



Burundi

Background

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Background

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Introduction

Chart 1: Political map of Burundi

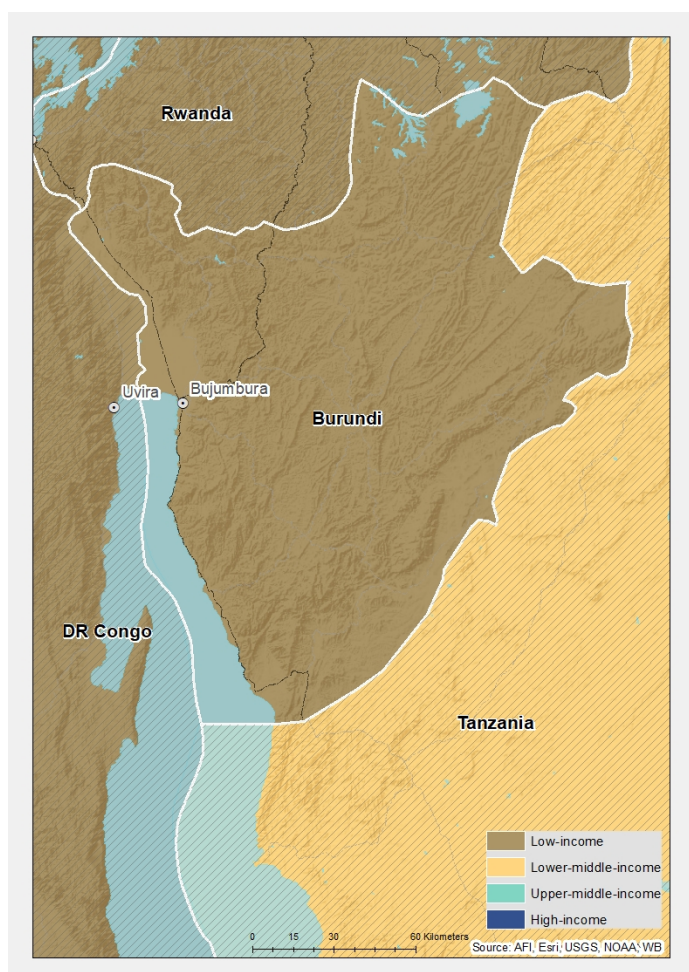


Chart 1 presents a political map of Burundi.

Burundi is one of the 23 low-income countries in Africa and had an estimated population of 11.9 million in 2020. Located in the Great Lakes region of East Africa, this landlocked country is surrounded by Rwanda to the north, the Democratic Republic of the Congo (DR Congo) to the west and Tanzania to the east and south (Chart 1). Lake Tanganyika is situated on its south-west border. Burundi is a member of both the Economic Community of Central African States (ECCAS) and the East African Community (EAC).

The post-independence history of **Burundi** has been characterised by endemic political instability and violence. After independence in 1962, a small Tutsi elite within the Union for National Progress (*Union pour le progrès national* – UPRONA) political party seized full control of the state and military, abolishing the monarchy in 1966 and eliminating large parts of the Hutu elite in the 1972 genocide. A democratisation process, under the auspices of the international community, resulted in general elections in 1993, which was won by Melchior Ndadaye from the Hutu majority party, the **Burundi Democratic Front** (*Front pour la Démocratie au Burundi* – FRODEBU). However, Ndadaye was assassinated shortly after the election by members of the armed forces, *Forces Armées Burundaises* (FAB). This event triggered a civil war (with an estimated death toll of 300 000) that lasted until 2005.

The subsequent Arusha Peace and Reconciliation Agreement between UPRONA and FRODEBU (and many smaller parties) in August 2000 led to a transitional government based on power-sharing with ethnic quotas for all political institutions. A new constitution, based on the Arusha Agreement and confirming ethnic quotas, was approved in February 2005. The first post-war elections of the same year brought to power Pierre Nkurunziza from the National Council for the Defense of Democracy – Forces for the Defense of Democracy (*Conseil National pour la Défense de la Démocratie – Forces pour la Défense de la Démocratie*, CNDD–FDD). CNDD–FDD was a rebel group that became an official political party in 2005. He inherited massive economic problems. For example, agricultural production, which comprises the majority of the country's exports, had significantly dwindled. **Nkurunziza** successfully raised foreign capital to invest in agriculture, and with the support of the World Bank he spearheaded infrastructure projects aimed at improving access to water and electricity. These moves toward progress eventually led to his re-election in 2010.

Despite the domestic and international condemnation over his plan to stand for a third term, Nkurunziza remained resolute in his decision and secured a third term in 2015, overriding the term limits enshrined in the constitution. In January 2020, the CNDD–FDD confirmed Evariste Ndayishimiye as their candidate for the presidential election scheduled for later that year. Ndayishimiye was declared the winner of the May 2020 election. Nkurunziza, who was scheduled to step down from the presidency in August, died unexpectedly in June 2020. Following a Constitutional Court ruling that President-elect Ndayishimiye should not wait to take office, he was inaugurated on 18 June 2020.

With the change of leadership, Burundi is also slowly regaining its place on the international scene after years of isolation. The new president has addressed the UN General Assembly, attended an EU–Africa summit in Brussels, and made official visits to neighbouring countries. This visibility will likely lead to more aid, trade and foreign direct investment (FDI) to support growth and enhance economic development stunted by recurrent political instability.

Burundi is one of the world's least developed countries. It ranked 185th out of 189 countries on the **Human Development Index (HDI)** in 2020, and over 70% of its population lives below the international poverty line of US\$1.90 per day. The country's GDP per capita was the lowest in Africa at US\$220 (market exchange rate), or US\$600 (purchasing power parity exchange rate), in 2019. Economic transformation is limited, and more than 80% of the population relies on the low-productivity agriculture sector for their livelihoods.

Climate and topography

Chart 2: Population distribution of Burundi

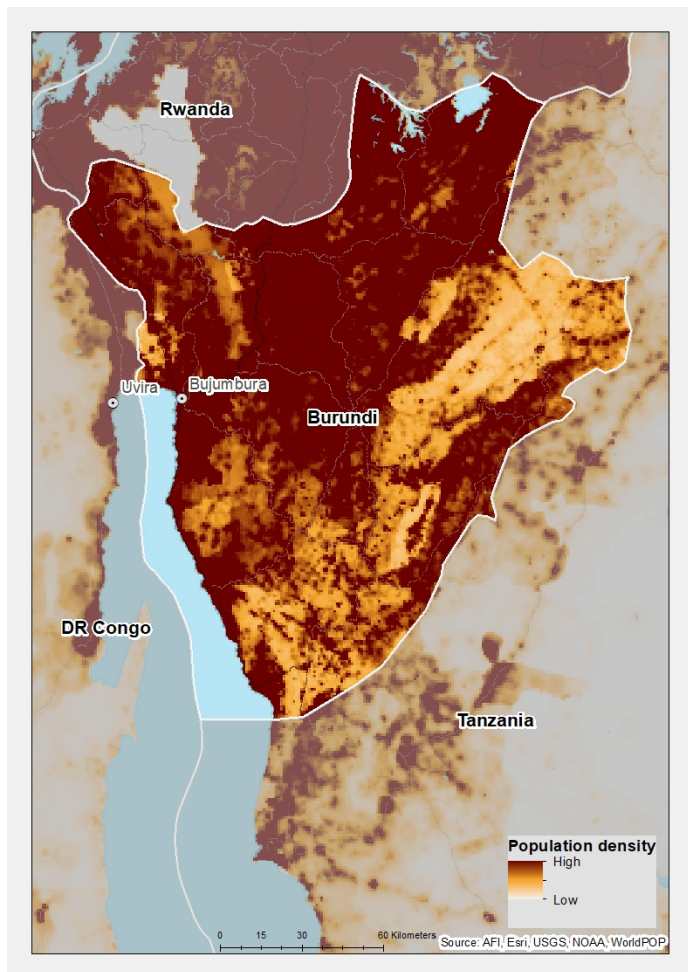
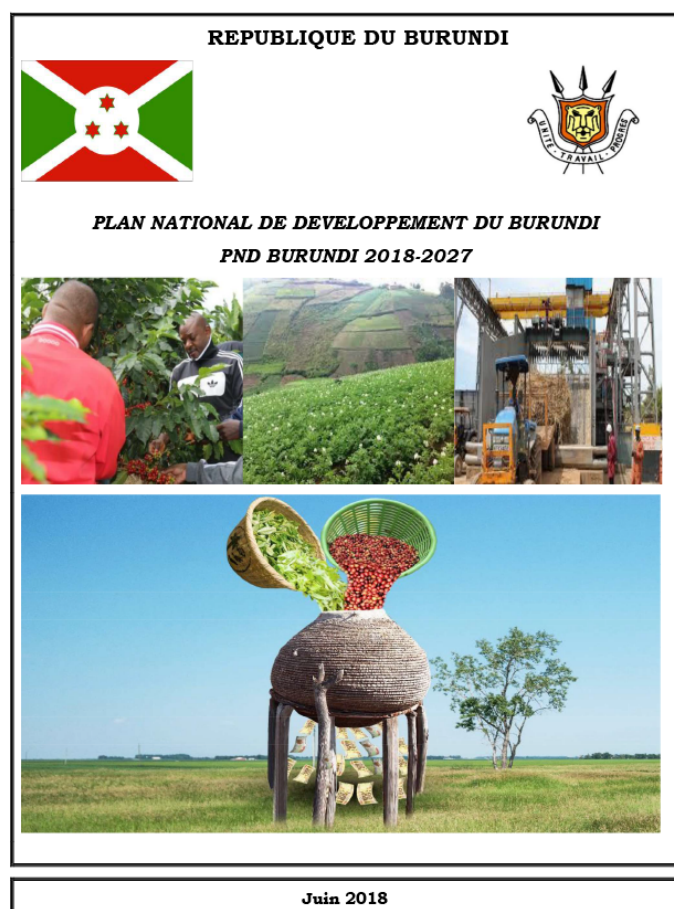


Chart 2 presents a population distribution map.

Burundi is divided into two distinct climatic regions: a tropical savanna climate and a subtropical highland climate. There are two wet seasons, with peak rainfall occurring in March and November, and two dry seasons, from June to August and December to January. Clear rain variability over the medium term contributed to more than 3 million people being affected by droughts between 1996 and 2016, showing how vulnerable Burundi's population is to natural disasters and climate change. Burundi is the third most densely populated country in sub-Saharan Africa, with an estimated 4.6 inhabitants per hectare in 2020.

National Development Plan

Chart 3: Republic of Burundi, National Development Plan 2018–2027



Burundi's current National Development Plan (NDP) 2018–2027 provides a socio-economic interpretation of the country. It aims to structurally transform the Burundian economy for robust, sustainable, resilient and inclusive growth, thereby creating decent jobs for all and leading to improved social welfare.

The structural transformation of the economy will be achieved through several pillars, summarised as follows:

- Modernise the agriculture sector:

This pillar is aimed at the regionalisation of crops, promotion of integrated family farming, mechanisation of agriculture, preservation of agricultural land, transformation of agricultural production, livestock production, diversification of export products, water management and irrigation.

- Increase energy production:

Affordable and reliable energy access is viewed as one of the prerequisites for the sustainable structural transformation of the Burundian economy. The focus will be on renewable energies such as solar energy, biomass and wind to increase energy production.

- Increase investment in human capital formation:

The aim is to improve human capital stock and support growth through knowledge and learning.

- Improve business environment to promote industrialisation:

As the manufacturing sector accounts for about 15% of GDP, the objective is to create an enabling environment to attract FDI to the sector and make it the engine of Burundi's economic development.

- Strengthen transport and information and communication technologies (ICT) infrastructure to open up the economy and to promote trade.
- Develop the tourism sector:

The low levels of tourism development in Burundi are attributable to the poor quality of tourism-related infrastructure, the weak structuring of tourism products, the lack of professional qualifications of the personnel in the sector and the absence of specific incentives for investment in the industry. The objective, therefore, is to address these constraints to harness the country's huge tourism potential.

- Promote public-private partnerships to finance socio-economic infrastructure and to create jobs.
- Promote regional integration and international cooperation:

As a result of regional integration and international cooperation, Burundi expects the expansion of its economic and political space, the achievement of economies of scale, the development of trade as well as the guarantee of peace and collective security.

Economics: Current Path

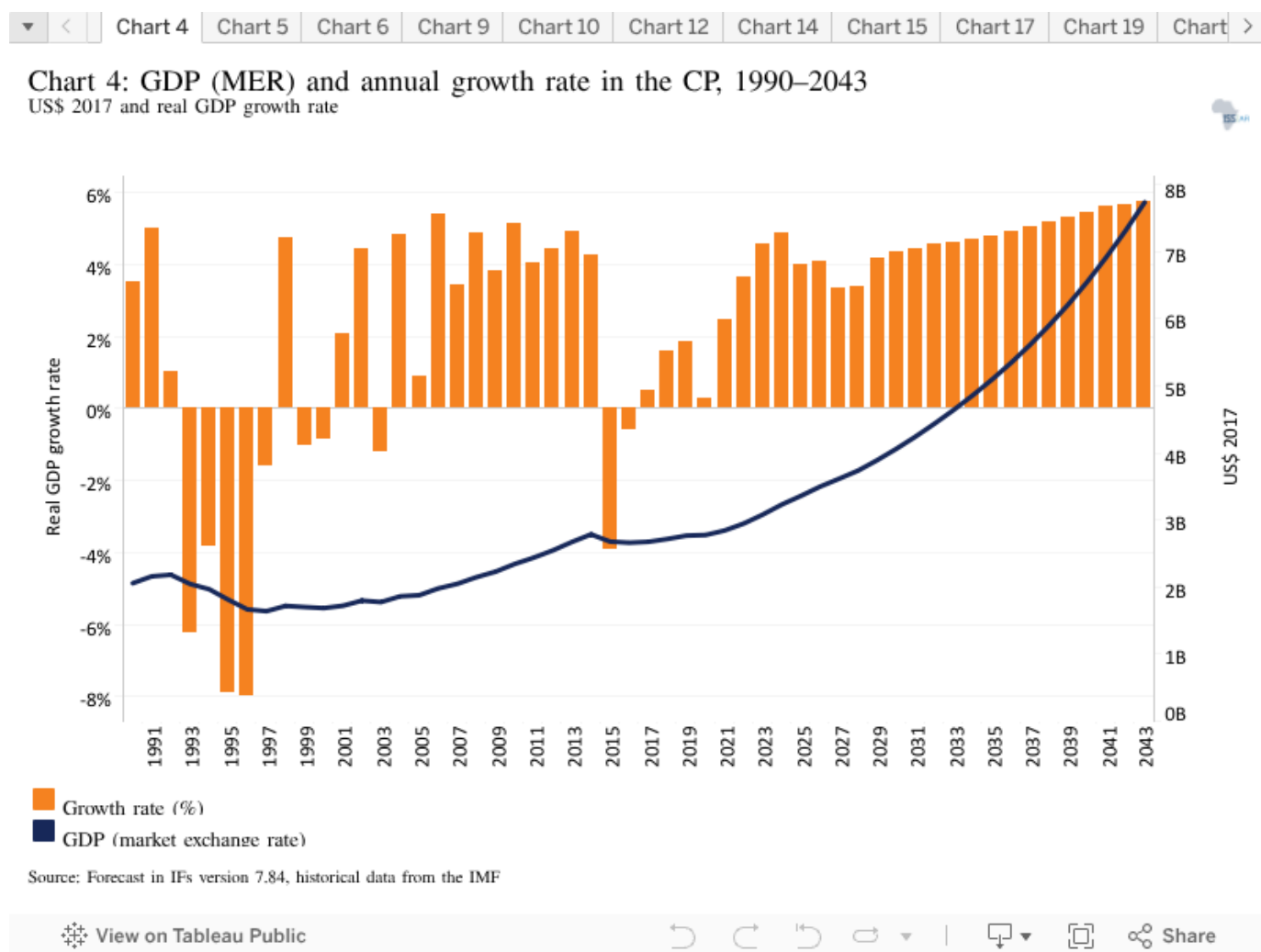


Chart 4 presents Burundi's GDP (MER) and annual growth rate in the Current Path from 1990 to 2043.

Repeated political shocks have severely constrained economic growth and development in **Burundi**. From 1993 to 1999, civil conflicts destroyed capital and repressed investment, negatively affecting economic growth. The public debt stock also increased dramatically from an average of 50.9% of GDP from 1973 to 1991 to about 112% from 1993 to 1999.

From 2006, economic growth modestly resumed following the conclusion of the Arusha Peace and Reconciliation Agreement. The breakthrough in the peace process and subsequent reduction in violence—combined with better macroeconomic management, Heavily Indebted Poor Countries (HIPC) debt relief and aid inflows — led to relatively accelerated economic growth from 2007 to 2014, with real GDP growth averaging 4.3% (Chart 4).

The country was unable to sustain this progress though as GDP retracted by 3.9% in 2015 amid a political crisis, riots and violence that prompted donors to suspend the aid on which Burundi heavily depended for fiscal revenues, investments and foreign reserves. Consequently, Burundi has experienced a difficult economic situation over the past seven years, which has led to fiscal deficit, a shortage of foreign reserves and balance of payments difficulties.

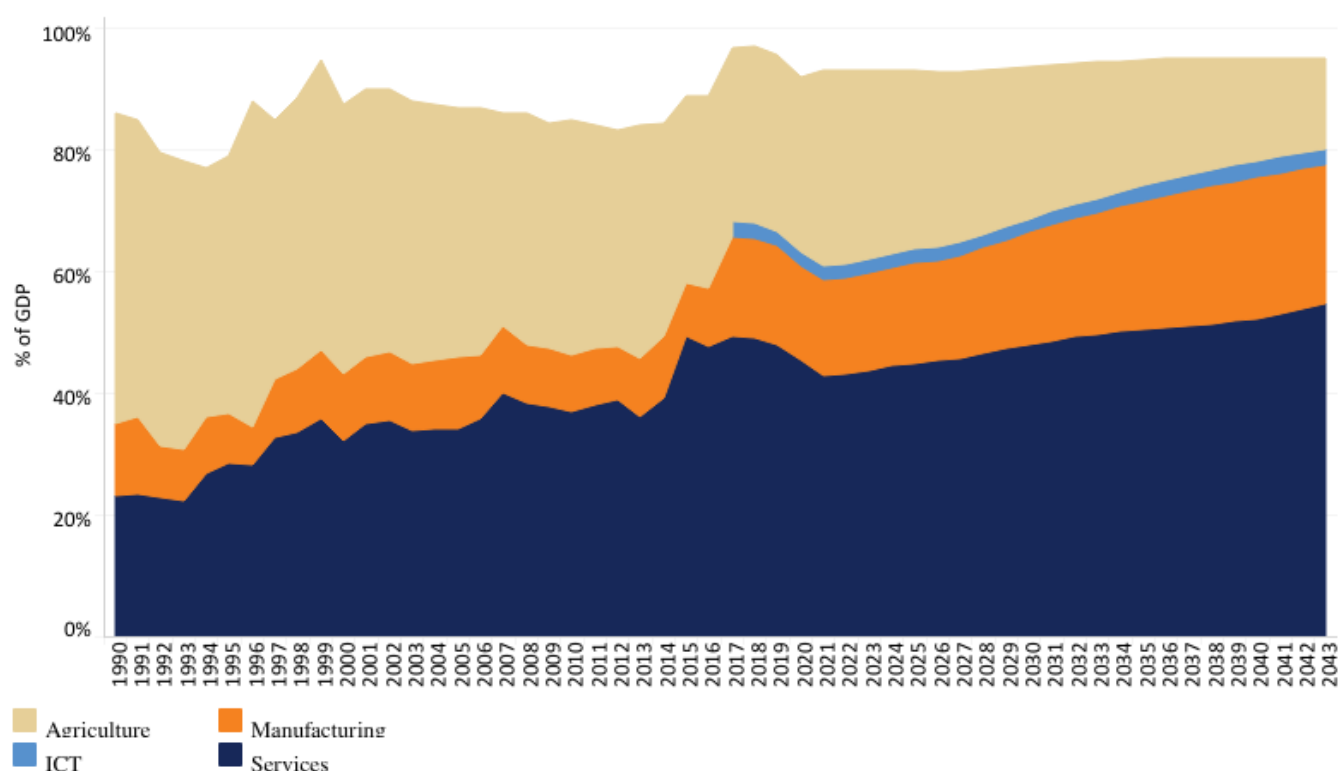
Furthermore, **economic growth** in 2020 was strongly affected by the COVID-19 pandemic, falling to 0.3%, compared to 1.8% in 2019. In 2021, economic growth stood at 3.1%, driven by agriculture, investment in public infrastructure and an

easing of restrictions related to the pandemic. Inflation was forecast to remain high at around 12% in 2022 due to the impact of the war in Ukraine on food and oil prices worldwide. Public debt was projected to fall to 70.2% of GDP in 2022 and to 66.5% in 2023, from 71.9% in 2021, amid fiscal consolidation efforts.

In 2019, the size of Burundi's economy was estimated at US\$2.7 billion — the ninth smallest in Africa. This is only 31.7% above its level of US\$2.05 billion in 1990. On the Current Path, the GDP of Burundi will be US\$7.7 billion by 2043, equivalent to an annual average growth rate of 4.6% over the period 2022 to 2043 (Chart 4). This is significantly below the double-digit growth rate targets in the NDP.

Chart 4 Chart 5 Chart 6 Chart 9 Chart 10 Chart 12 Chart 14 Chart 15 Chart 17 Chart 19 Chart 20

Chart 5: Value added by sector in CP, 1990–2043



Source: IFs 7.84 initialising from International Monetary Fund World Economic Outlook database

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Our modelling uses data from the Global Trade and Analysis Project (GTAP) to classify economic activity into six sectors: agriculture, energy, materials (including mining), manufacturing, services and ICT. Most other sources use a threefold distinction between only agriculture, industry and services with the result that data may differ.

Chart 5 shows the structure of Burundi's GDP according these sector classifications.

The agriculture sector is an important source of economic growth in Burundi, although its contribution to GDP has declined over time from 51.1% in 1990 to 31.5% in 2019. The agriculture sector contributed the largest share to the country's GDP over the period 1970 to 2013 before being overtaken by the service sector in 2014. In 2019, the service sector accounted for 44.2% of GDP (US\$1.2 billion, 2017 US\$). On the Current Path, the share of the service sector in GDP will likely increase to 54.6% (US\$4.2 billion) by 2043, and the share of the service sector in GDP will likely increase to 54.6% (US\$4.2 billion) by 2043.

Agriculture made the second most significant contribution to GDP at 31.5% (US\$0.87 billion) in 2019, and it will decline to 15.1% (US\$1.16 billion) by 2043, indicating the economy's structural transformation. The manufacturing industry accounted for about 15% (US\$0.44 billion) in 2019, and it will overtake the agriculture sector to become the second-largest contributor to GDP by 2035 (Chart 5). Industrial activity in Burundi is limited to small-scale processing and manufacturing plants, concentrated mainly in the capital city, Bujumbura.

ICT and materials (including mining) contributed about 2.3% and 1.2%, respectively, to GDP in 2019. By 2043, manufacturing will likely represent 22.7% of GDP (US\$1.75 billion). On the Current Path, the contribution of energy, ICT and materials to GDP will likely remain the same over the forecast horizon.

Burundi has untapped **mining potential** of substances such as nickel, vanadium, phosphates and gold, among others. The country's known nickel deposits are located in the Musongati, Waga and Nyabikere complexes. The Musongati complex is, for instance, considered the most significant laterite deposit and is among the ten largest undeveloped laterite deposits worldwide with a reserve of 220 million metric tons at 1.5% of nickel content. If well managed, exploiting these mining riches could be a game-changer for Burundi's development.

Overall, Burundi's economy has undergone a gradual shift from the agriculture sector to the service sector, which now makes the largest contribution to GDP. However, this structural transformation pattern is not specific to Burundi; most African countries follow the same path.

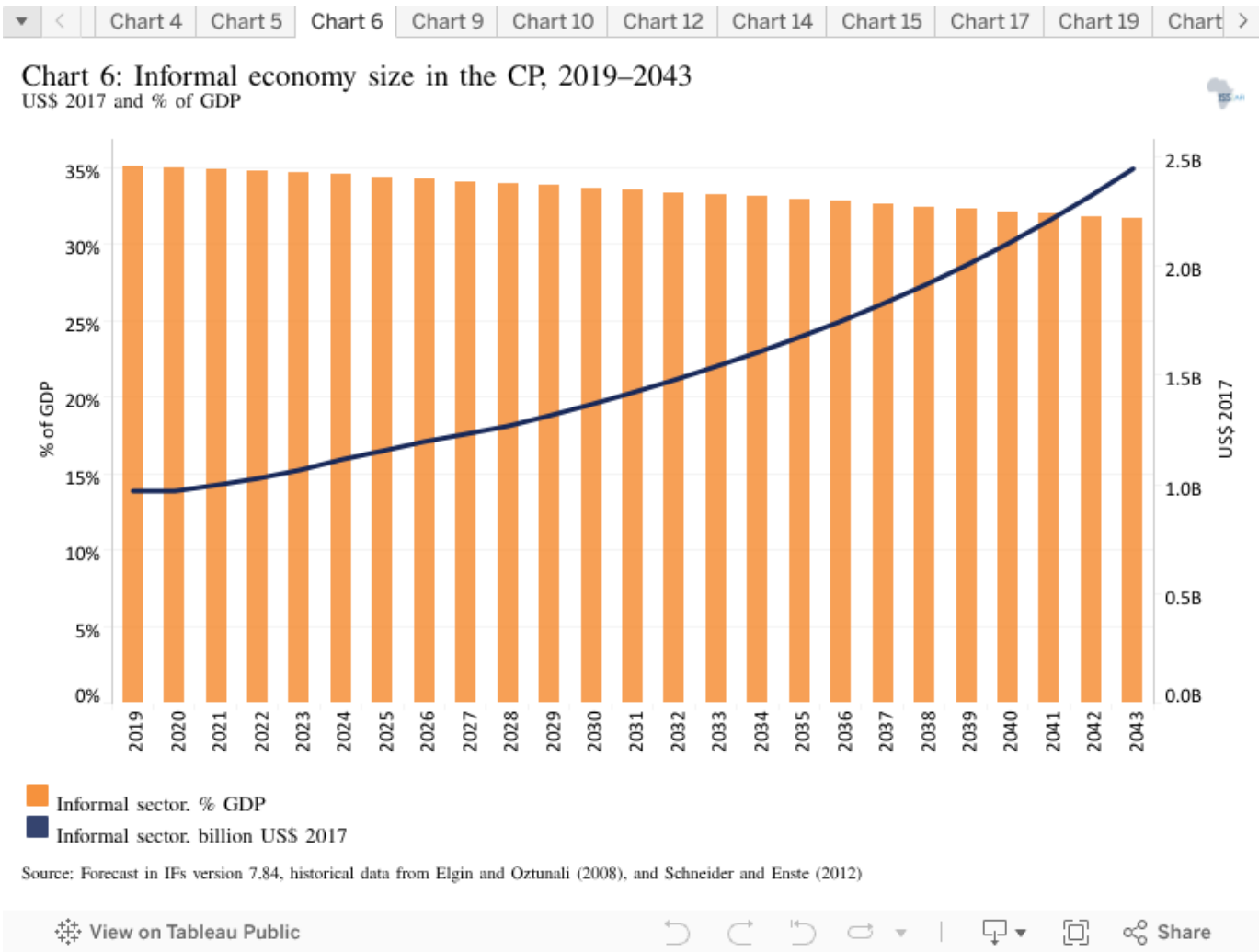
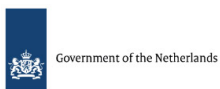


Chart 6 shows the trends in the size of the generally large informal sector in Burundi. According to the International Labour Organization (ILO), Burundi's **informal economy** accounts for 93.5% of the jobs in the country. The large informal sector affects the population as it generally involves precarious working conditions that offer lower earning potential without social protection. There are only a few job opportunities in the tiny, formal private sector in Burundi. **Formal employment** is concentrated in the public sector, which employs more than 75% of the country's formal workers, accounting for almost one-third of overall non-farming wage employment.

In 2019, the size of the informal economy was estimated at 35% of the country's GDP (US\$0.97 billion), and by 2043 it will modestly decline to 31.6%, which is above the projected average of 27.4% for low-income countries in Africa. Although the informal economy provides a safety net for the country's large, growing working-age population, pervasive informality impedes economic growth and makes the country's economy more fragile. Transitioning from the informal to the formal sector will increase fiscal revenue by expanding the tax base and allowing more people to benefit from better wages and redistributive measures. Burundi authorities could achieve this by reducing the obstacles to registering a business, tackling corruption and strengthening vocational training to enable informal workers to acquire the skills they need to access the formal economy. Accelerating access to broadband and the adoption of modern technology could also help formalise the informal sector.

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Dr Kouassi Yeboua previously worked as a Senior Researcher at AFI, where he led significant ISS studies on the long-term development prospects of the Democratic Republic of Congo, the Horn of Africa, Nigeria, Malawi, and Mozambique. His research focuses on development economics, macroeconomics, gender, and economic modeling. He holds a PhD in Economics.

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