ISS AFRICAN FUTURES

Burundi

Impact of sectoral scenarios on key indicators

Kouassi Yeboua and Mustapha Jobarteh

Last updated 24 October 2024 using IFs v7.84

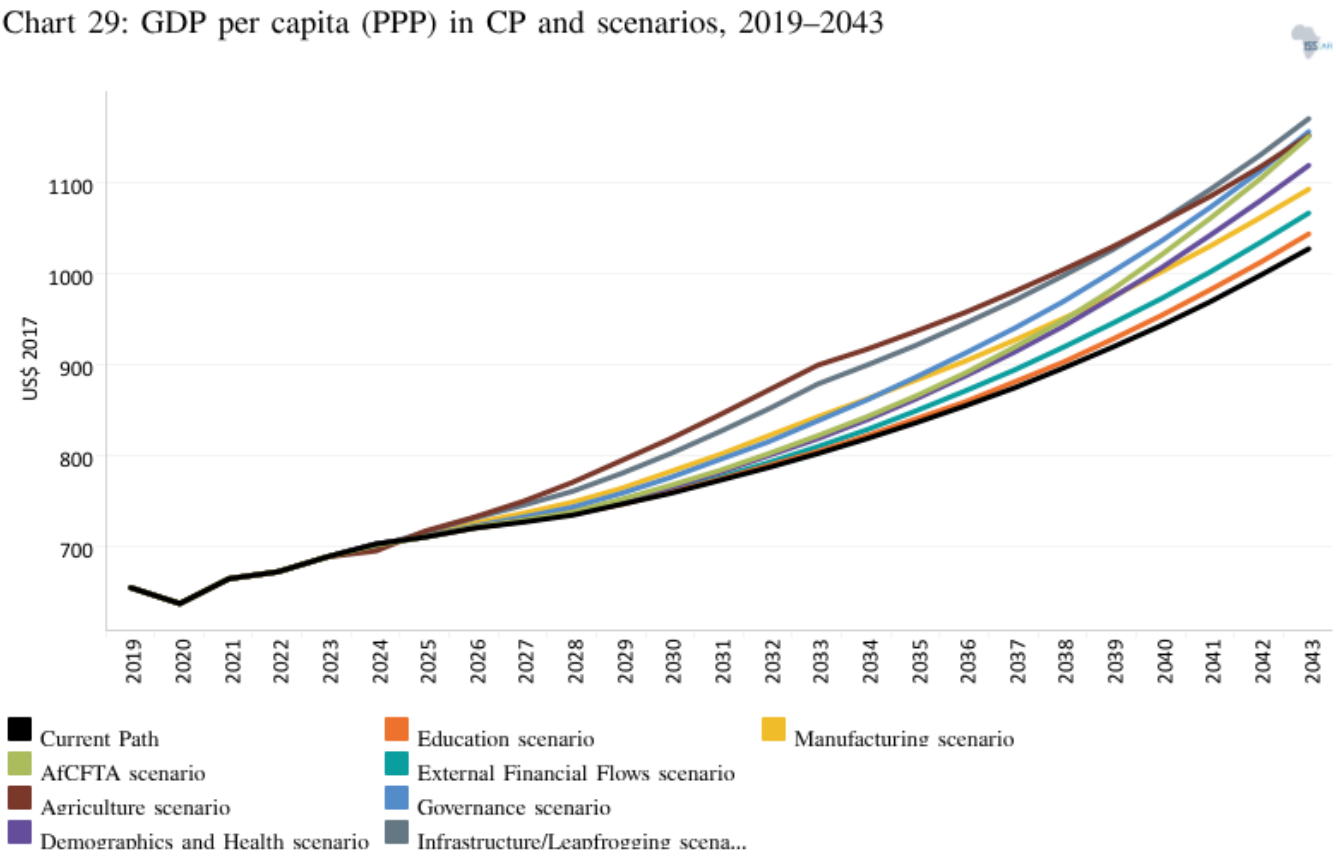
Table of contents

Impact of sectoral scenarios on key indicators

- Economy
- Poverty and inequality
- Carbon emissions

Economy

Chart 20 | Chart 22 | Chart 24 | Chart 26 | Chart 28 | Chart 29 | Chart 30 | Chart 31 | Chart 32 | Chart 33 | Chart



View on Tableau Public | Share

Chart 29 presents GDP per capita (PPP) in the Current Path and the scenarios, from 2019 to 2043.

All scenarios improve Burundi's GDP per capita above the Current Path, as shown in Chart 29. With a GDP per capita (PPP exchange rate, US$ 2017) of US$655 in 2019, Burundi had the lowest GDP per capita in Africa. On the Current Path, the per capita income will increase to US$1 027 by 2043; however, it is still the lowest in Africa in the Current Path for other countries.

In the short to medium term, the Agriculture scenario has the greatest impact on GDP per capita, implying that efforts to improve agricultural productivity are the most viable ways to improve the living standards of Burundians until 2038. However, by 2043, the scenario with the most significant improvement in GDP per capita relative to the Current Path is the

Large Infrastructure and Leapfrogging scenario, followed closely by the Governance and Agriculture scenarios.

In the Large Infrastructure and Leapfrogging scenario, GDP per capita will rise to US$1 169 by 2043 — a US$142 increase relative to the Current Path for the same year. Infrastructure cuts across all the sectors as development and improvement of infrastructure reduces transaction costs and increases return on capital with positive effect on private investment and growth.

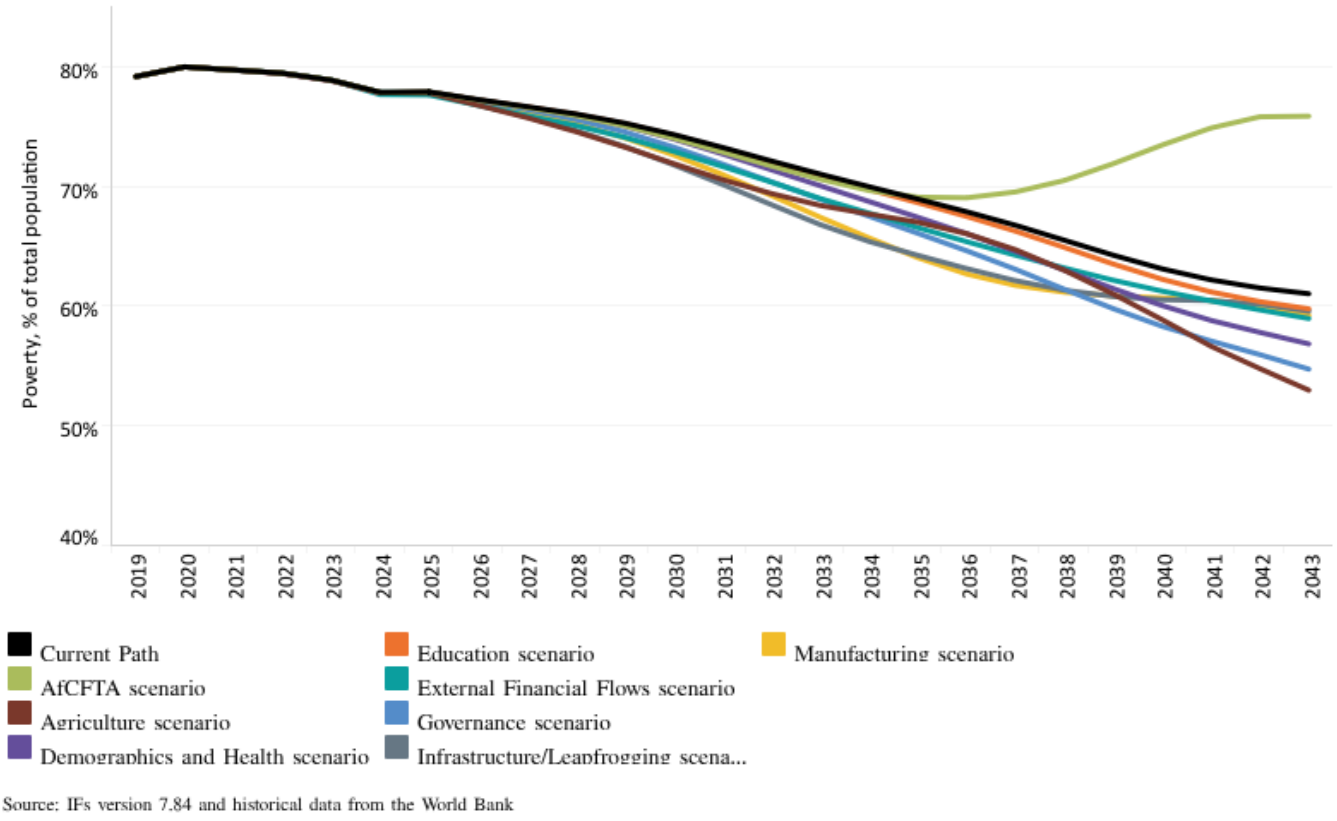
In the Governance scenario, by 2043 the GDP per capita will increase to US$1 155 by 2043, an increase of US$128 above the Current Path, while the Agriculture scenario increases the GDP per capita by US$124 relative to the Current Path to reach US$1 151. Trade liberalisation in Africa will help countries overcome the constraints of narrow domestic markets to increase exports. It will also increase productivity through competition and technology diffusion, and ultimately increase economic growth. In the AfCFTA scenario, the average Burundian gets an additional US$118 compared to the Current Path in 2043. This indicates that the full implementation of the AfCFTA could result in economic growth rates that are above the forecast in the business-as-usual scenario in Burundi.

In the Demographics and Health scenario, Burundi's GDP per capita will increase to US$1 118 by 2043. This is an increase of US$91 compared to the Current Path. The Manufacturing and Financial Flows scenarios, respectively, raise Burundi's GDP per capita by US$65 and US$39 above the Current Path in 2043. The Education scenario has the least impact on average income. It only increases GDP per capita by US$16 relative to the Current Path by 2043, though this is not to say education should not be a priority to improve the future of Burundi. Human capital formation through education and improving the skills of the population are key enablers of the acceleration of the broad-based growth and development of a country. Education is vital for inclusive wealth creation as it improves the job and income prospects of poor people especially. However, these benefits take time to materialise. Investment in human capital affects labour productivity with a long time lag as it takes more than 15 years until output surpasses a programme that invests mainly in infrastructure, but its subsequent impact is enduring and increases over time.

Poverty and inequality

Chart 22 | Chart 24 | Chart 26 | Chart 28 | Chart 29 | **Chart 30** | Chart 31 | Chart 32 | Chart 33 | Chart 34 | Chart

Chart 30: Poverty in CP and scenarios, 2019–2043



Source: IFs version 7.84 and historical data from the World Bank

View on Tableau Public | Share

There are numerous methodologies for and approaches to defining poverty. We measure income poverty and use GDP per capita as a proxy. In 2015, the World Bank adopted the measure of US$1.90 per person per day (in 2011 international prices), also used to measure progress towards achieving SDG 1 of eradicating extreme poverty. To account for extreme poverty in richer countries at slightly higher levels of income than in poor countries, the World Bank introduced three additional poverty lines in 2017:

- US$3.20 for lower-middle-income countries
- US$5.50 for upper-middle-income countries
- US$22.70 for high-income countries.

Chart 30 shows poverty in the Current Path and the scenarios from 2019 to 2043.

Poverty is endemic in Burundi. In 2019, the country had the third-highest extreme poverty rate globally after South Sudan and Madagascar. An estimated 74.6% of Burundians lived below the international poverty line of US$1.90 per day in 2019 — only a marginal decline (10 percentage points) from its average level of 85% in the 1980s. In 2021, the extreme poverty rate increased to 75.8%, mainly due to the shock of the COVID-19 pandemic. The extreme poverty rate in Burundi is almost

double that of the average of sub-Saharan Africa, and about 30 percentage points above the average for Burundi's income group peers on the continent.

Poverty in Burundi is more severe and highly concentrated in the rural areas. According to the World Bank, poverty in rural areas is over three times higher than in Bujumbura, the capital city, and almost twice as high as in other urban areas. This striking difference results from the combined effects of (i) the generalised disadvantage of the rural areas in terms of per capita consumption; (ii) the higher concentration of rural households in low-productivity agriculture activities and fishing as primary occupations; and (iii) the lower average education attainments of the rural population.

Another significant concern about poverty in Burundi is that an estimated 50% of the non-poor population is clustered just above the poverty line, that is to say within a range of about US$0.5 per capita per day above the international poverty line. Given the high levels of political, economic and environmental volatility the country faces, the likelihood of these people falling into extreme poverty as a result of a shock is extremely high. This is a considerable threat to Burundi's prospects for poverty reduction.

On the Current Path, the extreme poverty rate in Burundi will likely remain high. It will decline to 61% (13.7 million people) by 2043 which is 14 percentage points lower than its current level but still the third highest in Africa.

The Governance and Agriculture scenarios contribute most significantly to reducing the extreme poverty rate by 2043. In the Agriculture scenario, the poverty rate will decline to 52.9% (equivalent to 11.8 million people) by 2043, compared to the Current Path forecast of 61% (13.7 million people). This translates to 1.9 million fewer poor people than the Current Path in 2043. Also, in the short term, the Agriculture scenario has the most significant impact on poverty reduction; for this reason, enhancing agriculture productivity through new technologies and innovations is crucial to reduce poverty in Burundi.

In the Governance scenario, the extreme poverty rate in Burundi will decline to 54.7% in 2043, which is equivalent to 1.5 million fewer poor people than the Current Path of 13.7 million poor people. Good governance as embodied, for example, in the control of corruption and the design and implementation of effective regulatory policies, significantly improves the ability of the poor to participate in and benefit from economic growth. Corruption, for instance, affects poor people by reducing the government's ability to allocate public services in an efficient and equitable manner.

The Demographics and Health scenario has the third-lowest poverty rate. However, it has the lowest number of poor people by 2043 due to the smaller size of the population compared to other scenarios as the scenario reduces the total fertility rate in Burundi. The poverty rate in the Demographics and Health scenario will be 56.8% (11.7 million people) in 2043 — 4.2 percentage points lower than the Current Path, and 2 million fewer poor people than the Current Path. The Large Infrastructure and Leapfrogging, Manufacturing, Education and Financial Flows scenarios are much the same in reducing extreme poverty rate in Burundi by 2043 (Chart 30).

In the AfCFTA scenario, the poverty rate remains slightly below the Current Path between 2027 and 2034. However, between 2035 and 2043 (the end of the full implementation of the AfCFTA), the poverty rate in the AfCFTA scenario is above the Current Path. By 2043, in the scenario it will rise to 75.8% — nearly 15 percentage points above the Current Path in the same year. This implies that the economic growth that the full implementation of the AfCFTA is expected to generate in Burundi will likely not be inclusive (Chart 29).

Standard trade theory suggests that trade should contribute directly to reduce poverty in developing countries through the process of factor price equalisation, whereby trade increases the returns to the most abundant factor of production, which in developing countries such as Burundi tends to be low-skilled labour. However, empirical studies have produced mixed evidence. Workers in import-competing sectors in Burundi could suffer from layoffs due to intense competition

following the full implementation of the AfCFTA. This would increase unemployment and poverty. Also, many studies conclude that the benefits of trade liberalisation in terms of poverty reduction are not automatic, but rather depend on good domestic policies. This implies that trade liberalisation could increase poverty in the absence of the right complementary policies. Policies could include carefully designed trade adjustment assistance programmes and training in new skills that would be valuable in the growing sectors of the economy. Burundian authorities could also target the most critical sectors for the poor through policies to increase their productivity and efficiency of trade.

In sum, the policy impact simulation exercise has shown that better governance and agriculture development and the acceleration of the demographic transition are the low hanging fruits to significantly reduce poverty in Burundi.

Carbon emissions

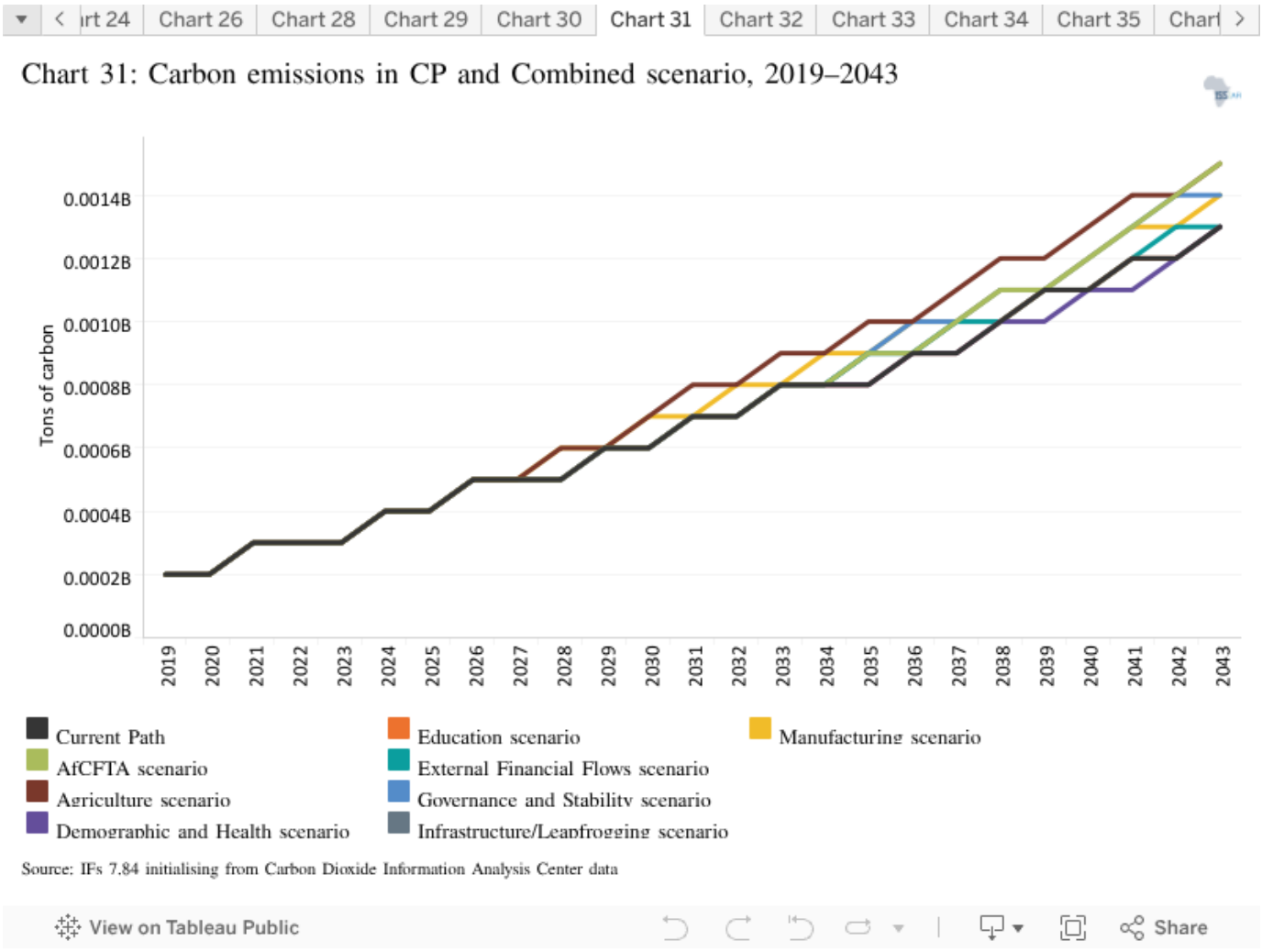
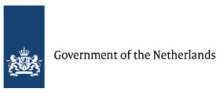


Chart 31 shows Burundi's carbon emissions in the Current Path and the Combined scenario, from 2019 to 2043.

The implementation of these scenarios will likely come at a cost to the environment and the various sectoral pathways will bear varying levels of carbon emissions, as shown in Chart 31.

By 2043, the AfCFTA and Agriculture scenarios will result in the greatest carbon emissions at 1.5 million tons, while the Demographics and Health scenario will result in lower carbon emissions compared to the Current Path. Agricultural modernisation is crucial for reducing poverty and accelerating economic growth but it will likely come at the cost of environmental degradation. The government of Burundi should therefore seek to accelerate agricultural development in an environmentally sustainable way.

Donors and sponsors



Cite this research

Kouassi Yeboua and Mustapha Jobarteh (2025) Burundi. Published online at futures.issafrica.org. Retrieved from https://futures.issafrica.org/geographic/countries/burundi/ [Online Resource] Updated 24 October 2024.

About the authors

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.

Mustapha Jobarteh joined the ISS in January 2022 as a Senior Researcher in the African Futures and Innovation programme in Pretoria. Before joining ISS, Mustapha was a senior lecturer and Head of the Department of Economics and Finance at the University of the Gambia and a research fellow with the Center for Policy, Research and Strategic Studies. His interests include macroeconomics, international trade and econometric modelling. Mustapha has a PhD in economics from Istanbul Medeniyet
University, Istanbul, Turkey.

About African Futures & Innovation

Scenarios and forecasting can help Africa identify and respond to opportunities and threats. The work of the African Futures & Innovation (AFI) program at the Institute for Security Studies aims to understand and address a widening gap between indices of wellbeing in Africa and elsewhere in the world. The AFI helps stakeholders understand likely future developments. Research findings and their policy implications are widely disseminated, often in collaboration with in-country partners. Forecasting tools inspire debate and provide insights into possible trajectories that inform planning, prioritisation and effective resource allocation. Africa's future depends on today's choices and actions by governments and their non-governmental and international partners. The AFI provides empirical data that informs short- and medium-term decisions with long-term implications. The AFI enhances Africa's capacity to prepare for and respond to future challenges. The program is headed by Dr Jakkie Cilliers.