

AFRICAN DEVELOPMENT FUND



AFRICAN DEVELOPMENT BANK



**BURUNDI – HIPC APPROVAL DOCUMENT DECISION POINT
UNDER THE ENHANCED HIPC INITIATIVE**

NB : This document contains errata or corrigenda (see Annexes)

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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
CSP	Country Strategy Paper
CPA	Country Performance Assessment
DSA	Debt Sustainability Analysis
EC	European Commission
€	Euro
HIPC	Heavily Indebted Poor Countries
I-CSP	Interim Country Strategy Paper
IDA	International Development Association of the World Bank
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MTF	Multilateral Debt Trust Fund
NCBP	National Capacity Building Program
NGOs	Non Governmental Organization
NPV	Net Present Value
PCC	Post-Conflict Country
PCCF	Post-Conflict Country Facility
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Program
UA	Units of Account

**BURUNDI - HIPC APPROVAL DOCUMENT
DECISION POINT UNDER THE ENHANCED FRAMEWORK**

EXECUTIVE SUMMARY

Background

In August 2005, Burundi qualified for debt relief and became the 24th regional member country (RMC) to reach the decision point under the enhanced HIPC Initiative. As a result, the Boards of Directors of the IMF and the World Bank approved debt relief assistance for the country from multilateral and bilateral creditors amounting to US\$ 826 million, in nominal terms, over some 38 years.

Macroeconomic and Structural Adjustment Record

Within a difficult political and socio-economic environment, Burundi has made good initial progress in stabilizing the economy, implementing financial and structural reforms, and beginning to restore social services. However, big challenges remain, including the consolidation of democracy, full demobilization of armed combatants, promotion of private-led-growth, and, especially, addressing widespread deep poverty.

HIPC Costs

Of the total debt relief assistance of US\$826 million, multilateral creditors will account for US\$701 million (85 percent), while bilateral and commercial creditors will deliver US\$124 million (15 percent). The Bank Group's share of debt relief will amount to US\$149.35 million in NPV terms (US\$225.57 million in nominal terms), which is equivalent to about 21 percent of the multilateral creditors' assistance, and about 18 percent of total assistance from all creditors. This amount will save up to 90 percent of Burundi's debt service obligations annually until February 2042.

Delivery Modality and Indicative Financing Arrangements

The debt relief of US\$ 149.35 million will be financed by 20 percent of Bank Group's internal resources, 40 percent from European Commission pledges and 40 percent from the HIPC Trust Fund. Prior to the HIPC decision point debt relief calculations, Burundi has already benefited from some debt relief under the arrears clearance mechanism consisting of contributions from France and the European Commission (together US\$12.56 million), and the Post-Conflict Country Facility (US\$ 12.56 million). The contributions from these sources for Burundi's debt relief at decision point will be net of the respective contributions already made.

Recommendation

The Boards of Executive Directors are invited to approve the proposed HIPC assistance of the Bank Group for Burundi of US\$ 149.35 million in end - 2004 NPV terms.

I. INTRODUCTION

1.1 In August 2005, Burundi became the 24th regional member country (RMC) to reach the decision point under the enhanced HIPC Initiative. As a result, the Boards of Directors of the IMF and the World Bank approved US\$826 million worth of debt relief in end 2004 NPV terms for the country under the enhanced HIPC framework.

1.2 Burundi qualified for HIPC debt relief after having demonstrated good progress in stabilizing its economy and continuously implementing sound policies for macro economic and financial stability, growth and poverty reduction.

1.3 This document presents the justification for Burundi's qualification for the HIPC assistance as well as the proposed plan to finance the balance of the Bank Group's share of Burundi's costs at the decision point. The document is organized into eight sections. Following this introduction, section II summarizes details of Burundi's status in the implementation of policy reforms in order to reach the decision point. The Bank Group's operations are reviewed in section III, with particular emphasis on the arrears clearance program and on activities related to agriculture, social infrastructure, economic governance and private sector development. The total debt relief is disaggregated in section IV to illustrate the breakdown of HIPC costs to all creditors at decision point. Section V presents details of the indicative delivery modality and the impact of HIPC debt relief. Section VI reviews Burundi's debt sustainability prospects and its sensitivity to exogenous shocks. Section VII presents the financing arrangements and recommendations for the Boards' consideration are provided in Section VIII.

1.4 This paper is based on four main documents: (i) the IMF/IDA Burundi Decision Point Document for the Enhanced HIPC Initiative, dated July 11, 2005; (ii) the Bank Group's Interim Country Strategy Paper (2003/04); (iii) the new Results-based Country Strategy Paper (2005-2009); and (iv) the Proposal for Clearing Burundi's Arrears under the Post-Conflict Country Framework, September 2004.

II. ASSESSMENT OF QUALIFICATION TO HIPC DEBT RELIEF¹

2.1 Policy Reforms for Poverty Reduction

2.1.1 Burundi is a category A (ADF-only) country, with per capita income of about US\$ 83 in 2003, and is eligible for concessional ADF resources. Burundi is the fourth least developed country in the world, as measured by the UNDP Human Development Index (2004). Evidence of widespread poverty in Burundi is reflected in the social statistics. The percentage of people living below the poverty line has doubled, from 35 percent in 1992 to 68 percent in 2002. In terms of social welfare indicators, child malnutrition has risen from 35 percent in 1987 to 45 percent in 2000; access to safe water and health services remains extremely low, at less than 48 percent and 20 percent of the population, respectively. HIV/AIDS prevalence is rising, particularly in the refugee camps, and an estimated 1 in 9 sexually active Burundians is infected.

¹ The assessment and analytical presentation of the policy reform requirements is based on the relevant HIPC decision point document prepared by the Bretton Woods institutions (BWIs). For more details on the justification, see the attached report (Annex V).

Political Reform, Peace and Security

2.1.2 Whereas Burundi was one of the best performers in the area of economic and social development in sub-Saharan Africa until 1993, the outbreak of the civil conflict terminated these years of performance. Political transition and the reconstruction phase started only in 2000 when a peace and reconciliation accord among the 39 fighting political-ethnic groups was signed. Many political and peace initiatives and negotiations (Arusha Agreement, Ceasefire Accord, Reform of Security Forces, Political Transition to a Democratic Government) took place up to 2005, the year, in which a new constitution with broad rights to minorities was created. Communal and parliamentary elections were held in June/July 2005.

2.1.3 In order to ensure adequate and sustainable peace and security an ethnically balanced army and national police force was created. IDA, UN and other donors support the regional demobilization programme. Around 27,000 ex-rebels were demobilized. Internally displaced and external refugees were resettled. While the United Nations maintains its operations in the country with the provision of a peace keeping force of some 5.500 soldiers and civilians, the government has set up a National Truth and Reconciliation Commission to investigate ethnic and political crimes over the last four decades to foster reconciliation among warring factions. But it has to be clearly pointed out: peace remains fragile; there are still pockets of insecurity and rebellion, especially up-country.

Economic Stabilization, Structural Reforms and the PRSP Process

2.1.4 Although Burundi still faces a fragile political and security situation, the country has made significant steps forward in stabilizing the economy, implementing financial and structural reforms and initiating the restoration of social services. The real economic growth rate of around 5 percent was reached in 2004 and is expected in 2005. The international reserve position could be strengthened with mobilizing additional external financial support. Fiscal performance and different revenue mobilization initiatives have started becoming effective. Tax administration was strengthened, which bolstered high overall revenue receipts, and subsequently led to an increased spending on social sector measures. Although the management of public finance suffers from a lack of skilled and experienced staff due to the conflict and low wages, a number of innovative budgetary, accounting and auditing measures were implemented to improve transparency and accountability.

2.1.5 Burundi's medium-term macroeconomic objectives are high: sustained economic growth of about 5 percent per annum; inflation rate of 4 to 5 percent, down from 12 % in 2004; maintaining foreign reserves at 6 months of imported goods and services; reducing the external current account deficit to 5 ½ percent of GDP by 2015; restoring a sustainable external debt position by limiting external financing to grants and highly concessional credits; and boosting private savings and investment. To meet these objectives, Burundi plans to focus its reform agenda on private sector led growth, including an enabling business environment, and improved governance.

2.1.6 Since 2000 the liberalization of the foreign exchange system provided gradual improvements in converging the parallel and official exchange rates to within three percent by end of 2004. This removed the restrictions on current transactions, and abolished the mandatory nature of the foreign exchange auction reference price for commercial transactions. The peace and security process supported capacity building in the Ministry of Development Planning and Reconstruction as well as judicial reforms to balance gender equality, human rights and ethnicity. The approval of agricultural reform strategies in the coffee, tea and sugar sectors accomplished the structural and sectoral change processes in the country.

2.1.7 The **PRSP** Preparation Status Report for the country, issued in April 2005 indicates that Burundi is on track to adopt a full PRSP by end of the year. The Interim PRSP and the PRSP are based on the country's long-term development **vision**. Six thematic pillars for the promotion of sustainable, equitable growth to alleviate poverty build the fundament: (a) peace and democratic governance; (b) reintegration of conflict victims and disadvantaged groups into the economy; (c) private sector development; (d) human capital development; (e) fighting HIV/AIDS; and (f) advancing the role of women.

Governance and Institutional Reforms

2.1.8 As a post conflict country, Burundi has experienced major net disinvestments and the deterioration of capital stock. To restore peace and security in the country, special governance and economic measures need to be implemented. Hence, several governmental and non-governmental structural initiatives to establish good governance were put in place (e.g. Audit Court, International Commission of Inquiry on political prisoners). Since 2003 a state minister for good governance is responsible for the implementation of the governance plan. Other structural changes and key reforms concerning community development and decentralization followed.

2.1.9 To underpin the pro-poor, pro-private and pro-equity growth strategy, the private sector development program of Burundi concentrates on clearing the government's arrears to private sector suppliers and implements a series of revised and new economic laws (corporate law, commercial law, bankruptcy) and policy frameworks. Arbitration systems and innovative business environment measures are implemented to revive growth.

Social and Sectoral Policies

2.1.10 War related large-scale internal displacements and subsequent returns of refugees resulted in a severe break-down of the delivery of social services. However, Burundi has initiated various rehabilitation programs in the field of **health and education**. Some of the health-related initiatives under way to restore services to pre-crisis performance level include the provision of basic health services under a cost-recovery scheme, the establishment of a new management structure for public hospitals, an independent national drug agency and a multi-sector strategy to fight HIV/AIDS. In the education sector government's effort will centre on training of teachers, providing suitable teaching materials, improving school planning based on community empowerment and the distribution of schools. Social sector spending rose to 6.7 percent of GDP.

2.1.11 In the area of **gender and social equity** the government established a special micro-finance fund in rural communities and safety net mechanisms to provide access to resources to the poor, revised the matrimonial code to grant property rights to wives and widows and promote female representation in parliament and public offices. According to the new Burundian constitution and the Arusha Accord the representation of women in public offices has been increased. The new Burundian constitution demands, that 40 percent of parliamentarians are female. The Arusha Accord established a minimum threshold: 30 percent of all public office holders must be women

2.1.12 About 90 percent of the population earn their living from the rural sector, which contributes nearly 50 percent to GDP. Thus, rural development, increasing **agricultural productivity** and diversification will be key in redressing the country's economy. The first priorities of the Burundian government will be the revival of the main cash crop, coffee, and measures to rebuild the livestock herds, the implementation of the agricultural rehabilitation and sustainable land management, a

legislation program and the enhancement of training and extension services. It is expected, that the implementation of the coffee sector reform strategy will generate higher incomes of some 800.000 small- scale producers.

2.1.13 Good **infrastructure** is critical for improving the economy of a hilly and landlocked country like Burundi. Therefore the authorities attentively implement the infrastructure strategy. Besides the preservation of the existing, but war-damaged road networks, the increase of local financial and manpower capacities and local participation for maintaining the roads will be of major importance in recovering the rural and the mining sector. Improving access to the sea will be an additional challenging strategic pillar in the infrastructure reform agenda. The mining sector holds some promises. The government, with support from some donors, has been exploring the country's mineral potential in order to gather sufficient information to finally attract foreign investors.

2.2 Decision Point Conditions

2.2.1 Based on the above policy and institutional reforms, the Bretton Woods Institutions and the whole donor community are of the opinion, that Burundi has met the conditions for reaching the decision point, which are summarized below:

- Category A (ADF-only) country, with low per capita income, and with evidence of widespread poverty;
- Demonstrate continued maintenance of macroeconomic stability, social and structural reforms as evidenced by satisfactory performance under a PRGF-supported program; and
- Show evidence of making progress in the political and security situation of the country, and consolidating the peace process.

2.2.2 In the light of the foregoing, Burundi reached the decision point in August 2005 and qualified for US\$826 million worth of debt relief assistance in 2004 NPV terms under the enhanced HIPC framework.

III. RECENT AND FUTURE BANK GROUP SUPPORT TO BURUNDI

3.1 For over a decade, financial **cooperation** with the donor community was **suspended** as a result of the **war** and the **accumulation of arrears** owed to bilateral and multilateral creditors. During this period Burundi received only humanitarian assistance in very limited quantities. Thanks to the progress achieved by the transition government on the interim post conflict program, donors – especially International Finance Institutions (IFIs) - have started recently providing substantial bilateral and multilateral assistance. A number of donor conferences to tackle the unrelenting financial and economic hardship took place. In January 2004 international pledges of US\$ 800 million were made to implement an emergency program. But the major challenge of clearing Burundi's arrears remained. As Burundi was not in a position to return to normal relations with any IFI on its own, a re-shaping of a flexible arrears clearance program was needed.

3.2 In accordance with the **Bank Group's post conflict country facility (PCCF)** arrears settlement plan, Burundi has repaid the amount of UA6.7 million, about 30 percent of the total outstanding arrears as at June 30, 2004². In addition, the Bank Group has received payments totalling UA 2.0 million to cover current maturities. As the government was ready to continue repaying its current loan obligations, Burundi was able to benefit from the arrears settlement mechanism of the **PCCF**. In view of the country's efforts and some donors' pledges, particular EC and France of about UA 8.0 million³, the Boards of Directors approved, in September 2004, an additional contribution of UA 8.0 million from the Bank's PCCF to settle Burundi's arrears.

3.3 The **Bank Group** has a **long-standing cooperation agenda with Burundi**. Since 1974, the Bank Group has approved 42 operations (32 projects plus 10 studies), of which 30 have been completed and ten were suspended, mainly due to the embargo of the international community. Before the Bank Group restarted its cooperation with Burundi, the portfolio was re-examined and cleared with regard to the new economical reforms the government will carry out. Only one co-financed project (IFAD funds) was transferred to the renewed cooperation agenda. In July 2004, the Bank approved the first institutional support project to build the country's economic management capacity for an amount of UA 2.13 million.

3.4 Based on Burundi's emergency program, which focuses on promoting good governance and reducing poverty, the Bank Group, in consultation with the authorities, has identified two sectoral areas of action in its **Interim Country Strategy Paper (I-CSP, October 2004/05)**⁴ on **Social Sector and Infrastructure**. The I-CSP concentrated on the following areas: building institutional capacities in economic management, supporting the economic and governance reforms, job-creation and reconstruction. A multi-sector job creation and reconstruction project will address the problems of under- and unemployment while rehabilitating basic social infrastructure, urban roads and storm water disposal systems. Special emphasis will be given to small businesses and the reduction of youth employment.

3.5 Since Burundi's economy continues to face macro-economic and structural constraints, such as a weak institutional capacity, persistent fiscal deficits and corrupt practices, the ADF-IX, with support from the IMF's Poverty Reduction and Growth Facility (PGRF), provided assistance to deepen the structural reform agenda. ADF-IX resources of approximately UA 6.72 million, out of which UA 3.63 million represented grants, were earmarked to strengthen **economic and administrative governance**, especially the technical capacity of the Audit Office and the General Inspectorate.

3.6 Looking forward, the two pillars of intervention of the **Bank's Country Strategy Paper (2005-2009)**⁵ are: (i) improving the living conditions of the Burundian rural population via assisting in the agricultural sector and social infrastructure, and (ii) economic governance to create an enabling environment for private sector development. The Bank's ADF-X indicative allocation to Burundi amounts to UA 28.3 million in grants. Currently the portfolio consists of five projects, out of which three were approved by mid 2004 and one in 2005. An additional on-going operation was reformulated.

² Burundi: Proposal for Clearing the Arrears under the Post-Conflict Country Framework, ADF//BD/WP/2004/128, dated 30 September 2004, page 10.

³ The amount of pledges of EC (€7.6 million) and France (€2.0 million) was approx. UA 8.0 million at the exchange rate of September 2004.

⁴ Burundi: Interim Strategy Paper, October 2004 – October 2005, August 2004

⁵ Burundi: Document de Stratégie par Pays (DSP) axe sur les Résultats, Août 2005, page 37.

IV. DIVISION OF HIPC COSTS AMONG CREDITORS

4.1 Burundi had reached agreements to clear its arrears to multilateral creditors by end 2004. To bring the external debt-to-export-ratio down to the target ratio of 150 percent requires, after the full use of traditional debt relief mechanisms, a common reduction factor of 91.5 percent for all creditors or a total debt relief at decision point amounting to US\$826 million in 2004 NPV terms. Multilateral creditors account for US\$701 million, which is 85 percent of Burundi's debt relief. Bilateral and commercial creditors will deliver the remaining balance of US\$124 million, equivalent to 15 percent. The Bank Group's share of debt relief will amount to US\$149.35 million in NPV terms, equivalent to about 21 percent of the multilateral creditor's assistance, and 18 percent of total assistance from all creditors. Further details are presented in Table 1 below:

Table 1: Breakdown of Burundi's Total HIPC Costs⁶
(US\$ millions, 2004 NPV terms)

Creditors	Total debt relief assistance at decision point		
	Total	Percent of Multilateral cost	Percent of Total debt relief cost
Bilateral and Commercial Creditors	124		15
Multilateral Creditors	701	100	85
<i>of which</i>			
Bank Group	149.4	21	18
<i>IDA</i>	424.8	61	51
<i>IMF</i>	27.8	4	3
<i>Other Creditors</i>	98.9	14	12
Total Debt Relief Assistance	826	-	100

Source: IMF/IDA Decision Point Document, July 2005 and Bank Group HIPC database

V. DELIVERY MODALITY AND IMPACT

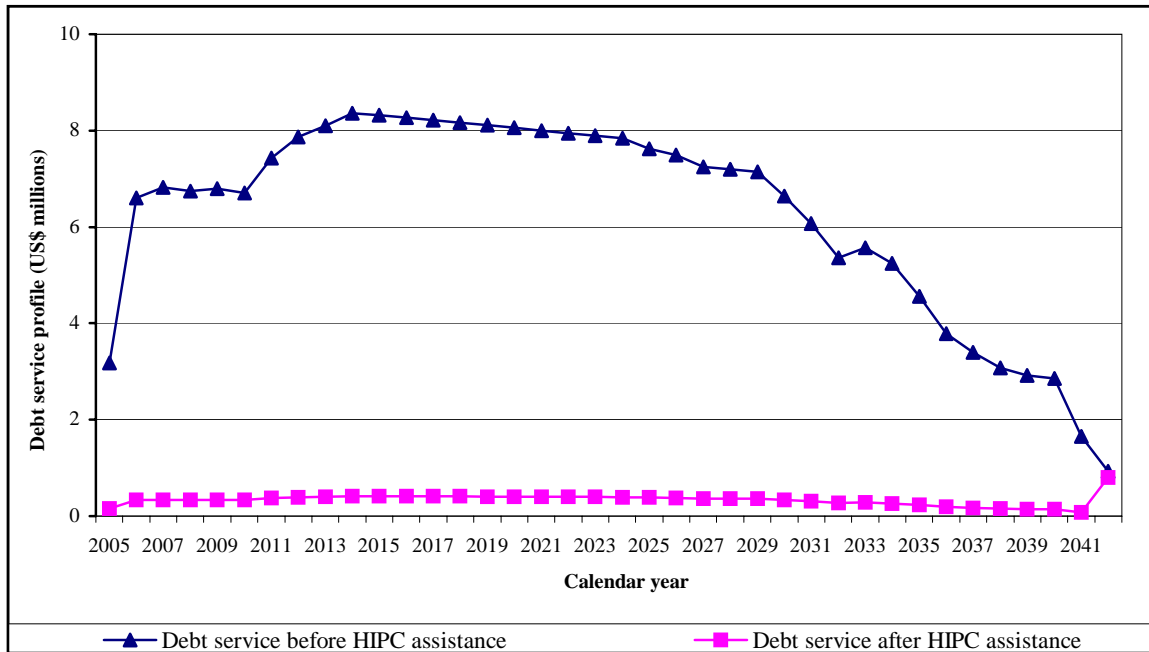
5.1 As Burundi has reached the decision point, it is proposed that the Bank Group makes a commitment to provide the country total debt relief of US\$ 149.35 million in NPV terms. This debt relief, which is consistent with the rules and regulations of the African Development Bank and the African Development Fund, would be provided by releasing Burundi from up to 90 percent of debt service obligations to the Bank Group. The total period of debt relief will last 38 years, from August 2005 until February 2042.

5.2 The evolution of Burundi's debt situation will highly depend on the discipline of the government in implementing its policy reform agenda. However, based on the underlying macroeconomic projections of IMF and the World Bank, the NPV of debt-to exports ratio would not decline below 150 percent until 2013. Therefore significant donor support on grant terms only will be needed over the medium term. However, the reduction of debt service as a result of HIPC assistance is expected to average nearly US\$26 million in 2005-2006, increasing to an annual average of about

⁶ Figures might not add up due to rounding.

US\$46 million after the completion point⁷. The financial impact of debt relief on Burundi's debt service profile is shown in Chart 1 below. Further information on the country's debt service profile before and after HIPC assistance is presented in Annex IV.

Chart 1: Impact of Debt Relief on Burundi's Bank Group Debt Service Profile



Source: Bank Group HIPC Database

5.3 Debt relief for Burundi is to be provided, through the mechanism of **HIPC debt service relief**, in accordance with the terms described in the preceding paragraphs. These terms will be **legally implemented** by:

- A Debt Relief Agreement between the Bank Group and the Government of Burundi;
- A HIPC Trust Fund Grant Agreement between the Bank Group, the International Development Association (IDA) and the Government of Burundi; and
- A Contribution Agreement between the Bank Group and the IDA.

VI DEBT SUSTAINABILITY, SENSITIVITY ANALYSIS AND OTHER ECONOMIC RISKS

6.1 At end-December 2004, Burundi's public and publicly guaranteed external debt, including arrears, is estimated at US\$1,384 million. In the **Debt Sustainability Analysis (DSA)**, prepared by the IMF and IDA, underlying macroeconomic projections assume that Burundi's economy would continuously recover, if the government's 2005 economic program is implemented, with the support of highly concessional external financing.

6.2 The **main assumptions of the DSA** are the following: projected average real growth rates of 5 percent over 2004-2024, downsize of inflation from the current 12 percent to 4 percent by 2010 up to 2024, increasing fiscal revenues to 21 percent of GDP and implementing an export-led diversification of the economy. Furthermore, it is assumed that there will be an increase of export revenues from the

⁷ IMF/WB Decision Point Document, see above, page 20

recovery of the traditional agricultural sectors such as coffee, tea and cotton as well as improvements in non-traditional sectors such as horticulture, fresh fruits and vegetable. To fulfill these somewhat optimistic expectations the Burundian Government is expected to vigorously implement its private sector growth strategy.

6.3 To test the sustainability of Burundi's external debt after HIPC, **sensitivity analysis** was carried out over four scenarios:

- *First scenario:* A one percentage point decrease in the growth of export volumes;
- *Second scenario:* Higher non-oil prices of 5 percent on imports and their effects on investment and consumption;
- *Third scenario:* A two percent increase in interest rates on all loans; and
- *Fourth scenario:* A change in the external financing structure towards grants until the ratio of NPV of debt to exports reaches 150 percent.

6.4 The sensitivity analysis demonstrates that even after HIPC assistance **Burundi** would **remain extremely vulnerable to external shocks and export performance**, in view of its very small export base. The analysis emphasizes the importance of a strong and sustained domestic reform effort, an active program to develop traditional and nontraditional export production, prudent debt management strategy, and external assistance heavily weighted towards grants.

6.5 Another **risk factor** is the **oil price volatility** that has been recorded since 2004. Especially in 2005, oil prices increased for more than 50% and affected the macro-economic framework of Burundi considerably. During the period of 2003/2005 the value of imports increased by more than 25%, mainly due to higher petrol prices (49%). The commercial deficit rose from - 15.8% of GNP in 2003 to -22.5% in 2004. In order to alleviate the impact of these price increases on the population and the economy, the authorities decided to cancel the VAT on oil products. This measure is expected to lead to significant loss of tax income, estimated at some US\$2 million for the first 3 quarters of 2005 and some US\$ 6 million for the year 2006.

VII FINANCING ARRANGEMENTS

7.1 The Bank Group's share of debt relief of about US\$ 149.35 million will be financed as follows:

Table 2: Indicative Financing Arrangements⁸
(in US\$ millions, 2004 NPV Terms)

Sources of Financing	Total Contribution	Percent of total (%)
• Bank Group	29.87	20
• European Commission pledge	59.74	40
• HIPC Trust Fund	59.74	40
TOTAL	149.35	100

7.2 Within Burundi's arrears clearance mechanism, prior to the HIPC Decision Point, a contribution of US \$ 25.13 million⁹ has already been made, consisting of funds from PCCF (US\$ 12,56 million), France and the European Commission (together US\$ 12,56 million). Therefore, HIPC debt relief due to Burundi from the Bank Group and the European Commission will be net of their respective contributions already made. Hence the HIPC Debt Relieve after the arrears clearance mechanism comes down to US\$124,22 million.

VIII RECOMMENDATIONS

8.1 The Boards of Executive Directors are invited to:

- Note the justifications for Burundi's qualification for HIPC assistance at its decision point, under the enhanced HIPC framework; and
- Approve the plan to finance the Bank Group's share of HIPC debt relief for Burundi, in accordance with the arrangements presented in Section V.

⁸ Using exchange rate as at end December 2004, US\$/UA= 0.64

⁹ Source: World Bank database

Annex I

AFRICAN DEVELOPMENT BANK
Burundi - HIPC Debt Relief Schedule (in US\$ million)

Decision Point Date July 2005	Calendar Year	TOTAL ADB	TOTAL (ADB/ADF/NTF)
	2005	0	3.020992
	2006	0	6.277033
	2007	0	6.481304
	2008	0	6.411789
	2009	0	6.454202
	2010	0	6.373080
	2011	0	7.062366
	2012	0	7.472161
	2013	0	7.701442
	2014	0	7.939258
	2015	0	7.905737
	2016	0	7.857958
	2017	0	7.804394
	2018	0	7.753722
	2019	0	7.703050
	2020	0	7.654716
	2021	0	7.601707
	2022	0	7.551035
	2023	0	7.500363
	2024	0	7.451632
	2025	0	7.245022
	2026	0	7.122676
	2027	0	6.888374
	2028	0	6.842003
	2029	0	6.793533
	2030	0	6.307023
	2031	0	5.771293
	2032	0	5.093307
	2033	0	5.286404
	2034	0	4.980365
	2035	0	4.326925
	2036	0	3.596733
	2037	0	3.228125
	2038	0	2.925018
	2039	0	2.777073
	2040	0	2.707545
	2041	0	1.574908
	2042	0	0.128121
Summary		0	225.572389
	Total Nominal Relief	US\$ 225.572389 mn	
	ADB	US\$ 0.000000 mn	
	ADF	US\$225.180009 mn	
	NTF	US\$ 0.392380 mn	
	Total NPV Relief	US\$ 124.223245 mn	
	Duration	38 Years	

Annex II

AFRICAN DEVELOPMENT FUND
Burundi - HIPC Debt Relief Schedule (in US\$ million)

Decision Point Date July 2005	Calendar Year	TOTAL ADF	TOTAL (ADB/ADF/NTF)
	2005	2.970680	3.020992
	2006	6.178698	6.277033
	2007	6.392911	6.481304
	2008	6.333446	6.411789
	2009	6.377204	6.454202
	2010	6.373080	6.373080
	2011	7.062366	7.062366
	2012	7.472161	7.472161
	2013	7.701442	7.701442
	2014	7.939258	7.939258
	2015	7.905737	7.905737
	2016	7.857958	7.857958
	2017	7.804394	7.804394
	2018	7.753722	7.753722
	2019	7.703050	7.703050
	2020	7.654716	7.654716
	2021	7.601707	7.601707
	2022	7.551035	7.551035
	2023	7.500363	7.500363
	2024	7.451632	7.451632
	2025	7.245022	7.245022
	2026	7.122676	7.122676
	2027	6.888374	6.888374
	2028	6.842003	6.842003
	2029	6.793533	6.793533
	2030	6.307023	6.307023
	2031	5.771293	5.771293
	2032	5.093307	5.093307
	2033	5.286404	5.286404
	2034	4.980365	4.980365
	2035	4.326925	4.326925
	2036	3.596733	3.596733
	2037	3.228125	3.228125
	2038	2.925018	2.925018
	2039	2.777073	2.777073
	2040	2.707545	2.707545
	2041	1.574908	1.574908
	2042	0.128121	0.128121

Summary

Total Nominal Relief	225.180009	US\$ 225.572389 mn
ADB		US\$ 0.000000 mn
ADF		US\$ 225.180009 mn
NTF		US\$ 0.392380 mn
Total NPV Relief		US\$ 124.223245 mn
Duration		38 Years

225.572389

Annex III

NIGERIA TRUST FUND
Burundi - HIPC Debt Relief Schedule (in US\$ million)

Decision Point Date July 2005	Calendar Year	TOTAL NTF	TOTAL (ADB/ADF/NTF)
	2005	0.050312	3.020992
	2006	0.098335	6.277033
	2007	0.088393	6.481304
	2008	0.078343	6.411789
	2009	0.076998	6.454202
	2010	0	6.373080
	2011	0	7.062366
	2012	0	7.472161
	2013	0	7.701442
	2014	0	7.939258
	2015	0	7.905737
	2016	0	7.857958
	2017	0	7.804394
	2018	0	7.753722
	2019	0	7.703050
	2020	0	7.654716
	2021	0	7.601707
	2022	0	7.551035
	2023	0	7.500363
	2024	0	7.451632
	2025	0	7.245022
	2026	0	7.122676
	2027	0	6.888374
	2028	0	6.842003
	2029	0	6.793533
	2030	0	6.307023
	2031	0	5.771293
	2032	0	5.093307
	2033	0	5.286404
	2034	0	4.980365
	2035	0	4.326925
	2036	0	3.596733
	2037	0	3.228125
	2038	0	2.925018
	2039	0	2.777073
	2040	0	2.707545
	2041	0	1.574908
	2042	0	0.128121

Summary

	0.392380	225.572389
Total Nominal Relief	US\$ 225.572389 mn	
ADB	US\$ 0.000000 mn	
ADF	US\$225.180009 mn	
NTF	US\$ 0.392380 mn	
Total NPV Relief	US\$ 124.223245 mn	
Duration	38 Years	

Burundi: HIPC Debt Relief Assistance Impact on Bank Group Debt Service Profile

Year	Debt service before HIPC assistance	HIPC Debt relief	Debt service after HIPC assistance
2005	3.1800	3.0210	0.1590
2006	6.6074	6.2770	0.3304
2007	6.8224	6.4813	0.3411
2008	6.7493	6.4118	0.3375
2009	6.7939	6.4542	0.3397
2010	6.7085	6.3731	0.3354
2011	7.4341	7.0624	0.3717
2012	7.8654	7.4722	0.3933
2013	8.1068	7.7014	0.4053
2014	8.3571	7.9393	0.4179
2015	8.3218	7.9057	0.4161
2016	8.2715	7.8580	0.4136
2017	8.2152	7.8044	0.4108
2018	8.1618	7.7537	0.4081
2019	8.1085	7.7031	0.4054
2020	8.0576	7.6547	0.4029
2021	8.0018	7.6017	0.4001
2022	7.9485	7.5510	0.3974
2023	7.8951	7.5004	0.3948
2024	7.8438	7.4516	0.3922
2025	7.6263	7.2450	0.3813
2026	7.4976	7.1227	0.3749
2027	7.2509	6.8884	0.3625
2028	7.2021	6.8420	0.3601
2029	7.1511	6.7935	0.3576
2030	6.6390	6.3070	0.3319
2031	6.0750	5.7713	0.3038
2032	5.3614	5.0933	0.2681
2033	5.5646	5.2864	0.2782
2034	5.2425	4.9804	0.2621
2035	4.5547	4.3269	0.2277
2036	3.7860	3.5967	0.1893
2037	3.3980	3.2281	0.1699
2038	3.0790	2.9250	0.1539
2039	2.9232	2.7771	0.1462
2040	2.8500	2.7075	0.1425
2041	1.6578	1.5749	0.0829
2042	0.9337	0.1281	0.8056
Total	238.2435	225.5724	12.6711

Annex V

IMF/World Bank: Burundi – HIPC Decision Point Document

Annex

**BURUNDI - HIPC APPROVAL DOCUMENT
DECISION POINT UNDER THE ENHANCED FRAMEWORK**

CORRIGENDUM

EXECUTIVE SUMMARY

- Section under *Background*, second sentence is **revised to read as follows:**

“As a result, the Boards of Directors of the IMF and the World Bank approved debt relief assistance for the country from multilateral and bilateral creditors amounting to US\$ 826 million, **in end-December 2004 NPV terms, over some 39 years.**”

- Section under *Macroeconomic and Structural Adjustment Record*, second sentence is **revised to read as follows:**

“However, **major** challenges remain, including the consolidation of democracy, full demobilization of armed combatants, promotion of **private sector led growth, and** addressing widespread deep poverty”

- Section under *HIPC Costs*, second and third sentences are **revised to read as follows:**

“The Bank Group’s share of debt relief will amount to US\$ 149.35 million in NPV terms (**US\$ 226.01 million** in nominal terms), which is equivalent to about 21 percent of the multilateral creditors’ assistance, and about 18 percent of total assistance from all creditors. This amount will save up to 90 percent of Burundi’s debt service obligations annually until February **2043.**”

- Section under *Recommendation* is **revised as follows:**

“The Boards of Executive Directors are invited to approve the proposed HIPC **debt relief** assistance of the Bank Group for Burundi of US\$ 149.35 million in end - 2004 NPV terms.

MAIN DOCUMENT

- Paragraph **2.1.7**, second sentence is **revised to read as follows:**

2.1.7 “... The **interim and full PRSPs** are based on the country’s long-term development vision, **expressed in six thematic pillars for the promotion of sustainable, equitable growth to alleviate poverty: ...**”.

- Paragraph **3.4**, last sentence is **revised to read as follows:**

3.4 “...Special emphasis will be given to small businesses and the reduction of youth **unemployment.**”

- Paragraph **5.1**, last sentence is **revised to read as follows:**

5.1 “... The total period of debt relief will last **39 years**, from August 2005 until February **2043**”.

- Paragraph 6.5, second, third and fourth sentences are **revised to read as follows**:

6.5 “...Especially in 2005, oil prices increased **over 50 percent** and affected the macro-economic framework of Burundi considerably. During the period of 2003/2005 the value of imports increased by more than **25 percent**, mainly due to higher petrol prices **of about 49 percent**. The **trade deficit** rose from **15.8 percent** of GNP in 2003 to **22.5 percent** in 2004.

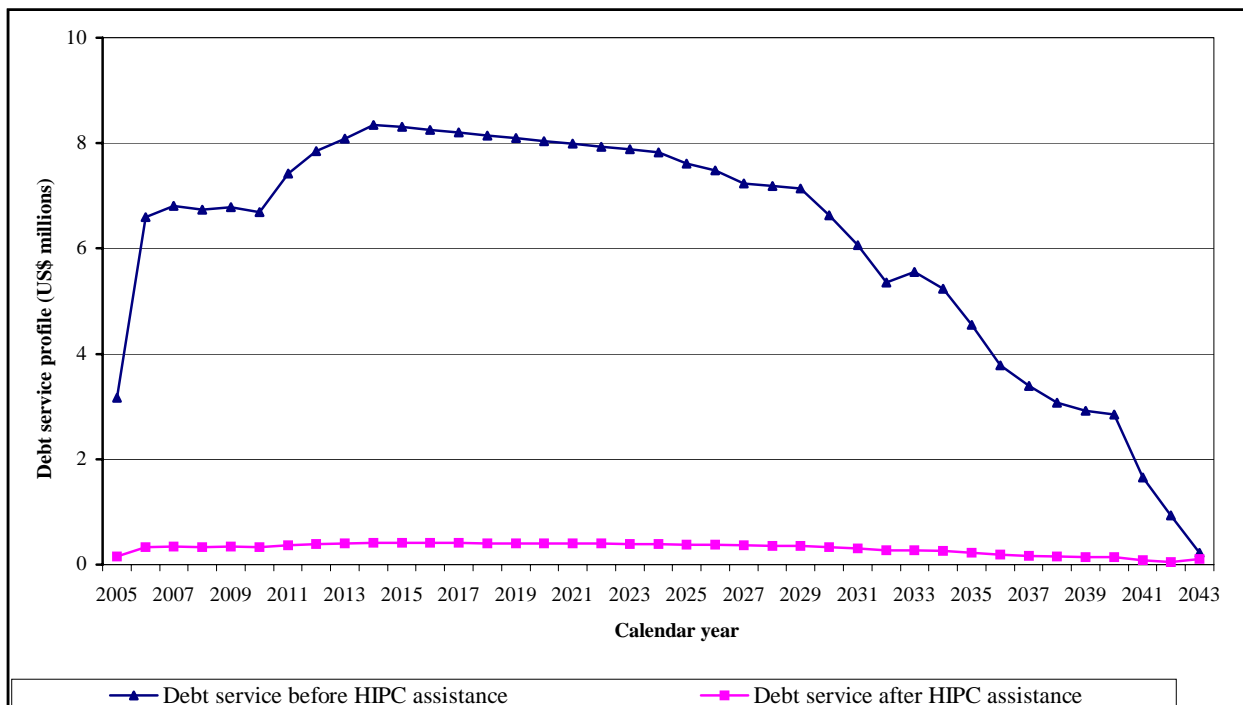
- Paragraph 7.1 is **revised to read as follows**:

7.1 “The Bank Group’s share of debt relief of about US\$ 149.35 million, **in end-2004 NPV terms**, will be financed as follows:”

- Paragraph 7.2 is **revised to read as follows**:

7.2 “Within Burundi’s arrears clearance mechanism, prior to the HIPC Decision Point, a contribution of US \$ 25.13 million¹ has already been made, consisting of funds from PCCF (**US\$ 12.56 million**), France and the European Commission **together (US\$ 12.56 million)**. Therefore, HIPC debt relief due to Burundi from the Bank Group and the European Commission will be net of their respective contributions already made. Hence the HIPC **debt relief** after the arrears clearance mechanism comes down to **US\$ 124.22 million.**”

- *Chart 1* is **revised to read as follows**:



Source: Bank Group HIPC Database

- *Annexes I, II, III, and IV* were **revised** to provide 100 percent debt relief on NTF with the balance on ADF, taking into account the G8 debt cancellation Initiative. **The four annexes are replaced by the following**:

¹ Source: World Bank database

Annex I

AFRICAN DEVELOPMENT BANK
Burundi - HIPC Debt Relief Schedule (in US\$ million)

Decision Point Date August 2005	Calendar Year	TOTAL ADB	TOTAL (ADB/ADF/NTF)
	2005	0	3.014771
	2006	0	6.264105
	2007	0	6.467637
	2008	0	6.398172
	2009	0	6.440380
	2010	0	6.359301
	2011	0	7.047811
	2012	0	7.456667
	2013	0	7.685725
	2014	0	7.923460
	2015	0	7.890007
	2016	0	7.842325
	2017	0	7.788867
	2018	0	7.738297
	2019	0	7.687727
	2020	0	7.639490
	2021	0	7.586587
	2022	0	7.536017
	2023	0	7.485447
	2024	0	7.436813
	2025	0	7.230994
	2026	0	7.109054
	2027	0	6.875557
	2028	0	6.829273
	2029	0	6.780893
	2030	0	6.295574
	2031	0	5.760422
	2032	0	5.082862
	2033	0	5.275659
	2034	0	4.970549
	2035	0	4.319064
	2036	0	3.590710
	2037	0	3.223345
	2038	0	2.920742
	2039	0	2.773271
	2040	0	2.703831
	2041	0	1.572525
	2042	0	0.886227
	2043	0	0.124817
Summary		0	226.014975
	Total Nominal Relief		US\$ 226.014975 mn
	ADB		US\$ 0.000000 mn
	ADF		US\$ 225.601943 mn
	NTF		US\$ 0.413031 mn
	Total NPV Relief		US\$ 124.223245 mn
	Duration		39 Years

Annex II

AFRICAN DEVELOPMENT FUND
Burundi - HIPC Debt Relief Schedule (in US\$ million)

Decision Point Date August 2005	Calendar Year	TOTAL ADF	TOTAL (ADB/ADF/NTF)
	2005	2.961811	3.014771
	2006	6.160594	6.264105
	2007	6.374592	6.467637
	2008	6.315706	6.398172
	2009	6.359330	6.440380
	2010	6.359301	6.359301
	2011	7.047811	7.047811
	2012	7.456667	7.456667
	2013	7.685725	7.685725
	2014	7.923460	7.923460
	2015	7.890007	7.890007
	2016	7.842325	7.842325
	2017	7.788867	7.788867
	2018	7.738297	7.738297
	2019	7.687727	7.687727
	2020	7.639490	7.639490
	2021	7.586587	7.586587
	2022	7.536017	7.536017
	2023	7.485447	7.485447
	2024	7.436813	7.436813
	2025	7.230994	7.230994
	2026	7.109054	7.109054
	2027	6.875557	6.875557
	2028	6.829273	6.829273
	2029	6.780893	6.780893
	2030	6.295574	6.295574
	2031	5.760422	5.760422
	2032	5.082862	5.082862
	2033	5.275659	5.275659
	2034	4.970549	4.970549
	2035	4.319064	4.319064
	2036	3.590710	3.590710
	2037	3.223345	3.223345
	2038	2.920742	2.920742
	2039	2.773271	2.773271
	2040	2.703831	2.703831
	2041	1.572525	1.572525
	2042	0.886227	0.886227
	2043	0.124817	0.124817

Summary

	225.601943	226.014975
Total Nominal Relief	US\$ 226.014975 mn	
ADB	US\$ 0.000000 mn	
ADF	US\$ 225.601943 mn	
NTF	US\$ 0.413031 mn	
Total NPV Relief	US\$ 124.223245 mn	
Duration	39 Years	

Annex III

NIGERIA TRUST FUND
Burundi - HIPC Debt Relief Schedule (in US\$ million)

Decision Point Date August 2005	Calendar Year	TOTAL NTF	TOTAL (ADB/ADF/NTF)
	2005	0.052960	3.014771
	2006	0.103510	6.264105
	2007	0.093045	6.467637
	2008	0.082466	6.398172
	2009	0.081050	6.440380
	2010		6.359301
	2011		7.047811
	2012		7.456667
	2013		7.685725
	2014		7.923460
	2015		7.890007
	2016		7.842325
	2017		7.788867
	2018		7.738297
	2019		7.687727
	2020		7.639490
	2021		7.586587
	2022		7.536017
	2023		7.485447
	2024		7.436813
	2025		7.230994
	2026		7.109054
	2027		6.875557
	2028		6.829273
	2029		6.780893
	2030		6.295574
	2031		5.760422
	2032		5.082862
	2033		5.275659
	2034		4.970549
	2035		4.319064
	2036		3.590710
	2037		3.223345
	2038		2.920742
	2039		2.773271
	2040		2.703831
	2041		1.572525
	2042		0.886227
	2043		0.124817

Summary**0.413031****226.014975**

Total Nominal Relief	US\$ 226.014975 mn
ADB	US\$ 0.000000 mn
ADF	US\$ 225.601943 mn
NTF	US\$ 0.413031 mn
Total NPV Relief	US\$ 124.223245 mn
Duration	39 Years

Burundi: HIPC Debt Relief Assistance Impact on Debt Service Profile
(in US\$ million)

Year	Debt service before HIPC assistance	HIPC Debt relief	Debt service after HIPC assistance
2005	3.1734	3.0148	0.1587
2006	6.5938	6.2641	0.3297
2007	6.8080	6.4676	0.3404
2008	6.7349	6.3982	0.3367
2009	6.7793	6.4404	0.3390
2010	6.6940	6.3593	0.3347
2011	7.4187	7.0478	0.3709
2012	7.8491	7.4567	0.3925
2013	8.0902	7.6857	0.4045
2014	8.3405	7.9235	0.4170
2015	8.3053	7.8900	0.4153
2016	8.2551	7.8423	0.4128
2017	8.1988	7.7889	0.4099
2018	8.1456	7.7383	0.4073
2019	8.0923	7.6877	0.4046
2020	8.0416	7.6395	0.4021
2021	7.9859	7.5866	0.3993
2022	7.9326	7.5360	0.3966
2023	7.8794	7.4854	0.3940
2024	7.8282	7.4368	0.3914
2025	7.6116	7.2310	0.3806
2026	7.4832	7.1091	0.3742
2027	7.2374	6.8756	0.3619
2028	7.1887	6.8293	0.3594
2029	7.1378	6.7809	0.3569
2030	6.6269	6.2956	0.3313
2031	6.0636	5.7604	0.3032
2032	5.3504	5.0829	0.2675
2033	5.5533	5.2757	0.2777
2034	5.2322	4.9705	0.2616
2035	4.5464	4.3191	0.2273
2036	3.7797	3.5907	0.1890
2037	3.3930	3.2233	0.1696
2038	3.0745	2.9207	0.1537
2039	2.9192	2.7733	0.1460
2040	2.8461	2.7038	0.1423
2041	1.6553	1.5725	0.0828
2042	0.9329	0.8862	0.0466
2043	0.2281	0.1248	0.1033
Total	238.0072	226.0150	11.9923