

BURUNDI

Key conditions and challenges

Table 1 **2021**

Population, million	12.3
GDP, current US\$ billion	3.4
GDP per capita, current US\$	275.2
International poverty rate (\$2.15) ^a	65.1
Lower middle-income poverty rate (\$3.65) ^a	86.7
Upper middle-income poverty rate (\$6.85) ^a	96.5
Gini index ^a	38.6
School enrollment, primary (% gross) ^b	115.1
Life expectancy at birth, years ^b	61.9
Total GHG emissions (mtCO2e)	8.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2013), 2017 PPPs.
b/ WDI for School enrollment (2021); Life expectancy (2020).

Economic growth is projected at 2.1 percent in 2022, a slight improvement over 2021, driven by agriculture and services. Industrial growth was subdued due to mining disputes. While recovery is expected to accelerate over the medium term, the country faces downside risks, including from fiscal slippages and inadequate external financing. With rapid population growth, per capita GDP is contracting while poverty is expected to reach 82.6 percent in 2023.

Structural weaknesses have locked Burundi's economy in a state of chronic underdevelopment characterized by mutually reinforcing fragility and poverty. Burundi has faced a multidimensional fragility trap with recurring political instability, low economic diversification, high population growth, and environmental degradation, leading to low and volatile growth. The cessation of most aid in 2015 constrained the government's ability to build infrastructure. Inconsistent macroeconomic policies including foreign exchange restrictions, exchange rate overvaluation, fiscal dominance of monetary policy, and high public sector indebtedness exacerbated the country's economic challenges. These factors are linked to low capital accumulation, weak productivity growth and limited structural transformation of the economy, and contribute to few job opportunities, high poverty rates and curtailed human capital development. At 0.39, Burundi's Human Capital Index is low, while stunting and learning poverty are high at 52.2 and 93 percent, respectively. Transition to secondary schooling remains low (48 percent), and below LIC and SSA averages, and among adolescent girls as many as 30 percent are out of school. Monetary poverty has been estimated at 81.7 percent (based on international poverty line of \$2.15/day) in 2021, up from 65.1 in

2013 (the last year with current data availability to the World Bank). Gradual reengagement with the international community since 2020 creates an opportunity for reforms and for the scaling up of investments in human capital and infrastructure that could contribute to helping Burundi change its growth trajectory. However, rising oil and food prices resulting from the Ukraine/Russia conflict represent a negative terms of trade shock likely to slow economic growth, accelerate inflation, and increase fiscal and current account deficits.

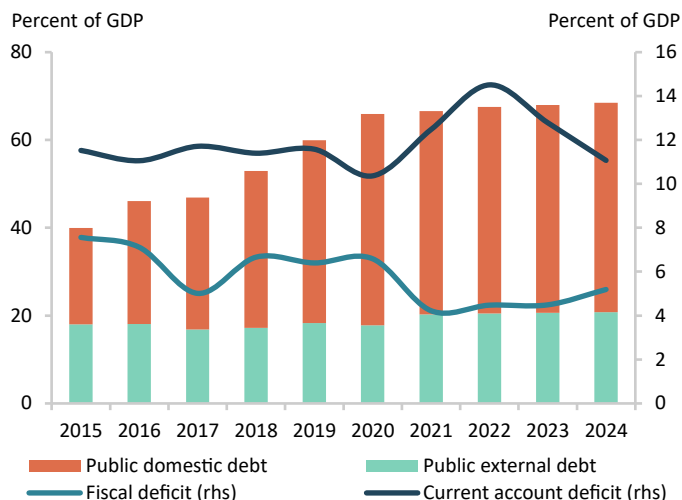
Recent developments

Growth in 2022 is projected at 2.1 percent from 1.8 percent in 2021, driven by agriculture and services. Industrial growth was subdued due to the ongoing suspension of mining activities as contracts were renegotiated. Private consumption and investment supported growth on the demand side.

The fiscal deficit is expected to increase to 4.5 percent of GDP in 2022 from 4.2 percent in 2021, with growth in revenue collection insufficient to offset higher spending on goods and services and taking public debt to 67.6 percent of GDP.

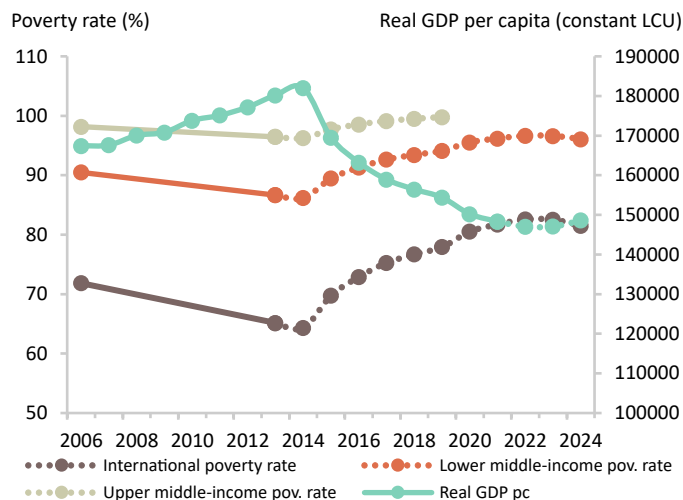
Driven by oil prices, the current account deficit (CAD) would remain high at 14.5 percent of GDP in 2022, as weak demand in key export markets and mining contract negotiations affected export performance while imports of both capital and consumption goods increased. The CAD is

FIGURE 1 Burundi / Public debt, fiscal and current account deficit



Source: Official statistics and World Bank calculations.

FIGURE 2 Burundi / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

primarily financed by trade credits. Although Burundi has used 51 percent of its new SDR allocation of 146.7 million, international reserves have increased, covering 2 months of imports at end-June 2022 from 0.8 month a year before. The foreign exchange parallel market premium averaged 64 percent in June 2022, compared to 70 percent a year before.

The banking sector remains sound. Capital ratios stand around 20 percent, higher than the regulatory requirement, and non-performing loans fell to 2.9 percent in March-2022 from 4.8 percent in March-2021. Driven by higher food and fuel prices due to the effects of the Ukraine/Russia conflict on the global economy, headline inflation is expected at 11.8 percent in 2022.

In the wake of increasing food prices, metrics around human capital are poised to get worse as households are forced to adopt harmful coping strategies, such as reducing food consumption, selling productive assets, or putting children to work resulting in premature school dropout, particularly among girls, with long-lasting

effects on Burundi's aggregate human capital accumulation.

Outlook

Growth is projected to increase to 3-4 percent over 2023-24. Services should continue to recover while agriculture will keep its growth pace assuming favorable rainfall. Industry is projected to accelerate due to a moderate loosening of forex constraints, and assuming resolution in mining disputes and increased power generation. Private consumption and public investment are projected to remain high given economic recovery and public infrastructure programs. The fiscal deficit is expected to remain elevated at 4.5 percent of GDP in 2023 and 5.2 percent in 2024 despite stronger revenue mobilization fueled by higher spending on goods and services and transfer spending. As a result, public debt is expected to reach 68.5 percent of GDP by 2024. External pressures will gradually ease as import prices moderate, and

exports pick up, but the CAD will remain high at 11 percent of GDP in 2023. The CAD would continue to be financed primarily by trade credits.

Amid high population growth, and a resulting youth bulge, ensuing land fragmentation, and rain-fed dependent agriculture, Burundi's growth path remains vulnerable. At the same time, private sector employment opportunities for Burundi's growing young population remain very limited, with most formal employment concentrated in the public sector. Against this backdrop, poverty is projected at 81.5 percent (based on international poverty line of \$2.15/day, in 2017 PPP) for 2024. In addition, the economic outlook is further exposed to fiscal risks and further spillover effects of the Ukraine/Russia conflict. Domestic fiscal risks include weaker growth performance and higher domestic debt service costs. External fiscal risks include weaker grants and higher interest rates on external borrowing. On the upside, foreign aid could accelerate reflecting the reengagement with the international community.

TABLE 2 Burundi / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021	2022e	2023f	2024f
Real GDP growth, at constant market prices	1.8	0.3	1.8	2.1	3.0	4.0
Private Consumption	3.1	0.3	2.8	3.0	3.2	3.5
Government Consumption	8.3	19.2	5.4	5.6	6.0	6.8
Gross Fixed Capital Investment	32.9	-16.6	17.8	5.6	7.8	9.6
Exports, Goods and Services	-0.5	-14.9	18.2	8.3	11.2	12.6
Imports, Goods and Services	17.1	3.4	13.5	8.0	8.2	8.4
Real GDP growth, at constant factor prices	1.8	0.3	1.8	2.1	3.0	4.0
Agriculture	3.1	2.8	2.9	3.0	3.4	4.1
Industry	2.1	1.8	1.4	1.6	2.5	3.7
Services	0.9	-1.7	1.3	1.7	2.9	3.9
Inflation (Consumer Price Index)	-0.8	7.5	8.3	11.8	9.2	7.4
Current Account Balance (% of GDP)	-11.6	-10.4	-12.5	-14.5	-12.8	-11.1
Net Foreign Direct Investment Inflow (% of GDP)	0.0	0.2	0.3	0.0	0.0	0.0
Fiscal Balance (% of GDP)	-6.4	-6.6	-4.2	-4.5	-4.5	-5.2
Debt (% of GDP)	60.0	66.0	66.6	67.6	68.0	68.5
Primary Balance (% of GDP)	-4.1	-3.6	-1.3	-1.4	-1.5	-2.0
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	77.9	80.5	81.7	82.6	82.6	81.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	94.1	95.5	96.2	96.6	96.6	96.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	99.8					
GHG emissions growth (mtCO2e)	-3.7	2.6	3.9	4.0	3.9	3.9
Energy related GHG emissions (% of total)	8.6	8.7	8.7	8.6	8.6	8.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast. Poverty lines are expressed in 2017 PPP, resulting in changes from earlier editions that used 2011 PPP. See pip.worldbank.org.

a/ Calculations based on 2006-QUIBB and 2013-ECVMB. Actual data: 2013. Nowcast: 2014-2021. Forecasts are from 2022 to 2024.

b/ Projection using point-to-point elasticity (2006-2013) with pass-through = 1 based on GDP per capita in constant LCU.