

THE INTERNATIONAL MONETARY FUND AND  
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

REPUBLIC OF BURUNDI

**Interim Poverty Reduction Strategy Paper  
Joint Staff Assessment**

Prepared by the Staffs of the International Monetary Fund and  
The International Development Association

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**I. INTRODUCTION**

1. Burundi is emerging from a long period of civil war that, for most of the 1990s, took a heavy toll on human lives and on the country's economic and social fabric. As part of the national reconstruction and development effort, the authorities have prepared an interim poverty reduction strategy paper (*Cadre stratégique intérimaire de relance de la croissance économique et de lutte contre la pauvreté — CSLP intérimaire*, or I-PRSP). The I-PRSP process was designed in the spirit of the Arusha (Tanzania) Peace and National Reconciliation Agreement, which, inter alia, led to a three-year transitional government of national unity, ethnically balanced Parliament and Senate chambers, a landmark midterm presidential rotation (on April 30, 2003), and cease-fire agreements with all but one of the antigovernment factions. General elections are planned for early 2005.
2. The I-PRSP describes the extent, characteristics, and causes of poverty in Burundi, and discusses strategies to achieve measurable improvements. It presents a long-term vision of development based on six strategic themes for promoting sustainable and equitable economic growth deemed essential for poverty alleviation (Box 1). As a means of advancing national reconciliation, the government has sought to include all Burundians in the design and implementation of the I-PRSP, which also envisages a crucial support role for the international community.
3. The I-PRSP reflects the Burundi government's priority to address the challenges of transition from conflict to peace, thus recognizing the current political and security situation in the country. The staffs support the approach used by the government to elaborate its strategy. The preamble of the peace accord states that "the reestablishment in Burundi of a legal, institutional and social environment based on good governance, the rule of law and the efficiency of public management, justice for all, the search for social consensus and participation by civil society in the definition and implementation of national policies,

constitutes an essential element of the strategy for national reconstruction and reconciliation.” The staffs equally support the government’s main priorities in the economic sectors: particularly, rural development, infrastructure, disengaging the state from the production sector; reviving the private sector; and promoting the mining sector, which has particular promise. The I-PRSP also identifies a number of specific areas for action and presents an ambitious yet appropriate action matrix to be implemented over the period 2003–06.

4. However, the I-PRSP still has a number of important gaps. The principal areas for strengthening during the elaboration of the full PRSP are: (i) the analytical underpinnings in various areas including growth (in the context of Burundi’s specific challenges, as a small open economy vulnerable to fluctuations in international coffee prices, in a post-conflict context); (ii) the development of more detailed sector strategies and programs likely to have a significant impact on poverty; (iii) the prioritization, costing and financing of policies and strategies; and (iv) more specific targets, indicators and monitoring mechanisms.

#### Box 1. The Six Priority Issues in the I-PRSP

Burundi’s I-PRSP highlights six priority areas for poverty reduction in Burundi:

**Peace and democratic governance.** Lasting peace was deemed paramount and to entail: (i) securing peace and security in the whole country; (ii) fostering inclusiveness; (iii) promoting national reconciliation and good governance; and (iv) resettling and reintegrating displaced persons and other victims of conflict.

**Reintegration of conflict victims and disadvantaged groups into the economy.** The Arusha agreement, as well as the national participatory consultations, guide socioeconomic rehabilitation and reconstruction. Main objectives include (i) reintegrating demobilized armed groups and war victims to help them resume normal and productive lives; (ii) rebuilding facilities; (iii) restoring victims to their former properties; or otherwise (iv) arranging for new properties for those who cannot go home.

**Private sector development.** The I-PRSP seeks to expand production, transform agriculture and its marketing, and promote microfinance and microenterprises through a strong strategy for private sector-led growth. The strategy calls for disengaging the state from the productive system; industrializing the country; promoting tourism and the services sector, and advancing regional integration.

**Human capital.** The I-PRSP addresses: (i) the fields of health, water and sanitation, education, employment promotion, enhancement of the national culture, and provision of educational opportunities for the young; (ii) the strategy to deliver high-quality and affordable social services to Burundi’s neediest; and (iii) the provision of social safety nets for the most vulnerable and disadvantaged.

**HIV/AIDS.** Under the coordination of a National AIDS Council, Burundi’s donor-supported HIV/AIDS program incorporates: (i) multisector awareness and prevention activities; (ii) care and treatment of opportunistic infections of HIV-positive persons; (iii) provision of antiretroviral treatment for infected persons and for prevention of transmission from mother to child; and (iv) steps to strengthen capacities of central and decentralized institutions responsible for the program.

**Advancing the role of women in development.** The I-PRSP is guided by the Arusha agreement, which calls for full rights for women. Draft legislation is being discussed in the National Assembly, and the implementation of this and other measures is central to the implementation of the I-PRSP and the design of the full PRSP.

## II. EVALUATION OF THE INTERIM PRSP AND IMPLICATIONS FOR THE FULL PRSP

### A. Conception and Execution

5. **Preparation process.** Underscoring its strong ownership and commitment to poverty reduction, preparation of the I-PRSP was conducted by the government of Burundi from the start, with some assistance from IDA in organizing the consultations. The process got under way in April 2000 with the participation of a core team in a regional workshop, followed in July by a national conference chaired by the Head of State on the development and implementation of a national poverty reduction strategy. Despite continued sporadic armed hostilities, broad-based consultations were held between July 2000 and January 2002 in Bujumbura and in four regional centers covering the whole country. In July 2002, the first draft of the I-PRSP was presented to the international community at two workshops chaired by the Head of State. At the roundtable conference in Geneva, in December 2002, the government presented an emergency poverty reduction program that drew extensively on the I-PRSP. In order to take account of donor comments and recommendations following the roundtable, a further round of domestic consultations was conducted in the first half of 2003.

6. **Participation.** In spite of ongoing political tensions, the government managed to achieve a strong I-PRSP participatory process. The I-PRSP fully reflects consensus-based recommendations stemming from nationwide participatory consultations with grassroots communities, civil society, the private sector, and the sector ministries. The more than 3,400 delegates (30 percent of whom were women) came from all 17 provinces and were trained by nongovernmental organizations that were already applying participatory approaches at the local level. During the peace and reconciliation process, which finally came to fruition in 2003, the government decided to solicit the viewpoint of the rebels on the I-PRSP. The result is thus an I-PRSP which has been prepared through a wide ranging process of consultations and participation.

7. **Ownership and policy coordination.** The joint involvement of all segments of Burundi's society, from citizens groups to the highest national authorities, underscores the full national ownership of the I-PRSP process. The authorities made sure that the I-PRSP reflected the spirit of policymaking based on consensus and inclusion underpinning the Arusha agreement, and that it contributed to implementation of the agreement in the areas of governance, reconstruction, and social and economic development. The I-PRSP also builds upon economic and social reforms under the government's economic recovery program for 2002–03, which was supported by two IDA economic rehabilitation credits and IMF assistance under the post-conflict emergency assistance policy, as well as existing or planned social relief programs.

### B. Macroeconomic and Structural Policies

8. **Macroeconomic framework.** The I-PRSP contains a consistent macroeconomic framework in line with the government's objectives as set forth in its economic and financial program supported by the proposed IMF Poverty Reduction and Growth Facility (PRGF).

The projections—which envisage stronger real growth, lower inflation, and higher social spending—support the aim of improving opportunities and living conditions for the poor. Achievement of the fiscal and external objectives would depend in large part on the availability of external financial assistance. The assumed increase in external aid is in line with projected aid flows from bilateral donors and multilateral institutions. While in some instances, such as references to monetary policy, the discussion of policies is somewhat general, the staffs see the overall framework as both realistic and appropriately ambitious.

9. **External policies and economic growth.** The I-PRSP mentions the potential contribution of regional integration to improving economic opportunities and living standards and lists the production activities with strong growth potential. However, it falls short of explaining how the strategy of external liberalization is consistent with the objective of promoting domestic manufacturing activities. It would have been useful to discuss how these two important strategies can be coordinated. More generally, the staffs encourage the authorities to elaborate in the full PRSP on sources of growth in the context of a small open economy like Burundi. In this context, particular attention should be paid to the development of alternative scenarios, which set forth the consequences of external or internal shocks that may affect growth.

10. **Public expenditure management.** The country's budgetary situation leaves little room for increasing antipoverty spending without external support. Government revenue collection (at about 20 percent of GDP) is already high by regional standards, and public administration and investment expenses have been substantially reduced since the outbreak of hostilities. However, following the cessation of hostilities, the costs of setting up a unified national army will prevent much of a peace dividend, in the form of budgetary savings, so that expanding existing antipoverty programs or launching new ones can indeed be financed only with donor support. The staffs take note of the authorities' intention to improve public management procedures to control costs and enhance allocation decisions.

11. The Public Expenditure System's main weakness remains the lack of harmonization between the nomenclature of the public accounting system and the Budget and the absence of links between the accounting services in the Ministry of Finances and the Central Bank. As a result, it is not possible to have an accurate snapshot of budget execution at any given time, nor to track expenditures from commitment to payment. However, these and other issues are being addressed with donor financed technical assistance and financial support, in particular through IDA's proposed Economic Management Support Project, scheduled for consideration by IDA's Executive Board on January 22, 2004, the forthcoming Country Financial Accountability Assessment (CFAA) in March 2004, regular Public Expenditure Reviews, as well as AAPs undertaken jointly by the IMF and IDA.

12. **Coffee sector prospects.** The I-PRSP contains few specifics with respect to the coffee sector, which in recent years registered large losses. Persistently low world coffee prices and Burundi's relatively high production costs raise difficult questions both for rural poverty and for economy-wide adjustments that are not explicitly addressed. The staffs share the authorities' concern regarding the economic and social ramifications of the problems of

the coffee sector and urge them to elaborate a detailed sector strategy, including safety nets for uncompetitive farmers, in the context of the full PRSP.

13. **Private and financial sector development.** The I-PRSP acknowledges the large weight of the State in Burundi's economy and the need to foster private sector development to achieve equitable economic growth and employment creation. Improving the business environment, in particular domestic security, is deemed essential in order to attract foreign investment and improve access to bank financing. In addition, the I-PRSP appropriately stresses the importance of a sound financial sector and the role of the central bank in that regard. The staffs encourage the authorities to develop these topics in the full PRSP.

### C. Poverty Situation and Policies

14. **Evaluation of poverty reduction strategy.** The I-PRSP reflects an ambitious strategy to improve social conditions and help face the challenges of transition to lasting peace, as envisaged under the Arusha agreement. The staffs support the broad social inclusion approach underscoring the I-PRSP strategies and note the government's intention to expand the participatory mechanism to the community level for the full PRSP, so as to obtain a broader representation of the poor and vulnerable groups. For now, the I-PRSP identifies a wide ranging set of specific areas for action and presents an ambitious action matrix to be implemented during the period 2003–06. The staffs concur with the policy matrix, and judge that implementation within the proposed time frame is feasible, provided that adequate funding is made available.

15. **Poverty profile and diagnostics.** The I-PRSP contains fairly up-to-date data on the prevalence and characteristics of poverty in Burundi. The combination of household survey data and extensive consultations enabled the collection of information on key social indicators and poverty, including regional incidence profiles. On the basis of these statistics, the I-PRSP provides a candid assessment of the difficult poverty situation in Burundi and puts forward an estimate of 68 percent of Burundians living in absolute poverty. However, the full PRSP should contain a more detailed analysis of the data to better assess key determinants of poverty and priority policy areas. It should also contain a more precise monitoring and evaluation plan, including new periodic surveys, that would enable an enhanced diagnosis of social conditions and the determination of the poverty and social impact of policy actions.

16. **Coordination of objectives.** While the staffs consider the I-PRSP action framework to be strategically sound, the document has gaps in terms of prioritization, timing, costing, and financing. This is apparent in the discussion on cost and financing (paras. 311–316), which concludes with open-ended requests for external support. In the same vein, the government did not provide an explicit prioritization of antipoverty reduction objectives, thus leaving some uncertainty as to its likely course of action. It will be important to develop the priorities, implementation schedules, cost estimates, and likely financing sources of poverty reduction policies in the context of the full PRSP.

17. **Millennium Development Goals (MDGs).** The I-PRSP acknowledges the importance of achieving the MDGs but does not discuss Burundi's prospects in this regard. While the goals for gender participation and access to public services are attainable by 2015, it is unlikely that the other goals can be met in this timeframe, given the handicaps from a decade of hostilities, forced displacement of populations, and economic decline. While agreeing with the authorities on the overriding importance of restoring peaceful conditions and mobilizing external aid on a large scale to achieve the MDGs, the staffs consider the government's immediate objective of restoring precrisis social indicator levels by 2005 as ambitious yet attainable.

#### **D. Sectoral Issues**

18. **Gender and poverty.** The role of women in improving social conditions is prominently highlighted in the I-PRSP as one of the six major priority areas of strategic implementation. Despite recent progress in establishing women's property and participation rights, the staffs concur with the I-PRSP's assessment that women's development remains constrained by limits imposed by traditional culture, lack of political representation, and conflict-related complications to their roles as economic and family care providers. The staffs recommend that the full PRSP include explicit steps to ensure progress in this domain.

19. **Ethnic exclusion and poverty.** In contrast to gender equality, the I-PRSP sidesteps any explicit mention of the difficult issue of ethnic relations. Arguably, Burundi's ethnic divide has been a major factor contributing to the violent conflict that has periodically reversed gains in poverty reduction. This topic is implicitly addressed by the peace process under way and in power-sharing arrangements under the Arusha agreement, but the staffs would welcome a more open acknowledgment in the full-PRSP of steps needed to promote ethnical integration.

20. **Sectoral priorities.** The staffs support the I-PRSP's identified priorities of rural development (including family farming, livestock production, and microfinance), extension of social infrastructure, privatization, and exploitation of Burundi's untapped mining potential. As mentioned above, the authorities will need to develop a strategy to address the urgent problems facing the coffee subsector. The staffs also support the government's objectives for the social sectors and for providing social safety nets to the most vulnerable and disadvantaged groups, taking into account Burundi's limited budget resources.

21. **Health.** The strategy for the health sector focuses on providing preventive and curative care to meet the basic health needs of the general population while undertaking major sector reforms to revitalize the proper functioning of the health care system at all levels. The rapid spread of HIV/AIDS poses a further challenge for Burundi, where communicable and parasitic diseases remain endemic and where human and physical health resources have been significantly depleted by the war. The I-PRSP stresses the need to bring basic health services closer to needy communities and to involve members of such communities in health facility management. The staffs agree that these are realistic priorities for the sector.

22. **Education.** The interim strategy for the education sector rightly identifies the need to create conditions for rapid restoration of precrisis enrollment levels through the rehabilitation of damaged schools, construction of new ones, adequate provision of school supplies, and training and redeployment of teachers. Development of the full PRSP will permit in-depth systemic reforms in these areas.

23. **Access to water and sanitation.** The staffs support the government's immediate objective of improving water supply and sanitation systems. As part of the broader commitment to expand social services, the I-PRSP calls for fostering partnerships and the community management of existing social infrastructure. The staffs agree that this is an adequate approach.

### **E. Implementation**

24. **Delivery capacity.** Implementation plans under the I-PRSP rarely go beyond the identification of key actions. It is not always clear which government agencies would be responsible for specific actions, nor how they would be financed. However, the existing system of Community Development Committees (para. 347) has in the past demonstrated Burundi's ability to execute plans and programs at grassroot levels. The staffs consider that, although the capacity of the central administration has been weakened by a decade of conflict, implementation capacity through participatory approaches will help in overcoming potential shortcomings.

25. **Targets and indicators.** The interim PRSP includes a matrix of actions (Annex II) identifying progress indicators. The targets are clearly specified, and most are attainable and adequate to be measured for progress, as referenced in the text or in Annex I. However, in some instances, objectives are left vague (such as "controlling inflation" or "improving the schooling rate of girls") and are not tied to an explicit strategy or timeframe. While some of these omissions have been addressed under the structural reform strategies of the government's program for 2004, the staffs recommend seeking greater precision in the design of the full PRSP.

26. **Social expenditure tracking and monitoring.** Existing expenditure-tracking mechanisms are, by the government's own admission, insufficient to effectively keep stock of pro-poor expenditures. Social classifications are made on the basis of sectoral allocations, and there is limited breakdown on the nature of expenditures deemed social. With IDA's support, the Ministry of Finance is developing a system to identify quantify, trace and monitor poverty-related expenditures in general and especially those identified in the full PRSP. This will be supported by the Economic Management Support Project, and other capacity building initiatives.

27. **Results monitoring and evaluation.** To track implementation and evaluate its poverty reduction strategy, the government is putting in place a system in the form of a national information-sharing network and is seeking additional external resources and technical assistance to develop a grassroots system for monitoring key poverty and social

indicators, in particular as regards progress toward the MDGs. The staffs agree that these participatory approaches will be useful in enhancing implementation of the I-PRSP and monitor progress in achieving its targets.

28. **Assessment of risks.** The I-PRSP candidly identifies several risks that could affect progress in reducing poverty. These include: (i) failure to overcome the major impediments to growth and prosperity, namely, a rekindling of hostilities and limited government capacity to design and implement pro-poor economic reform programs, and (ii) failure to attract the external support and private investment needed to generate and maintain the momentum of economic and social reforms. The staffs concur that derailment of the peace process could make implementation of the full PRSP impossible and a secondary priority. To the extent that Burundi continues to make progress with the peace process, economic stabilization, and regional integration, such a risk would be reduced. The risks resulting from limited implementation capacity would be mitigated by external assistance and capacity building.

### III. TIMETABLE FOR PREPARATION OF THE FULL PRSP

29. **Steps and timeframe.** The I-PRSP envisages the conclusion of a full PRSP by end-2004 and a list of actions taken to meet that deadline (Chapter X, Section 2). Consultations are to be concluded in mid-2004, with conclusions and recommendations expected by October 2004, drawing, inter alia, on participatory evaluations and sector analysis/studies expected during 2004. Although several of these steps depend on donor assistance, the staffs believe that the authorities' track record in preparing the I-PRSP warrants confidence in their capacity to produce the full PRSP within the envisaged timeframe.

30. **External support.** Currently, external technical support to the preparation of the full PRSP is being provided by a range of development partners, including Belgium, the United Kingdom and the European Union. These partners will continue jointly and individually to support improvements in the information base, the participatory process, poverty diagnostics, sector strategies, improvements in financial accountability, and costing of policy programs and sector strategies.

31. **IMF and IDA contributions.** The Fund and IDA will continue to contribute to the government's antipoverty strategy through the ongoing policy dialogue in the context of their respective country programs. The expected approval of a PRGF arrangement in early 2004 will bring poverty reduction to the foreground of IMF surveillance. IDA expects to continue to increase its focus on poverty reduction in its adjustment lending and sectoral projects specifically with three operations to be proposed for Board approval in 2004, namely: the Economic Management Support Project; the Demobilization and Reintegration Project; and the Road Rehabilitation Project. IDA will also support the preparation of the full PRSP through a variety of participatory analytical tasks in the areas of public expenditure and the assessment of sources of, and constraints to, growth.

32. IDA is coordinating the preparation of the next two year Transitional Support Strategy (TSS), scheduled for Board presentation late in 2004, with development of the full

PRSP. Provided that the country situation is judged appropriate, a Country Assistance Strategy could be presented to the IDA Board in December 2005 on the basis of the full PRSP, currently expected to be presented to the Boards of IDA and the IMF in June 2005.

#### IV. CONCLUSION

33. The I-PRSP summarizes the current state of knowledge on poverty in Burundi derived from the participatory process and national consultations that have evolved over the past two years. The document correctly describes Burundi's serious poverty situation and presents a sound poverty reduction strategy that is integrated into the immediate post-conflict priorities stemming from the Arusha agreement. The document lays out a detailed process for developing a full PRSP in a participatory process within a difficult post-conflict environment.

34. The staffs of the IMF and IDA consider that this interim PRSP provides a sound basis for the development of a fully participatory PRSP, and for IMF and IDA continued concessional assistance. The staffs recommend that the respective Executive Directors of the IMF and IDA reach the same conclusion.

#### Burundi: Key World Bank/Fund Events Related to the PRSP

	<b>Institution and Event</b>	<b>Expected Date</b>
IMF/IDA:	Board consideration of I-PRSP and joint staff assessment of interim PRSP	January 2004
IMF:	Board consideration of PRGF arrangement	January 2004
IMF:	First review under the PRGF by Executive Board	June 2004
IMF/IDA:	Board consideration of HIPC Initiative preliminary document	June 2004
IDA:	Board presentation of Transitional Support Strategy	October 2004
IMF:	Second review under the PRGF arrangement by Executive Board	December 2004
IMF:	Third review under the PRGF arrangement by Executive Board	June 2005
IMF/IDA:	Board consideration of full PRSP and accompanying joint staff assessment	June 2005
IDA:	Board presentation of Country Assistance Strategy (CAS)	December 2005
IMF:	Fourth review under the PRGF arrangement by Executive Board	December 2005
IMF:	Fifth review under the PRGF arrangement by Executive Board	June 2006
IMF:	Sixth review under the PRGF arrangement by Executive Board	December 2006
IMF/IDA:	Board consideration of HIPC Initiative completion point document	December 2006