



Joint Evaluation of Budget Support for Burundi (2005-2013)

Executive summary

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Executive summary

This evaluation covers all Budget Support (BS) allocated to Burundi from 2005 to 2013. These operations, financed by seven main donors (in order of importance, the World Bank (WB), the EU, the African Development Bank (ADB), The Netherlands, Norway, France and Belgium), provided a transfer of resources equivalent to US\$732 million over the entire period. In addition to these operations are the funds released as part of the HIPC initiative amounting to US\$191 million, which in total is a provision of resources for the state budget of US\$923 million, equivalent to US\$15/inhabitant per year. These transfers of funds were accompanied by support to reinforce technical capacities amounting to nearly US\$40 million.

The study set out to determine the extent to which this budget support has made it possible to:

- Provide the government with the means with which to implement its development policies and strategies (QE 1.1-2.4);
- Improve the effectiveness of these policies deployed at national and sector level (QE3.1-3.5);
- And thereby contribute to the achievement of results in terms of development and in particular, to strengthen growth and reduce poverty (QE4.1-4.4).

The study focused particularly on the contribution of BS to macroeconomic stabilization and growth, the development of the private sector and the social sectors of health and education.

Overall assessment

The evaluation has made it possible to show that BS programmes have contributed to increasing the means of government action and strengthening certain sections of development policies, although some of the desired effects have fallen short of expectations. Burundi remains in a precarious situation economically, socially and politically.

Budget Support has contributed first to improvement of the macroeconomic framework, in particular, by facilitating the reimbursement of arrears accumulated both internally and externally. This has enabled Burundi to reach the completion point of the HIPC initiative and to benefit from a major reduction in its foreign debt, a significant factor for stability over the longer term. Although BS has contributed through financial support to the country's economical survival, it has not managed to achieve sustainable macroeconomic stabilization.

Until 2009, BS contributed to restoring a viable macroeconomic balance, increasing social spending and benefiting the poor, without destabilizing budget policy in the short term at least. At the same time, it has contributed to greater rigidity in current spending although state resources have not recovered sustainably. From 2010 onwards, the financial input of

BS was insufficient to cover the budget deficit related to significant growth in spending that had become mandatory. Stabilization was made all the more difficult when, after having worked to provide the state with resources to put its policy in place, the donors reallocated their aid to parallel circuits in 2010/2011. This forced the state to implement an austerity policy, which ran counter to any development strategy, despite abundant foreign resources being allocated to the country outside of budget circuits.

This deficit slippage can also be explained by an inadequate capacity to control macroeconomic balance, in particular concerning the macroeconomic framework and sustainability of the reforms adopted. Even though substantial efforts supported by the donors have been made and progress has been observed, policy dialogue and the strengthening of technical capacities accompanying BS have not yet led to sustainable reinforcement of these functions.

So the macro-economic stabilization that has been difficult to maintain over recent years is still precarious. Economic policy has centred since 2011/2012 around a return to internal balance; with the result that even the success of policies implemented (for example, in terms of the mobilization of internal resources) is not sustainable.

At the same time, the improvement of the business climate and incentives for private investment, encouraged by the conditions, policy dialogue and technical support accompanying BS has as yet not been sufficient to bring about a flow of investment. Besides external factors that have affected the international economic environment in particular, major internal constraints continue to discourage potential investors; the main ones include respect for the rule of law and company tax rates.

The coffee sector has also undergone major restructuring and been supported by conditions prior to BS programmes and associated technical support. The latter contributed to the implementation of the reform process and guidelines that have been adopted with limited results within the sector so far, although there are some encouraging signs.

The most notable effects of the financial aspect of BS can undoubtedly be seen in the strengthening of the provision of health and education services, and the implementation of a policy of free education and treatment in some sectors of healthcare.

BS has contributed indisputably to progress in education, with a huge increase in access to the entire educational system, a major vector in the pacification of society. The main factors that have brought about the very considerable increase in the number of children receiving education and that have benefited from mainly financial BS input are the policy of free education funded by paying bonuses, the recruitment of teachers and posting them within the territory, as well as the increase in the provision of school infrastructure. In addition, by contributing to opening a budgetary space for the funding of school dining rooms, BS has contributed to the education of girls in particular.

The results observed are also the fruit of other types of external support, in particular, as of 2011, the FCE, which has played a very important role in developing the provision of

infrastructure and contributing to the cost of schooling and functioning of decentralised services, as well as in terms of reinforcing the capacity for planning and monitoring expenditure within the ministry.

However, BS, accompanied by dialogue and institutional support mechanisms too far removed from the problems faced by these sectors did not succeed better than dialogue and institutional support at sectoral level in anticipating the budget and financial consequences of political decisions taken in favour of free primary education and subsequently the expansion of basic primary education.

Conclusions

Resources provided by BS to support government strategy

The BS programmes provided the government with very considerable resources to enable it to implement its strategy, which was developed within the framework of the two successive Poverty Reduction Strategy Papers (PRSP), and support the implementation of reforms in a precarious situation recognized by the donors. These resources have been almost entirely mobilized, but the conditions of mobilization were suboptimal which had an impact on the effectiveness of the programmes implemented. In particular, in the light of the recommendations made as a result of work aimed at improving the implementation of BS in a precarious situation¹, the following difficulties need to be highlighted: (i) poor coordination of the resources employed (on all levels: dialogue on policies, reinforcement action, analytical work and financial transfers) and between technical and financial partners (TFP); (ii) inefficient sequencing of interventions (conditions and modes); (iii) the unsuitability of the matrices in the context; (iv) and the lack of predictability as regards the amounts allocated and effective periods of disbursement.

The financial mobilisation through BS was substantial and continuous until 2010, with objectives being the return to macroeconomic stability and transition from a post-conflict situation to a situation of growth and economic and social development. Since 2005, in an encouraging political context, donors' support mainly took the form of general BS comprising massive funding doubling between 2005 and 2008, amounting to 6% of GDP, accompanied by major capacity reinforcement programmes (with a budget equivalent to 5% of the mobilized BS) and the will to establish dialogue supporting the process of stabilization and structural reforms. As of 2009/2010, maintenance of a high fiduciary risk, persistence of political tensions and the lack of structural transformation observed in the country led to a lack of confidence in the bilateral partners (Belgium, Norway and Holland) in the process undertaken, which gradually led them to stop providing funding in the form of BS as of 2011 and in particular turn towards the mobilization of common sectoral funds. France, for its part, continued targeted support by covering teachers' salaries. During this second period, it was more the risk of non-

¹ See in particular World Bank and African Development Bank, "*La prestation de l'aide budgétaire en situation de fragilité : une approche commune de la Banque mondiale et Banque africaine de développement*" (*The provision of Budget support in precarious situations: a common approach by the World Bank and the African Development Bank.*)

intervention in a precarious situation that led to the decisions made by the three multilateral donors still involved in BS.

BS forms part of the post-conflict context in Burundi as well as the exit strategy overseen by the IMF. It succeeded in correctly identifying the main socio-economic and political challenges facing the country. And was linked to the objectives pursued by the government as covered by the PRSP, as well as the sectoral strategies formulated over the course of the period (management of public finances, development of the private sector, restructuring of the coffee sector, education). It supported the development of the main priorities, centring at the outset on macroeconomic stabilization, consolidation of the peace processes and reinforcement of “pro-poor” expenditure, and gradually moving towards reforms designed to promote growth and the private sector. Although pertinent overall in relation to the context, BS, however, lacked vision as regards the path to be followed to bring the country out of its precarious situation. It focused on broad national strategy, covering very vast projects with poor prioritization, and was not sufficiently integrated into the strategies deployed through other types of aid.

The government and technical and financial partners were aware of the scale of the institutional shortcomings and the limited absorption capacity of the national authorities from the start of intervention, which led to major technical support to strengthen capacities but this, being insufficiently coordinated and sequenced, often resulted in a replacement of local capacities rather than structural reinforcement. The persistence of major institutional precariousness made it particularly difficult to control the volatility of financial amounts lacking visibility and to bring in the reforms that were part of the matrices of overly complex conditions. It undermined appropriation of the reforms supported in this way, with the result that their phasing was not well matched to the initial context and the process of dialogue, ineffective.

The direct effects expected from BS programmes were limited. In particular, the evaluation revealed:

- **The persistent difficulties encountered by Burundian authorities in correctly forecasting the amounts of the BS allocated and disbursed** both upstream, at the time of preparing the budget framework, and during execution of the budget, with significant effects on the funding of the deficit and cost of this funding.
- **A limited coordination and harmonization process between donors** with high transaction costs and suboptimal aid mobilization conditions (in particular in terms of coherence of the matrices of conditions/indicators or coordination of action to reinforce capacities).
- **The limited strategic impact of discussions entered into through the framework of dialogue** implemented after 2005 concerning BS, which mainly served as a means of transmitting information but did not play a strategic role in the formulation and monitoring of programmes and reforms. Consequently, dialogue remained fragmented and entered into as part of bilateral approaches, each donor structuring its dialogue around the matrix of conditions/indicators supporting its programme.

The functioning of the frameworks of dialogue and aid coordination is one of the weak points of the current SB mechanism and reflects the difficulties encountered more

widely in aid coordination and interministerial coordination within the Burundian government. In particular, the fragmentation of dialogue by sector and by donor meant insufficient importance was attached to the problem of policy sustainability and, specifically, that of certain political decisions with major budgetary implications taken without taking these or future financial needs into account, as well as the problem of the expansion of the fiscal base and hence the increase in national revenues necessary to see the policies supported through to fruition. In the health and education sectors, for example, decisions, which were consistent with the strategy (free education and medical treatment, expansion of basic education, extension of the social provision policy with the relaunch of the CAM medical assistance card in the health sector), have been made but without dialogue and without anticipating the need for funding required to make the policy sustainable.

Reinforcement observed of government policies linked with the BS

BS (including HIPC funds) contributed substantially to increasing the budgetary space, by increasing state revenue by nearly 50%, between 2005 and 2010, and nearly 25% between 2011 and 2013. The budgetary spaces created in this way fostered the development of expenditure supporting political stabilization and the consolidation of society after a prolonged period of crisis and violence mainly through wages and transfer expenditure, and to a lesser extent investment **in the social sectors**.

The GBS with the BS that directly targeted the refinancing of teachers' salary arrears and the payment of the salaries of a cohort of teachers, as well as the mobilization of HIPC funds to finance educational infrastructure, contributed significantly to increasing room for budgetary manoeuvre, enabling the government to implement its sectoral policy. The resources devoted to education within the general state budget increased by 420% between 2005 and 2013. Within the health sector, resources from the general budget increased by a factor of 12 over the same period.

These means made it possible to fund decisions taken in favour of:

- A policy of free primary school education and healthcare for pregnant women and children under five years of age;
- Increased staff and improved training in the Ministry of Health and particularly the Ministry of Education, although the basic question of the revalorization of teachers' salaries and jobs was not dealt with. Over the course of the last ten years, the number of teachers in the primary sector has increased by a factor of nearly 2.4 and has almost tripled in the secondary sector. In the health sector, intensification of the policy of training paramedical personnel has made it possible to double the number of nurses between 2005 and 2012 while the number of practising doctors increased by a factor of six;
- The realisation of an investment strategy (particularly in the education sector), mainly driven by HIPC funds and subsequently by the FCE, and financed continuously by means of a significant contribution from the communities themselves.

This funding effort significantly contributed to increasing educational provision in terms of infrastructure, educational material and above all, teachers. This constitutes

a major result in the Burundian context as the educational system had to meet the challenge of absorbing fast-growing numbers resulting from the high birth rate, reintegration of children who missed schooling during the war and the return of refugees at the end of the conflict, as well as undertaking the lengthening of basic primary education.

In this sector, the evaluation highlights the key role played by the FCE. This support was supplementary to the BS supplied through its financial contribution and by relaying HIPC funds in 2010 to cover the vast majority of investments connected with the transition to basic education.

Nonetheless, despite these major achievements, education in 2013 remained not very conducive to quality learning as borne out by the repetition and school-leaving rates, which are still high, and the poor results in national competitive exams.

The efforts made in the health sector to improve healthcare provision resulted in a major increase in access by the population to healthcare infrastructure and qualified personnel.

While BS has boosted social/pro-poor spending, it has also contributed to greater rigidity in current spending, which, without a sustainable increase in state resources, has made stabilisation increasingly difficult. Subsequently, the external resources that were actually integrated into the budgetary process decreased, while expenditure continued to grow at a rate that exceeded that of own revenues and the deficit without BS deepened, reaching levels that were difficult to sustain.

Over more recent years, the reduction of the budgetary space and failure to forecast funding requirements for the measures adopted in the social sectors have resulted in arrears, particularly in cover for the cost of free medical treatment (PFM) and education (transfers to establishments).

The increased budgetary spaces have been accompanied by a degree of success in the macroeconomic management capacity and the operation of the public finance management system. BS in part contributed to this through action to build up capacities, even though these are essential for implementing programmes approved by the IMF, which prompted the donors to make major efforts to provide these functions with technical support.

But these advances remain limited and need to be continued in order to achieve a transparent budgetary process, with a controlled fiduciary risk that abides by fiscal discipline and facilitates the strategic allocation of resources, as well as the efficient provision of public services.

Within the domain of the management of public finances (PFM), BS (from the African Development Bank (ADB), the World Bank (WB), the European Union (EU) and France) sought actively to encourage efforts by the government in all areas of the public finance management reform, in particular, by providing it with technical support consistent with the public finance management strategy (PFMS). However, this was too sparse,

insufficiently well coordinated and largely failed to take account of the sectoral dimensions of public financial management (e.g.: budgetary decentralization in education and health). The support supplied by the donors provided incentives for reworking the legal framework of public finances, but did not, however, encourage adequate sequencing of the reform. It boosted progress recorded in some areas such as budgetary transparency and management of the treasury. But it did not succeed in bringing about real change in other areas, which continued to show major failings at the end of the period under review, particularly the credibility of the budget, monitoring of budget execution and internal and external monitoring systems. The effectiveness of donor support was significantly undermined by the lack of resources deployed by the government - in terms of scarce human and financial resources - to implement reforms.

BS played a key role in the adoption of reforms to stimulate private initiative and restructure the coffee sector. The prerequisites established in the BS programmes and with the technical support of institutional reinforcement programmes deployed by donors were determining factors. Some progress has been made, but major shortcomings persist. Notably, the effective application of improvements made to the regulatory framework and the maintenance of major constraints to the development of the private sector that BS has not succeeded in having government policy take into account. At the same time, the resources devoted by the state to the development of the productive sectors were eroded without any reaction from the donors providing BS.

The evaluation focused the spotlight on the difficulty encountered by BS in orienting policies that it tends to encourage, in particular, to guarantee effectiveness and sustainability. This is in keeping with the conclusions already known regarding the ineffectiveness of foreign aid, and BS in particular, when it comes to initiating reforms that are not fully appropriated by the government and seeing them through. In Burundi, BS has essentially been seen as additional budgetary resources in a context of extreme scarcity of resources, accessed by means of the adoption of measures/reforms “negotiated” with the donors, thus creating an inverted relationship between BS and development policies. BS in Burundi has to an excessive extent reflected a principle of “carrying out reforms in order to obtain BS”, rather than “having BS in order to carry out reforms.”

The result of this has been **displacement of the accountability of government action in some areas covered by BS from the National Assembly and civil society to the donors.** This is particularly true in the case of macroeconomic and budgetary management and the reinforcement of the management of public finances. At sectoral level, broader dialogue beyond BS, increasingly involving civil society and the private sector, has, however, extended the field of accountability.

Results and impact in the sectors/domains targeted by BS

The economic results produced are disappointing overall and there is little prospect in coming years of a recovery in the growth rate that would make it possible to significantly reduce poverty. Stabilisation has been partially assured but remains extremely precarious and is still totally dependent on foreign support. A regular rate of

growth has been re-established but falls below the programmes' targets and stands at a lower level than that of neighbouring countries. The growth targets themselves were revised downwards, currently standing at around 4-5%, which is less ambitious than those prevailing in 2005-2006, which were closer to 7%.

So far, the private sector has made no significant move to invest with internal or external funding in a way that would broaden the productive base and deliver an increase in productivity to support a process of more rapid growth. As regards export sectors, the performance of the coffee sector so far has been lacklustre. Though there are now some signs of vitality in the sector, the potential for growth remains uncertain: it is checked by the paucity of investments in the sector and difficulties encountered by a number of operators in the industry, which is still not entirely privatized.

The results recorded for the period in the social sectors are spectacular in terms of the improvement in the uptake of services provided to the population: the gross enrolment rates have improved significantly both in primary and secondary schools in all provinces, albeit to differing degrees and with greater uptake among girls. In the case of primary education, econometric analysis has shown the impact on this result of the provision of infrastructure, teachers and school dining rooms. Reservations remain, however, concerning improvements in the quality of training and sustainable reinforcement in the quality of care. Above all, in the absence of a real coherent long-term strategy and continuous funding, the sustainability of the results observed is far from being achieved. On the contrary, due to their extreme precariousness in the unstable socio-economic and budgetary context, it is not unlikely that the positive trend observed will be reversed.

Recommendations

The recommendations arising from the evaluation are intended to assist the technical and financial partners and the government of Burundi in improving the effectiveness and efficiency of BS.

They concern the strategy to be implemented in an uncertain and unpredictable future political and economic environment. As mentioned in the conclusion of the analysis of the context, there is a risk of the current situation becoming even more precarious and even the possibility of a new crisis situation arising. The strategic guidelines set forth below are based on the assumption that sooner or later, the context will show sufficient signs of stability and will be supported by a clear will on the part of the country's authorities to see a medium term development project through. They are also offered because their implementation may contribute to this favourable development.

The conclusions of the evaluation have shown the impasse that the government is currently in. It is crucial, in the case of Burundi, to make structural reform and the adjustment of the economy a priority once again and to provide the means necessary for these adjustments. It is not a matter of suddenly initiating an expansionist budgetary policy but rather one of giving the government the means to enable it to better structure the macroeconomic policy and reform policies. This is essential in order to create prospects for economic growth, while ensuring macroeconomic stability in the immediate term and prospects for financing

in the medium term of the state budget. The condition of sustainable development rests on the capacity of the state to take a leading role, BS remains potentially the most effective mode of aid.

To ensure this effectiveness in Burundi, the conditions for the implementation of the resources provided by BS must be significantly improved, in particular to ensure:

- Effective steering of these programmes and policies that they support by the Burundian authorities;
- Reinforcement of the coordination and consultation of donors concerning a common strategy in order to deploy sufficient and effective means of tackling the main challenges;
- Broadening strategic dialogue conducted within the framework of BS by instituting dialogue on policies concerning the main challenges currently facing development today in Burundi (macro-stabilization, sustainability of state social policies, development of the productive and taxable base, and reinforcement of institutional capacity);
- Reinforcement of coordination, which is currently insufficient, between the various levels of intervention (macro, sectoral and structural);
- Reinforcement of the management of public finances and governance, and reduction of the fiduciary risk.

Concerning aid strategy

The strategy to be pursued must set out to:

1. Free current budgetary constraints by reinforcing the resources available to the government, while ensuring policy sustainability.

In order to do this, GBS remains the most favoured instrument in the Burundian context as it makes it possible to act coherently at budget level, to conduct and enter into dialogue concerning a combination of well-coordinated policies and to grasp the medium term implications; these elements are essential if the country is to find its way out of instability.

Recourse to BS, including sectoral BS, seems to us a better solution than recourse to parallel tools such as common funds. The latter are often very effective on specific aspects of sectoral policies. However, they do not incorporate analysis of sectoral policy in government budgetary policy as a whole and therefore do not take the medium term sustainability of the policies supported and their own action sufficiently into account. Furthermore, even limited control of the use of the resources made available risks entailing a phenomenon of replacement in relation to the responsibilities of the administrations.

Recourse to common funds should only be a transitory response to a high fiduciary risk in order to maintain achievements, as far as possible, in macroeconomic terms and in the social sectors.

2. **Deal explicitly with the factors of precariousness in the design and implementation of BS programmes,** economic and institutional factors in particular but also political ones.
3. **Reinforcing coordination between the different modes of aid in order to pursue a policy of macroeconomic stabilization and a sustainable policy of public services and structuring investments.** For the donors, this means greater consistency in the choice of aid modalities and in the sequence of their implementation depending on the context and the strategy supported, as well as in the provision of precise information on projects implemented and their state of progress to the government. It is a matter for the government of having an overview and greater control of all sources of funding of its strategy.

Concerning conditions of implementation

4. **Reinforcing coordination/consultation of authorities and between donors and from the formulation phase onwards.** The implementation of a concerted approach must concern the amounts allocated through BS, the periods of disbursement and action to reinforce capacities. It is also a matter of sharing a common vision of the structural causes of the precarious situation and sharing the analysis of the challenges, risks and mitigation measures, as well as the monitoring of results.

Specifically, this means government implementing a consultation mechanism *ex ante* and monitoring budget support incorporating other forms of additional support such as common funds and, more specifically, specifying the role of the CASR in this domain. For technical and financial partners, reinforcement of coordination specifically means development of common tools of analysis and monitoring, and in particular, implementation of a common matrix for monitoring performances to be developed with the government.

5. **Relaunch the process of dialogue concerning BS, while ensuring links are established with sectoral dialogue and macroeconomic policy, and reinforcing steering by the Burundian authorities.** The review of the CASR mandate should also focus on its role in the coordination and monitoring of policy dialogue and lead to a specification stipulating the issues/challenges to be continuously discussed, the stakeholders that would be mainly involved and mobilization of senior government officials. The coordination of policy dialogue between global and sectoral levels will be an important point.
6. **Improve the predictability of BS upstream of the budget and during implementation,** which consists first of transmitting the most comprehensive information possible about the amounts to be allocated, the conditions and the schedule of disbursement at the time of the budget, and, subsequently, putting suitable follow-up mechanisms in place with the Ministry of Finance.

Concerning reinforcement of the administration's management capacities and functioning of the public finance management system

7. **Counter shortcomings in institutional capacities** by integrating the reform of public administration in the field of dialogue concerning BS and by reinforcing coordination and tools for monitoring technical support to the Ministry of Finance.
8. **Reduction of the fiduciary risk by consolidating technical support for the management of public finance and ensuring the implementation of the strategy centred on good governance.** The components to be reinforced as a matter of priority are macro-budgetary forecast, medium-term budgetary programming at sectoral and global level, monitoring of budgetary performance, internal/external control functions and the award of public contracts, as well as contracts for small infrastructure such as schools or health centres.

Concerning the consolidation of the results and impact of policies in the social sectors and to encourage development of the private sector.

9. **Consolidate the progress made in social services and ensure sustainability of the policies put into place:** consolidation of the progress made in social sectors means first taking account of the financial sustainability of the strategic choices made during the period and identifying as well as implementing not only the reforms desired but also the policies that will ensure funding. Furthermore, in the education sector, particular effort must be made to reinforce the budget execution process and the improvement of the decentralization process and flow of resources towards entities in the field.

In the health sector, the priority, beyond aspects of sustainability and the long-term funding of reforms will be to clarify the financing of the policy of free education and medical treatment, and that of the policy of reinforcement of quality of care.

10. **Give greater priority and resources to the reinforcement of productive sectors:** on the one hand, the improvement of business climate needs to be pursued by working on the main factors determining the flow of private investment and, in particular, the problem of respect for the rule of law, and on the other, public investment need to be reinforced in that area in order to develop the necessary infrastructure/support for development of the activity of the productive and export sector.