



Budget Support for the Third Economic Reform Support Grant to the Government of Burundi

Desk Appraisal Report

Economics and Public Administration Department

September 2009

Norad Technical Note

This note is part of the Department's ongoing work. The views and opinions expressed in this note do not necessarily correspond with those of the management of Norad.

Project: Budget Support through the World Bank's Multi Donor Trust Fund for the Third Economic Reform Support Grant to the Government of Burundi

Commissioned by: Royal Norwegian Embassy Kampala

BESTnr.: 0901364

Norad's Project Manager: Petter Skjæveland

Task team: Randi Lotsberg and Petter Skjæveland

Norad
Norwegian Agency for Development Cooperation

P.O. Box 8034 Dep, NO-0030 OSLO
Ruseløkkveien 26, Oslo, Norway
Phone: +47 22 24 20 30 Fax: +47 22 24 20 31
www.norad.no

Foreword and acknowledgments

This report presents the findings from the desk appraisal of the proposed Norwegian budget support through the World Bank's Multi Donor Trust Fund for the Third Economic Reform Support Grant to the Government of Burundi.

Norad's desk appraisal manager was Petter Skjæveland, Higher Executive Officer in Economics and Public Administration Department, and inputs were provided by Randi Lotsberg, Senior Adviser in the Peace, Gender and Democracy Department at Norad. The appraisal was commissioned by the Royal Norwegian Embassy Kampala.

The main purpose of the desk appraisal was to assess the Burundian financial request to the Norwegian Ministry of Foreign Affairs and the proposed Norwegian support to the World Bank's Third Economic Reform Support Grant. The desk appraisal reviews key aspects of the Third Economic Reform Support Grant process, the quality of the draft programme design and its elements, the risks, the sustainability of the programme and the progress to date of the Second Economic Reform Support Grant. The findings and recommendations of the desk appraisal will form a basis for the dialogue between the Embassy and the Government of Burundi concerning a possible Norwegian support.

The Department of Economics and Public Administration in Norad would like to express its appreciation to the Embassy for good cooperation and facilitation of the desk appraisal.

Oslo, September 2009

Per Øyvind Bastøe
*Director, Economics and Public Administration Department
Norwegian Agency for Development Cooperation (Norad)*

Table of Contents

FOREWORD AND ACKNOWLEDGMENTS	III
EXECUTIVE SUMMARY	VI
1 INTRODUCTION	1
1.1 Background for the desk appraisal	1
1.2 The purpose of the desk appraisal	1
1.3 Methodological issues	1
2 THIRD ECONOMIC REFORM SUPPORT GRANT	2
2.1 Background	2
2.2 Assessment of the partners' planning process	2
2.2.1 The planning process	2
2.2.2 The relevance – Alignment with Burundian and Norwegian priorities	2
2.2.3 Experiences with ERSG I and ERSG II and lessons learned	3
2.2.4 Other relevant planned and on-going programmes	5
2.3 Assessment of the programme design	5
2.3.1 The design elements	5
2.3.2 Indicators and means of verification	6
2.3.3 Government of Burundi's monitoring and evaluation system	7
2.3.4 Risk factors and mitigation actions in the programme design	7
2.3.5 Prior actions	8
3 ASSESSMENT OF SUSTAINABILITY AND RISKS	9
3.1.1 Political governance, peace building context and conflict sensitivity	9
3.1.2 Economic and financial aspects	11
3.1.3 Institutional and organizational aspects	13
3.1.4 Socio-cultural and gender aspects	13
3.1.5 Environmental aspects	14
3.2 Conclusions on sustainability and risks	14
4 ROLES, RESPONSIBILITIES AND DONOR COORDINATION	16
4.1 Administrative procedures and alignment with GoB's systems and procedures	16
4.2 Donor coordination and framework for cooperation	16
ANNEX I: DOCUMENTS CONSULTED	18
ANNEX II: TABLES	19

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
APR	PRSP Annual Progress Report
BINUB	United Nations Integrated Office in Burundi
BRB	Central Bank of Burundi (Banque de La République du Burundi)
CENI	National Independent Electoral Commission
CNDD-FDD	Comité National de Défense de la Démocratie – Forces pour la Défense de la Démocratie
DDRR	Disarmament Demobilization Re-integration and Re-insertion
DPL	Development Policy Lending
DRR	Demobilization Re-integration and Re-insertion
EAC	East African Community
EC	European Commission
EMSP	Economic Management Support Project
ERC	Economic Rehabilitation Credit
ERSG	Economic Reform Support Grant
ERSG II	Second Economic Reform Support Grant
FBu	Burundi Franc
FNL	Forces nationales pour la Libération
GCP	Groupe de Coordination de Partenaires
GDP	Gross Domestic Product
GoB	Government of Burundi
HIPC	Heavily Indebted Poor Countries (Initiative)
IMF	International Monetary Fund
LDP	Letter of Development Policy
MDRI	Multilateral Debt Relief Initiative
MDRP	Multi-Country Demobilization and Reintegration Programme
MDTF	Multi Donor Trust Fund
MFA	Norwegian Ministry of Foreign Affairs
MOF	Ministry of Finance
NOK	Norwegian krone
Norad	Norwegian Agency for Development Cooperation
ODA	Official Development Assistance
PALIPEHUTU-FNL	Parti pour la libération du peuple Hutu – Forces nationales pour la libération
PBC	UN Peace Building Commission
PD	Programme Document for ERSG III
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PfD	Platform for Dialogue
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
REFES	Technical committee for monitoring of economic reforms.
UN	United Nations

Executive Summary

- Burundi is one of the least developed countries in the world, ranking 167th out of 177 countries on UNDP's 2007/2008 Human Development Index ranking. The country has a long history of ethnic conflict since its independence in 1962.
- The Government of Burundi (GoB) acknowledges through the 2006 Poverty Reduction Strategy Paper (PRSP) that it depends on the availability of external budget support on highly concessional terms as well as on implementation and absorptive capacities in the Burundian public administration in achieving early significant gains in peace consolidation and poverty reduction.

Third Economic Reform Support Grant programme

- The World Bank's Third Economic Reform Support Grant programme (ERSG III) is focused on directly supporting two principal priority axis in the PRSP:
 - Improve governance and security
 - Promote sustainable and equitable economic growthERSG III furthermore supports the two other priority areas axes:
 - Developing human capital
 - Combating HIV/AIDS.
- The programmatic approach of the ERSG III entails active engagement by the World Bank in supporting the GoB in:
 - reforming the public finance management (PFM) system to improve fiscal transparency and accountability
 - reforming the business legal and institutional environment to foster private-sector-led growth
 - reforming the coffee sector

Overall assessment

- Support to the ERSG III is considered a reasonable continuation of the support to the World Bank's First and Second Economic Reform Support Grant (ERSG I and ERSG II), implemented during August 2008 to July 2009, to which Norway contributed NOK 60 and 100 million in 2007 and 2008 respectively.
- The main argument for support to Burundi through the ERSG III, given the GoB's high commitment to the reform programme outlined in the ERSG-operations, is the high expected development results.
- The draft ERSG III programme document (PD) does not include a detailed description of GoB's progress in implementing the ERSG II. However, clear progress has been made towards most of the objectives of the 2006 PRSP. Increased aid flow over the last years, especially budget support from multilateral and bilateral donors, has proven vital to the sustainability of the national budget and the stability of the economy. The share of budget execution in key economic and social priority sectors has increased from 31 percent of total public expenditures in 2002 to 38 percent in 2006 and 45.7 percent in 2008. In the approved 2009 budget this share is set to 48.5 percent of total public spending. While progress in PFM has been relatively steady and the Government has taken a number of important measures to improve business environment, the pace of structural reforms in the coffee sector was slower than anticipated.
- The need for support to the consolidation of the political transition in Burundi is great. Budget support through the ERSG III is considered to be a reasonable and relevant instrument in support of the Norwegian aim of contributing to stability and development in Burundi and the Great Lakes region.

- IMF's June, 2009 approval of the second review of the three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) for Burundi is relevant for the success of the ERSG III.
- The proposed options for privatisation of parastatal enterprises and State divestiture in the coffee sector in Burundi, as laid out in the ERSG III and the Burundian PRSP, are considered reasonable.
- The main risks and risk mitigations related to the budget support through ERSG III are mainly the same as they were for ERSG II:
 - Political instability and conflict, related to the peace process between Government and FNL. Continued Norwegian involvement to ensure international engagement, such as by the Regional Initiative and the UN Peace Building Commission (PBC) on the broader peace building agenda is a major mitigating action in this regard.
 - Political governance, particularly related to the political system's ability to handle the upcoming 2010 election process. Mitigating actions would be to ensure freedom of speech and freedom of assembly, an independent and neutral National Independent Electoral Commission (CENI), together with sufficient funding and international monitoring and observation.
 - Economic governance and PFM, particularly related to limited capacity and fiduciary risks. Important mitigating actions are the GoB's commitment to the ERSG III and World Bank technical support.
- Furthermore there is a risk that the program is too ambitious, especially given the uncertainty surrounding the election process and transition to a new government.
- The PD does not contain a comprehensive analysis of the political situation in Burundi and related political risks. Our assessment is however that the World Bank's ERSG III is sufficiently adapted to the political situation in Burundi.
- The potential benefit for stability and development in Burundi outweighs the high risks tied to the ERSG III. There also seem to be higher risks for deterioration in the situation in Burundi if the programme is not supported.

Recommendations

- We recommend that budget support for the proposed amount of NOK 60 million is provided for the GoB through the World Bank's ERSG III for 2009-2010.
- We recommend that the Norwegian financial contribution is disbursed promptly, to avoid delay in implementation.
- We recommend that the Embassy assesses the Letter of Development Policy (LDP) and the request for funding, as well as GoB's experiences with ERSG II in the LDP, which will be included in the finalized PD for ERSG III.
- We recommend that the Embassy and the Embassy Section continue the close follow-up of the situation in Burundi and monitor the risk for political instability and ensure close contact with the World Bank and key peace building actors in Burundi and UN Headquarters.
- We recommend that the Embassy continues its commendable effort of establishing an annual meeting for the Multi Donor Trust Fund set up for ERSG III with the World Bank and the Netherlands, and a better dialogue between these donors and the GoB.
- We recommend that the Embassy enters into dialogue with the World Bank on ensuring a stronger gender focus in the ERSG operations.

1 Introduction

1.1 Background for the desk appraisal

Norad has been requested by the Royal Norwegian Embassy Kampala (Embassy) to carry out a desk appraisal (appraisal) of the draft Programme Document (PD) for the World Bank's Third Economic Reform Support Grant (ERSG III) to Burundi, dated May 4, 2009 as a basis for the decision to allocate NOK 60 million to the programme¹. This will be a follow up to Ministry of Foreign Affairs' (MFA) contribution of NOK 60 million to the World Bank's Economic Reform Support Grant (ERSG I) implemented during 2006 and up to March 2008 and NOK 100 million to the World Bank's Second Economic Reform Support Grant (ERSG II) to Burundi implemented July 2008 – June 2009.

Terms of Reference (ToR) for the appraisal and the Platform for Dialogue (PfD) were prepared by the Embassy and sent to Norad on June 24, 2009 together with the PD and the request for an appraisal. Guidelines for Norway's provision of budget support to developing countries have also been used.

The Government of Burundi (GoB) has not included a request for contributions from donors for the implementation of the ERSG III in the PD, but a Letter of Development Policy (LDP) with such a request will be included as an annex in the finalized PD.

Most of the assessments are based on documentation and analysis, mainly from the GoB, World Bank, IMF, EU, the Embassy and Norad. As ERSG III is the second and last phase of a series of two development policy operations initiated with ERSG II, the appraisal is mainly an update of the assessments made in Norad's desk appraisal of the ERSG II.

1.2 The purpose of the desk appraisal

The purpose of the appraisal is to assess the proposed Norwegian support to the World Bank's ERSG III. The appraisal reviews key aspects of the ERSG III process, the quality of the programme design and its elements, the risks, the sustainability of the programme and the donor coordination.

1.3 Methodological issues

We base our assessments and recommendations in this desk appraisal on already existing sources of information, including the Embassy's reports from the Burundi missions. Such an approach creates methodological challenges for us when it comes to our assessment of the validity and reliability of data and findings. Our assessments and recommendations must therefore be used with this in mind. However, we are confident that the work of the World Bank has a sufficient quality for us to undertake this desk appraisal in an acceptable manner.

¹ The use of the acronyms ERSG I-III in the appraisal refers to the linked programmes and not specifically to the grants.

2 Third Economic Reform Support Grant

2.1 Background

The ERSG III is designed to continue to assist the GoB in implementing the country's poverty reduction strategy in order to transition from a post conflict economic environment to one geared towards designing and implementing development policies to accelerate growth and human development. Approval of the ERSG III programme by the World Bank Board is anticipated at the end of September 2009 and support will be provided by the GoB through a LDP. We refer to section 2.1 in Norad's appraisal of ERSG II, and section 1.1 and 1.2 in the PfD for more information on the background for the ERSG III.

2.2 Assessment of the partners' planning process

2.2.1 The planning process

As for the previous ERSG operations, the PD has been drafted by the World Bank in close consultations with the GoB. This does of course raise concerns over national ownership, however it is understandable that a hands-on approach from the World Bank has been followed due to GoB's limited capacity.

The Embassy and Norad were invited to join the World Bank's appraisal mission for the ERSG III in Bujumbura May-June 2009. From the Embassy Minister Counsellor Gjermund Sæther joined the mission for 2 days in Bujumbura. The Embassy also had meetings with EU, IMF, UN, the Netherlands and DFID in Bujumbura concerning the budget support February 16-18, 2009.

An important part of the planning process for Norway has been the Joint NL/NOR (Dutch/Norwegian) Political Appraisal regarding the Budget Support 2009 to Burundi. The political appraisal forms an important basis for the decision to allocate budget support to Burundi and provides relevant information for this appraisal. The preparation process for the political appraisal led to closer cooperation between Norway and the Netherlands.

As we do not have the possibility to scrutinize the quality of all the underlying analyses for the ERSG III, based on our experience of, and confidence in, the work of the relevant institutions (World Bank, IMF, EU and GoB), we assume the quality of the analyses to be satisfactory.

2.2.2 The relevance – Alignment with Burundian and Norwegian priorities

As for ERSG II, we assess ERSG III to be relevant for the GoB due to the programme's clear alignment with the Burundian PRSP – Cadre Stratégique de Croissance et de Lutte Contre la Pauvreté (September 2006). The ERSG III will directly support two out of four principal priority axes in the PRSP, namely: (i) Improve governance and security; and (ii) Promote sustainable and equitable economic growth. The other two pillars are: iii) Developing human capital, and iv) Combating HIV/AIDS. Budget support is furthermore GoB's preferred aid modality.

The broader Norwegian engagement in Burundi is aimed at contributing to stability and development in the Great Lakes Region. The rationale for budget support is to contribute to the consolidation of the peace process in the country by supporting the Government's efforts to create economic and social development. This is in accordance with Guidelines for Norway's provision of budget support to developing countries, as

Burundi is emanating from conflict and war and has entered into a process of peace building and reconstruction. Support to the ERSG III is in line with the Embassy's and MFA's strategic plan for development cooperation with Burundi for 2010-2012, as well as Norway's engagement with Burundi through the UN Peace Building Commission (PBC). Continued dialogue with the GoB and the World Bank with the aim of providing budget support to Burundi through the ERSG III programme for 2009 was approved by the Norwegian Minister of Environment and Development in March 2009, following the joint political appraisal of the budget support by Norway and the Netherlands.

Fiscal and macroeconomic aspects

The fiscal and macroeconomic relevance of Norwegian support to Burundi is high. Gross Domestic Product (GDP) per capita in Burundi is about USD 140, and about 67 percent of the population lives below the poverty line². GoB is expecting an overall fiscal deficit (including grants) in the coming years (see table 1 in Annex II). The fiscal deficit excluding grants is estimated at 25.4 of GDP in 2009 and is expected to decrease to 21.7 percent of GDP in 2012, mainly owing to the projected decline in international food and oil prices. Revenues are expected to remain relatively constant. Burundi also has a substantial current account deficit (see table 2 in Annex II). In 2009, it is expected to be 23.5 percent of GDP and remain high and relatively constant in the coming years.

According to IMF, provided the security situation continues to improve, Burundi's medium-term economic outlook appears to be positive³. GDP growth is expected to average about 4 percent over 2009-12. The population growth is, however, expected to be high, resulting from high birth rates and the return of refugees. Hence, with an estimated average population growth at 3.9 percent (figures for 2007⁴) for the forthcoming years, the average growth in GDP per capita will be approximately 0 (zero) percent in the medium term.

2.2.3 Experiences with ERSG I and ERSG II and lessons learned

In the existing draft PD, there is no LDP from the GoB stating their experiences and lessons learned from the ERSG II. Furthermore, the current draft PD does not contain a summary of the progress made on selected measures supported under ERSG II. On page 28 there is, however, a reference to a non-existing Annex 10 which is supposed to describe this progress. On pages 39-50 in the PD there are further several references to results and progress obtained during the ERSG I and ERSG II.

An important experience for the GoB throughout the period of ERSG I and ERSG II is the progress on the PRSP implementation. The first Annual Progress Report (APR) for Burundi's PRSP, which was completed in November 2008, shows clear progress on many of the indicators for the implementation. Mainly, the GoB has made progress in the peace process, progress in reorienting the budget towards the PRSP priorities and in improving the actual delivery of basic services, in particular primary education enrolment and basic healthcare delivery.

Governance and consolidation of peace

Relating to security and governance issues, the PD states that important progress has been the formation of a unity government in November 2007, a ceasefire agreement with the PALIPEHUTU-FNL, the transformation of the rebel group into the political

² Entire paragraph based on IMF country Report No. 09/242

³ Entire paragraph based on IMF Country Report No. 09/242.

⁴ PD, p. 19

party FNL, and progress in disarmament, demobilization, re-insertion and re-integration (DDRR). However, many challenges still remain, especially with the upcoming 2010 election process and the further work on DDRR. These assessments are shared by the Joint NL/NOR Political Appraisal of 2009.

Budget execution and increased service delivery

According to the PD, the share of budget execution in key economic and social priority sectors has increased from 31 percent of total public expenditures in 2002 to 38 percent in 2006 and 45.7 percent in 2008. In the approved 2009 budget, the share is set to 48.5 percent of total budget allocations.

Furthermore, the APR states that the government has undertaken to allocate more resources in favour of the poor. The PRSP had called for a budget share of the order of 65 percent to be allocated to pro-poor spending. The budget laws for 2006 and 2007 called for proportions of 52.2 percent and 57.0 percent, respectively. In the event, the execution rate of pro-poor expenditure amounted to 47.1 percent and 52.5 percent, respectively. This is a considerable achievement in such a short time, given the low institutional capacity that exists in Burundi.

According to the Joint NL/NOR Political Appraisal, the Government has achieved (be it uneven) progress in improving the actual delivery of basic services. The quality of these services forms however a challenge for the next period.

Related to education, the APR states that there has been an unprecedented rise in gross enrolment ratios as well as a decrease in gender inequality and inequalities between regions. However, the recent increase in primary school enrolments creates a big challenge for the government, since existing facilities and available resources are clearly insufficient to deal with the rapidly growing school population. The school is furthermore highly inefficient, as less than 40 percent of children admitted to primary schools will go through the entire primary cycle.

Relating to healthcare and according to the APR, there has been an increase in the rate of childbirths in healthcare facilities from 22 percent in 2005 to 41.3 percent in 2007.

Public financial management and improved business environment

Regarding the implementation of ERSG II, there has on an overall level been steady progress on Public Financial Management (PFM). The government has furthermore taken a number of important measures to improve the business environment. The pace of structural reforms in the coffee sector was slower than anticipated, although the prior action for ERSG III related to the structural reform has been met by the GoB.

Reflections by the World Bank on experiences from previous operations show an open attitude to some of its less successful operations. Regarding the coffee sector reform, the World Bank admits that ERC and ERSG I were too complex and beyond the capacity of weak public institutions in the Burundian post-conflict situation. The World Bank also refers to GoB's experience with a lack of harmonization and coordination among the donors in that period of time.

According to IMF, Burundi has made significant progress in public financial management during 2008⁵. A Public Expenditure and Financial Accountability (PEFA)

⁵ Joint NL/NOR Political Appraisal Burundi

report commissioned by the EU has also illustrated that substantial progress and improvements have occurred with regard to PFM in Burundi, even if it is also evident that many PFM challenges remain.

Norwegian experiences

According to the IMF⁶, the late Norwegian disbursement of budget support to the ERSG II in 2008 resulted in many problems for Burundi, among others with the cash flow. The late disbursement made it difficult for the GoB to plan the budget and difficult for IMF to counsel the authorities in this process.

The responsibility for the bilateral cooperation with Burundi was transferred from MFA to the Embassy in 2009. The transfer of responsibility to the Embassy provides an opportunity for a closer follow up of the development cooperation with Burundi and dialogue with other donors to Burundi.

Norad is not aware of whether MFA or the Embassy have received all financial statements and other reporting according to the administrative agreements for the ERSG I and ERSG II, possibly available via the World Bank Trust Fund Donor Center secure website. In accordance with the Administrative Agreement for ERSG I, a final report on the programme activities was supposed to be furnished from the World Bank to Norway within six months of the final disbursement date February 28, 2009.

2.2.4 Other relevant planned and on-going programmes

We refer to section 2.2.4 in Norad's appraisal of ERSG II. As stated in the section, the World Bank technical assistance through EMSP will be particularly important to support the PFM and other reforms included in the ERSG III. Norwegian support to the World Bank's Emergency Demobilization and Transitional Reintegration Project for the period 2009 – 2010 will deal with the remaining non-statutory forces, an important element in the peace agreements between the GoB and the two FNL groups.

Furthermore, Norway intends to support the proposed complementary UN Rapid Response Mechanism to contribute to the overall disarmament, demobilization, re-integration and re-insertion (DDRR) agenda in Burundi. Progress on GoB's Strategic framework for peace building in Burundi, developed in cooperation with the United Nations Peace Building Commission, is crucial for the success of the ERSG III.

July 13, 2009 IMF completed the second review of Burundi's economic performance under the Poverty Reduction and Growth Facility (PRGF) arrangement, to support the implementation of the country's poverty reduction programme and its efforts to consolidate macroeconomic stability. The completion of the review enables the immediate disbursement of an amount equivalent to about USD 10.2 million. January 29, 2009 Burundi reached its completion point under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, which also makes Burundi eligible for further debt relief under the Multilateral Debt Relief Initiative (MDRI).

2.3 Assessment of the programme design

2.3.1 The design elements

The ERSG III covers the period September 2009- July 2010 and is the second phase in a series of two programmes, in which ERSG II was the first. The ERSG III has a World

⁶ Embassy's report to the MFA February 20, 2009.

Bank development policy lending (DPL) design. The design is said to be based on examples in fragile states where peace and national reconciliation have led to significant improvements in the prospects for reform, which seems reasonable given the Bank's increased attentions to state fragility. Given the Government's commitment to the reform process at the highest level and engagement in policy dialogue with the international community we assess the programme design to be satisfactory.

The objectives of the ERSG III

The objective of the ERSG III is to assist the GoB in implementing the country's poverty reduction strategy in order to transition from a post conflict economy with a focus on maintaining peace and stability to one geared toward designing and implementing policies to accelerate growth and human development. The objective is slightly different from that of ERSG II, but does not in any way alter the direction or content of the program.

Improvements in the management of scarce public resources are expected to make more resources available to finance PRSP priorities and to achieve the GoB's poverty reduction objectives. Hence, the objective of the programme is relevant.

The expected outcomes of the ERSG III remain the same as for ERSG II: (i) more transparent and accountable budget implementation through improved budget preparation, execution and control; (ii) improved legal and institutional business environment; and (iii) renewed impetus in the coffee and petroleum sector reforms.

As for ERSG II, objectives and expected outcomes are worded slightly differently throughout the PD, so that the goal hierarchy seems somewhat unclear. However, outcomes, outputs, indicators and (prior) actions as set out in the Policy Matrix: Objectives, Prior Actions and Follow-on Areas for Future DPLs (2009-2010) (Annex 9 in the PD) are more consistent. Even though the consistency of the goal hierarchy in the programme is slightly unclear, the realism of the programme is acceptable on an overall level. However, as mentioned in the appraisal of ERSG II, the programme is still too ambitious given the tight time frame, especially with regard to the target for the coffee sector reform.

2.3.2 Indicators and means of verification

The quality of the results matrix, "Policy Matrix: Objectives, Prior Actions and Follow-on Areas for Future DPLs (2009-2010)", in the ERSG III is acceptable⁷. The matrix identifies relevant indicators with baselines as of 2007 (2008 for two indicators) for all of the proposed actions. The matrix contains progress to date (mostly end December 2008) and targets/expected results for end December 2009 for all the indicators. The indicators are sufficient to give valid and reliable information on the outcome level. Baselines and targets are furthermore relevant and clearly formulated. The different means of verification for the indicators are mainly addressed in the policy matrix and the required information seems easy to collect.

The impact level of the ERSG III needs to be assessed through the GoB's PRSP monitoring and evaluation processes.

⁷ For Policy Matrix, see PD Annex 9.

2.3.3 Government of Burundi's monitoring and evaluation system

The monitoring and evaluation system of the ERSG III rely on GoB arrangements with the aim of strengthening Government capacity and institutions. The system is mainly the same as it was for ERSG II with a new technical unit on petroleum sector reform. For a description of the monitoring and evaluation system, we refer to page 53 and annex 4 in the PD, and section 2.3.5 in Norad's appraisal of ERSG II.

As pointed out in Norad's appraisal of ERSG II and addressed in the Pfd, we find that: (i) The quality of the Government's monitoring and evaluation system for the ERSG II-III is rather weak, (ii) the ERSG does not report progress on dimensions such as social development and social safety nets, (iii) there is a need to better coordinate the discussion on macroeconomic performance and poverty reduction programs. To that end, the government may wish to better integrate PRSP objectives into the budget preparation process and provide reliable estimates of the cost of measures planned in priority sectors.

Progress on dimensions such as social development and social safety nets can be obtained from the 2008 APR. The APR raises concern about the lack of ownership in the PRSP monitoring-evaluation process, due to insufficient involvement of all the players. The poor capacity in the ministries failed to facilitate a coherent and harmonious link between sectoral policies and the overall poverty reduction strategy. Furthermore, the private sector did not properly assume and internalize its role as a driver of growth, while civil society, because it is poorly organized, did not play its role of devising proposals.

As mentioned in the Norad ERSG II appraisal, the strengthening of the statistical apparatus is necessary for gathering and dissemination of reliable data for measuring the progress made in the implementation of PRSP and gaps to be overcome. Hence, there is a need to strengthen the human, financial, and technical resources of the statistical system, and of *Institut Statistique et des Etudes Economiques du Burundi* in particular.

2.3.4 Risk factors and mitigation actions in the programme design

The risks identified in the draft ERSG III PD are almost identical to those highlighted in the ERSG II PD. On the one hand, it is reasonable that the main risks do not change much from one year to the following. On the other hand, however, it leaves an impression that the World Bank might not have made a sufficiently critical and updated risk assessment.

According to the PD, the programmatic approach of the ERSG II and ERSG III acts as a mitigating action for the risks associated with budget support operations in Burundi. It signals commitment by the donors as well as by the Government to follow-on support, compared to a stand-alone single tranche operation. The programmatic approach also creates continuity of the policy dialogue and reform agenda that started with the stand alone ERSG I. Together with the technical assistance and capacity building from the EMSP, the ERSG series will support the reform agenda. The Bank further expects this approach to provide adequate time to ensure that policies are built on analytical work and the policy adopted is country-owned.

We agree that the long term commitment is likely to result in better planning, strengthened ownership and increased likelihood for the reform agenda to succeed.

Mitigation actions are generally adequately included in the program design. Specific weaknesses will be addressed in section 3.

2.3.5 Prior actions

Our assessment is that the prior actions are relevant for the development of PFM and PSD in Burundi and in line with the PRSP. The World Bank furthermore reiterates in the assessment of Principle 1, 3 and 4 in “Annex 2: Burundi ERSG III - Good Practice Principles on Conditionality”, that the ERSG Series is aligned with the PRSP. It is furthermore positive that the World Bank has dropped some prior actions to avoid duplication with the IMF and the African Development Bank (AfDB) interventions.

We have been informed by the World Bank ⁸ that all of the prior actions have been completed. This information gives us reason to believe that the prior actions have been realistic. There is however a question of to what extent the prior actions have been fulfilled and the requirements for their completion, something we do not have the possibility to assess any further.

⁸ Through emails from Jean-Pascal Nguessa Nganou, World Bank Country Economist for Burundi, to Minister Counsellor Gjermund Sæther, Norwegian Embassy Kampala, on August 25 and July 21, 2009.

3 Assessment of sustainability and risks

In the following we will not repeat all the same risk assessments as we did for the ERSG II, but rather refer to these assessments where appropriate and add new ones as we see it necessary.

3.1.1 Political governance, peace building context and conflict sensitivity

As for ERSG II, the PD does not contain a full analysis of the causes and dynamics of the conflict or the political situation in Burundi. None of the World Bank prior actions are directly linked to political governance, such as elections, political space for dissidents and human rights. Our experience is that the World Bank does not normally address political risks in programme documents to the same extent as most bilateral donors do. A highlighted point in the PD is, however, that the peace agreement between the two FNL rebel groups, and the Government, and the transformation of the former rebel group into a political party called FNL, has been crucial for the political development in Burundi. It is also mentioned that the formation of a unity government in November 2007 ended several months of conflict between the government and the Parliament, which had blocked implementation of the country's reform agenda. As for the previous ERSGs, the analyses in the PD would have greatly benefited from a reference to and an analysis of the linkage to the Strategic Framework for Peace Building⁹.

The consolidation of peace is still fragile and continued involvement from Norway, through the support for the Regional Initiative and UN Peace Building Commission, as well as bilateral political dialogue jointly with the Netherlands, is an important mitigating action in this regard. This was also the conclusion of the joint political appraisal by Norway and the Netherlands regarding budget support to Burundi which included the GoB's commitments to: i) the inclusiveness of the political system, ii) the protection of life and property and iii) political dialogue, and iv) the GoB's commitment to basic service delivery through the budget, which has been addressed earlier in the appraisal

The joint appraisal was initiated in early 2009 because of concerns by the Norwegian and Netherlands ministers for International Development regarding whether the GoB was still committed to peace. The conclusions were:

Commitment to inclusiveness of the political system

- In the absence of a democratic culture the GoB has still succeeded in maintaining and managing the delicate ethnic equilibrium in politics and security sector.
- The peace negotiations with the FNL have entered a promising phase.
- The narrow space for dissenting opinions is reason for concern.

Commitment to the protection of life and property

- The overall situation has evidently improved.
- Notwithstanding the weak performance of the police in terms of human rights the organisation seems to be willing to improve its act.
- The recent track record of the armed forces is positive.

⁹ We refer to section 3.2.1 in Norad's appraisal of ERSG II for more background on the linkage to the work of the UN Peace Building Commission and the Strategic Framework for Peace Building.

- The justice sector still suffers from political interference and is burdened by a lack of capacity.

Commitment to political dialogue

- The existing dialogue has not been very effective until now.
- This may be the result of the GoB's political culture which is not conducive to an open exchange of views on 'thorny' issues, and relative inexperience.

The conclusions of the PBC's second biannual review of the implementation for the Burundi Strategic Framework for Peacebuilding, held on February 4, 2009 are on an overall level positive, although many challenges still remain.

There are high risks for the programme related to the upcoming 2010 election process. The outcomes of the elections are uncertain and the fragility of the political system to handle the process is a concern. According to International Crisis Group¹⁰ the prospect of elections in 2010 has made political actors more nervous and rekindled tensions on the ground. The CNDD-FDD, which like the FNL is mainly Hutu, is alarmed by the FNL's emergence on the political scene. The party in power fears above all that its chances of winning the elections could be jeopardized by the creation of a coalition around the FNL of Hutu-based parties. We agree with the conclusion of the joint political appraisal that the Government has in many ways managed to keep a delicate ethnic equilibrium. However, it is important to be aware that, although ethnicity plays a less prominent role in the Burundian society than before, it still has a major potential for conflict.

The narrow space for dissenting opinions is a reason for concern, as mentioned in the Pfd. The establishment of the National Independent Electoral Commission (CENI) is an important step in the election process. To secure the legitimacy of the elections, it is highly important that CENI can operate independently and neutrally towards the different political parties and other stakeholders. Beside commitment at the highest level in the GoB, it depends upon sufficient funding of the commission and the election process in general. Furthermore, it is crucial to secure the freedom of speech and see to it that the relatively free press in Burundi, in particular in comparison to neighbouring countries, is preserved in the election campaign. The radio is especially vital in this regard. The promotion and protection of the freedom of assembly for political groupings is also decisive. The use of public resources to favour some political parties is a major concern. In particular, there is a risk that the ruling party will use resources unjustified.

Conflict sensitivity

In the appraisal of ERSG I Norad pointed to the need to assess the aid to conflict affected areas from a conflict sensitivity perspective. Despite processes in the Bank to develop tools for conflict assessments to be used in planning and execution of its interventions, there is still no evidence that they are being applied in programming. Not the least with the upcoming elections, there is need to ensure that externally supported interventions such as the ERSG III contribute to doing good and not harm, due to a lack of understanding of the conflict dynamics.

¹⁰ Burundi: To Integrate the FNL Successfully, Africa Briefing No 63, July 2009.

3.1.2 Economic and financial aspects

Reforms and the strengthening of capacity within the PFM are crucial for the successful implementation of the PRSP in Burundi. Supporting this work with the provision of budget support is highly relevant. Moreover, the realism of the stipulated measures in the PD is acceptable due to the GoB's strong commitment for addressing institutional weaknesses and reducing the risk of mismanagement. However, the slow follow-up of some high profile corruption cases could indicate a lack of commitment to fight corruption.

The ERSG III programme supports a shift of resources away from defence spending toward growth-enhancing and poverty-reducing activities through aligning the budget with PRSP and improving budget execution and cash management.

As for the ERSG II, the PD for ERSG III points to the risk of the macroeconomic programme going off track. The performance of the dominant agricultural sector and external shocks, like the food, the fuel and the financial crisis, affect the economic growth and overall macroeconomic performance.

According to the PD, there is a risk that structural measures are not implemented in time, partly due to the distraction created by preparation of the upcoming 2010 elections. This risk and the proposed mitigating actions are relevant. However, there should be an understanding of the challenges related to carrying out elections in the Burundian context. Sensitive structural measures, like the coffee sector reform, can be difficult to implement and might drag out in time.

High dependency on aid

The GoB is highly dependent on aid inflows and any difficulty in maintaining budget support, or delays in mobilizing such support, can derail fiscal performance, affect the ability of the authorities to manage budgetary processes effectively and potentially destabilize the country. The PD points to the impact of the financial crisis and the risk of some donors' intention to halt budget support which could lead to a significant cost for the government. It is important that donors provide sufficient resources and make the necessary undertakings in a timely manner to ensure an efficient contribution to Burundi. Norway attends to these issues through the Norwegian Embassy in Kampala and the Embassy Section in Bujumbura.

Budget formulation and execution

The PD stresses that like many low-income countries, Burundi's financial management systems suffer from serious weakness in budget formulation and execution, financial reporting, procurement and oversight systems. Fiduciary risk with the Norwegian contribution is assessed to be mitigated by the channelling of the support through the World Bank ERSG II programme. The programme is likely to have mitigating effects in two ways; one is by the strengthening components in terms of PFM as relating to mismanagement of funds. Another is the accountability and auditing procedures and monitoring mechanisms of the programme. These mitigating actions also make the programme more sustainable.

Debt distress

The PD highlights that there is a high risk of debt distress. Mitigating actions would be that the Government ensures more concessional borrowing, and foster diversification of the economy and export growth.

Private sector reform

For the private sector reform, the proposed initiative to strengthen the policy and operational dialogue between the government and private enterprises is assessed to be especially important. Except for the risk of delays in implementing measures in the private sector reform, the World Bank does not have specific risk assessments for the proposed measures in the private sector reform. This is assessed to be a weakness with the programme.

Coffee sector reform

Coffee is the major export of the country, accounting for more than 70 percent of the export revenues and providing income to 800 000 people. The Burundian coffee sector suffers from low and declining coffee production and yields, aging plant stock, high intermediary costs, low export prices and an inadequate incentive framework.

A divestiture study of the coffee sector by international consultants was completed in October 2008 which proposed options for privatization of the state owned coffee washing stations and the dry mills. The Council of Ministers analyzed the recommendations of the consultants in December 2008. It was decided to choose between the two options as laid out in paragraph 103 in the PD, but a decision has not yet been reached.

Due to the political and economical complexity surrounding the coffee sector reform in Burundi, it is difficult to assess and recommend on the alternatives. However, the proposed quota of shares between the private enterprises and the producers' organization of 75 and 25 percent respectively, is considered reasonable. This could secure the private investors a good prospect for profit at the same time as a quarter of the shares to professional organizations could secure a reasonable influence of necessary knowledge in the production process. The proposed quota of shares for the dry mills between the investors and the employees of 95 and 5 percent respectively, is also assessed to be reasonable. The quota of shares could ensure sufficient incentive structures for both the investor and the employees to contribute to a productive enterprise. Furthermore, the quota could contribute to the employees' attachment to the enterprises and provide necessary access to relevant information about the enterprises.

We find it difficult to assess whether the sale of the dry mills should be coupled with the sale of a group of washing stations. On the one hand, it seems reasonable to avoid a too strong power concentration which could skew the market undesirably. On the other hand, a coupling of the sale could open up for less transaction costs. However, in the beginning of a reform it might be reasonable to ensure a most possibly fragmented market, so that successful enterprises possibly could buy other parts in the production chain gradually.

The World Bank has pointed out that only a minority of the coffee producers are still against the reforms in the coffee sector. Some actors are against the reforms because of their own vested interests in the market.

We agree on the strong need to reform the sector. What we however see as critical for the reform is to see to it that the transfer of property from the public to the private sector contributes to shared growth and improves competitiveness. The privatization scheme should be designed to mitigate the risk of rent-seeking and to attract solid long-term

investors. Furthermore, it is particularly important to ensure that equity principles are respected and that the long-flouted rights of coffee growers are heard and considered. Reinforcing the investigation and bargaining capacity of coffee producer organizations will be key in achieving this objective.

As the Embassy points out in its report to the MFA of June 16, it might be reasonable to ease down the speed of the changes in the coffee sector to some extent, so that the Bank does not push through changes with too little ownership. Experience has shown that privatization can be difficult. The coffee sector should be closely followed in the dialogue with the Bank.

It is positive that the World Bank admits that it was not well enough prepared both technically and politically for the political sensitive privatization and export crop restructuring issues during the period of Economic Rehabilitation Credit (ERC) (2002) and ERSG I (2007). There was a lack of extensive consultations with all stakeholders, including farmers' organizations and potential domestic and foreign investors. Detailed diagnostic studies were furthermore not well enough prepared. It seems that the World Bank has taken this situation into consideration and undertaken necessary additional consultations and studies through the Economic Management Support Project (EMSP) in 2008.

Petroleum Sector Reform

The GoB asked the Bank to help design and monitor a package of reforms aimed at normalizing the supply of petroleum products. This is being done in the context of ERSG III with the development of a quasi-automatic price adjustment mechanism for petroleum products. We assess this initiative to be a reasonable measure due to high transport and delivery cost in Burundi and the supply uncertainty and severe market disruption.

3.1.3 Institutional and organizational aspects

The PD points to the risk of GoB's lack of technical capacity for the implementation of the reforms in the programme. To ensure that this risk is mitigated, the proposed grant is being developed in close coordination with the EMSP technical assistance project, which is geared to provide technical assistance and capacity building in PFM and PSD to the authorities.

Experience shows that capacity building through technical assistance is particularly effective in countries in early stages of peace consolidation and reconstruction. Care should however be taken that technical assistance components are designed in a sustainable manner, avoiding the establishment of isolated pockets of excellence, a practice for which the World Bank has often been criticised.

Given the concern expressed in the Embassy's report to MFA June 16 about the lack of capacity within the World Bank on governance and DRR in Bujumbura, it is important that the Embassy and the Embassy Section continue to carefully follow these areas.

3.1.4 Socio-cultural and gender aspects

As outlined in the PD, the proposed ERSG series is expected to have likely and significant impact on poverty. Improvements in the management of scarce public resources are expected to make more resources available to finance PRSP priorities and

to achieve the Government poverty reduction objectives. These assessments are the same as for ERSG II.

As for the previous programmes, ERSG III is considered to be virtually gender blind. Gender is not particularly addressed in the PD, women's status is referred to in the context and annex (8) related to poverty outlook and social development and there are no indicators related to improving gender imbalances and strengthening the role of women in the economic sphere. This is still considered a major weakness, particularly as gender and women's rights feature prominently in the Burundian Constitution, the PRSP, the Strategic Framework for Peace Building and in core GoB policies and strategies. The Embassy is encouraged to address this in its dialogue with the World Bank and GoB and should also take Security Council Resolutions 1325 and 1820 on Women, Peace and Security into consideration.

3.1.5 Environmental aspects

According to the PD, the proposed ERSG III focuses primarily on institutional reforms, which are not likely to cause significant effects on Burundi's environment, forests and other natural resources. The increase in coffee output is expected to come from improvements in productivity and not through forest clearing and extending production into marginal lands and commons. Hence, no significant environmental impact is foreseen as a result of increased coffee output. A detailed and comprehensive analysis of potential environmental impacts and mitigation options will be undertaken through a strategic environmental assessment of the coffee sector in Burundi, expected to be completed by December 2009.

3.2 Conclusions on sustainability and risks

The risks identified by the World Bank as well as the risk mitigation measures outlined in the PD are generally considered relevant for the ERSG III. The PD clearly points out that the ERSG grant series are high risk operations, as was also pointed out in Norad's assessments of ERSG I and II. We agree with the World Bank's assessment that these risks are balanced by the potential rewards of macroeconomic stabilization through external funding of the budget and the support of core policy reforms.

We assess the main risks identified in the ERSG III to be the same as they were in the appraisal of ERSG II, which were: i) political instability and conflict, ii) political governance and iii) economic governance and public financial management. Concerns were also raised regarding the high ambitions of the programme.

A summary of the risk assessments and an attempt to classify the potential impact of the risks and the probability of their occurrence was included in Norad's appraisal of ERSG II, section 3.1. We assess this summary still to be valid for ERSG III with the following two adjustments: The probability of the macroeconomic program going off track and aid dependency should be raised to the level "High". These adjustments are made due to possible consequences of the financial crisis (reduced aid, remittances and foreign direct investment and decreasing demand and prices on the international markets), increased risks with the upcoming 2010 elections and that we assessed the two risk factors to lie close to "High" for the ERSG II.

Norway should, as mentioned, continue to closely follow the political development and stay engaged in the crucial peace building process. A stronger focus on the part of

Norway on gender issues related to implementation of Burundian policies and strategies as well as the UNSR 1325 and 1820 on Women, Peace and Security is recommended.

As a result of the above risks, Norway, together with the other contributors to the ERSG III, faces high risks in supporting the programme, especially as regards political instability that leads to substantial delays in implementation of reforms, and to political and economical corruption. However, the potential benefit for stability and development in Burundi is considered to outweigh the high risks tied to the ERSG III. Moreover, there seem to be higher risks for deterioration in the situation in Burundi if the programme is not supported.

As regards sustainability, our assessment is that the likely benefits from the measures taken in the PFM and PSD area can be sustained after the ERSG III, given continued external financial and technical support. The sustainability of positive effects will mainly depend on commitment on the highest level in the GoB to continue with the ongoing reforms. The outcome of the 2010 elections will therefore be crucial.

An important aspect for the sustainability of the program is the World Bank's strong signals in the PD to follow up and continue ERSG III measures in future DPL operations. The programme clearly makes recommendations about what to follow up and continue in future DPL operations. In 2009, the Bank is preparing a Country Economic Memorandum which will define the reform agenda that will be the basis of another series of programmatic development policy operations in Burundi.

4 Roles, responsibilities and donor coordination

4.1 Administrative procedures and alignment with GoB's systems and procedures

The Norwegian budget support will be disbursed in a single NOK 60 million tranche into the World Bank's MDTF for the co-financing of the ERSG III. The disbursement from the MDTF to Burundi will follow the World Bank's disbursement procedures for development policy operations. The ERSG III budget support will then be deposited at the request of the Burundian authorities by the World Bank in an account at the Central Bank (Banque de la Republique du Burundi, BRB) designated by the Burundian authorities and forming part of the official reserves of Burundi. The BRB will then credit the local currency (Burundi Franc) equivalent of the contribution to the Government Treasury account. The World Bank has the responsibility to see to it that results are obtained, funds are well managed, accounting and auditing are undertaken, and reports are produced.

The administrative arrangement is in line with the Guidelines for Norway's provision of budget support to developing countries and the Paris Declaration on Aid Effectiveness.

As proposed in the Embassy's report to MFA February 20, Norad supports the proposal of disbursing the budget support in two tranches annually and agrees to the importance of a close cooperation with the World Bank to ensure that the GoB can benefit from the first tranche in the first half of the fiscal year. Moreover, it is important to hinder delays of the disbursement of the budget support, as a late disbursement could make it difficult for GoB to plan their budget.

4.2 Donor coordination and framework for cooperation

On an overall level, the donor coordination and harmonization are weakly developed due to the GoB's limited capacity and experience.

It is positive that GoB launched the Groupe de Coordination de Partenaires (GCP) in February 2008. However, as raised in the Joint NL/NOR Political Appraisal Burundi, there is a problem with the dual system, in which some issues are dealt with under the programme of the Strategic Framework of the PBC and other, more technical issues are dealt with under the PRSP. The combination of the two systems is too complicated and poses a rather heavy burden on the governmental system.

The MDTF for the ERSG programme series is an attempt by the World Bank to contribute to coordination and harmonisation of budget support from various donors. The main reason for Norway to disburse the budget support through the World Bank is capacity constraints. Currently, the Netherlands and Norway have committed themselves to the ERSG III. Belgium has showed interest in joining the budget support cooperation and the EU is providing budget support to Burundi outside the World Bank's co-financing mechanism.

The cooperation between Norway and the World Bank is not organised in a manner common for MDTFs administrated by the bank. Nor does Norway have the possibility of taking part in the regular donor cooperation in Bujumbura. We agree with the Embassy that Norway needs to have more regular dialogue with the Bank. We therefore support the commendable Norwegian initiative to establish an annual meeting concerning the MDTF for the co-financing budget support donors in Bujumbura, and the efforts to establish a better dialogue between these donors and the GoB.

The number of active development partners in Burundi is low, and Norway, together with the Netherlands, has taken a lead role among the bilateral development partners in channelling budget support through the World Bank.

The ERSG III has been prepared in parallel with IMF's second review of the second 3-year PRGF. The aim is to ensure coordination and consistency of the macroeconomic and structural policy programs of the ERSG III and the PRGF. The ERSG III's focus on PFM and PSD complement the IMF's and AfDB's areas of focus.

The planned Consultative Group meeting for Burundi in Paris in October 2009 can provide a good opportunity to discuss donor cooperation and coordination in Burundi.

Annex I: Documents consulted

Economist Intelligence Unit, Burundi: Country Report, May 2009

EU, Evaluation des finances publiques selon la méthodologie PEFA (Public Expenditure and Financial Accountability), February 2009.

International Crisis Group, Burundi: to Integrate the FNL Successfully, Africa Briefing No 63, July 2009.

IMF, Burundi: Second Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Modification of Performance Criteria-Staff Report; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Burundi, July 2009. IMF Country Report No. 09/242.

IMF and World Bank, Burundi: Joint IDA-IMF Staff Advisory Note on the Poverty Reduction Strategy Paper, First Annual Progress Report, January 2009.

Joint NL/NOR (Dutch/Norwegian) Political Appraisal regarding the Budget Support 2009.

Norwegian Ministry of Foreign Affairs, Appropriation Document – Burundi ERSG II, October 2008.

Norad, Budget Support through the World Bank's Multi Donor Trust Fund for the Second Economic Reform Support Grant to the Government of Burundi, Desk Appraisal Report, October 2008.

Republic of Burundi, Poverty Reduction Strategy Paper, September 2006.

Republic of Burundi, Poverty Reduction Strategy Paper – Annual Progress Report, November 2008.

UN PBC's second biannual review of the implementation for the Burundi Strategic Framework for Peacebuilding, held on February 4, 2009.

World Bank, Third Economic Reform Support Grant, Programme Document ROC stage (May 4, 2009). World Bank.

World Bank co-produced with the Government of Burundi, Public Expenditure Management and Financial Accountability Review (PEMFAR), June 2008.

Annex II: Tables

Table 1. Overall public balance, 2007 to 2012 (Percent of GDP)

	2007	2008	2009	2010	2011	2012
	Estimate	Prognosis	Prognosis	Projected	Projected	Projected
Total revenue (excluding grants)	18.6	19.1	19.3	18.6	19.3	19.5
Total expenditure and net lending	38.5	42.6	44.6	45.5	41.8	41.2
Overall balance (commitment basis) excluding grants	-19.8	-23.5	-25.4	-26.9	-22.5	-21.7
Overall balance (commitment basis) including grants (1)	-3.3	-0.5	-3.0	-4.0	-1.9	-1.3

Sources: Burundi authorities and IMF staff estimates and projections from IMF Country Report No. 09/242

1 Assumes financing gap is covered by grants in 2010-2012.

Table 2. Current account balance, 2007 to 2012 (Percent of GDP)

	2007	2008	2009	2010	2011	2012
	Actual	Estimate	Prognosis	Projected	Projected	Projected
Current account excluding official transfers (1)	-37.4	-33.9	-23.5	-24.2	-25.1	-24.7

Sources: IMF Country Report No. 09/242, Table 6. Burundi: Balance of Payments, 2007-12 (own calculations)

1 Assumes financing gap is covered by grants in 2010-2012

