as future strategies in all areas: political, economic, and social. Burundi will listen to the views and advice of its partners on what has been achieved and what future governments must achieve to consolidate gains and release the potential of the country's economy and human resources. It will seize this opportunity to indicate to the community of partners how and in what areas it can provide assistance.