

BURUNDI

Key conditions and challenges

Table 1 2020

Population, million	11.9
GDP, current US\$ billion	3.3
GDP per capita, current US\$	274.0
International poverty rate (\$ 19) ^a	72.8
Gini index ^a	38.6
School enrollment, primary (% gross) ^b	119.0
Life expectancy at birth, years ^b	61.2

Source: WDI, Macro Poverty Outlook, and official data.

Notes:

(a) Most recent value (2013), 2011 PPPs.

(b) Most recent WDI value (2018).

Economic growth is estimated to decelerate to 0.3 percent in 2020 from 1.8 percent in 2019, with poor performance in services and agriculture, partially offset by COVID-19 induced import-substitution in industry. Macroeconomic challenges include large external imbalances, fiscal pressures and high public indebtedness. With rapid population growth, per capita GDP is contracting while poverty is expected to reach 87.5 percent in 2023. The medium-term growth outlook is modest and highly vulnerable to risks from the continuing economic fallout from the COVID-19.

Economic and social development have been hampered by structural weaknesses that have locked the economy in a low-level equilibrium. These include the dominance of low-productivity agriculture (reliance on poor-quality land and rainfall), limited economic diversification (weak private sector, narrow export base, supply-side constraints), limited fiscal space for public investments, low capital accumulation and weak productivity, and massive human capital challenges compounded by high population growth. These weaknesses have been exacerbated since 2015 by large external imbalances, fiscal pressures, high domestic debt crowding out of private sector credit, and constrained access to forex. The result has been depressed growth, limited job-creation, and high poverty trends.

COVID-19 presents additional challenges to households across the income distribution, through both direct and indirect effects. COVID-19 may entail long-lasting repercussions on human capital, as households are forced to adopt harmful coping strategies such as selling productive assets or reducing expenditures on education and food. Border closures particularly affect small farmers as significant trade in agricultural products takes place between Burundi and neighboring countries. Limited fiscal space and scant monetary and

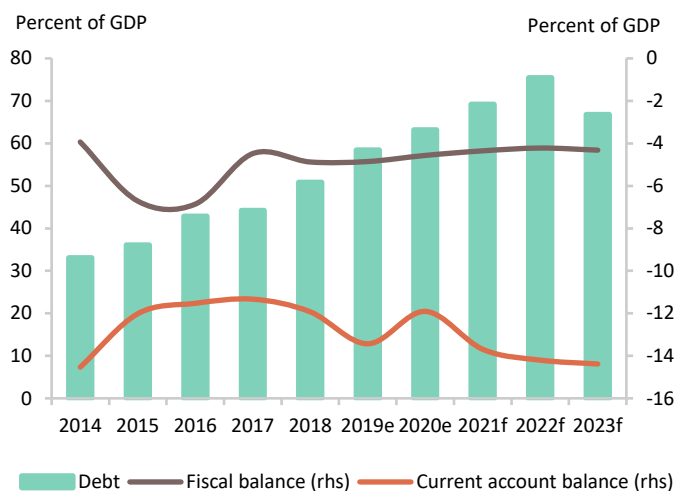
financial buffers undermine the government's ability to stimulate the economy and mitigate economic costs of the pandemic. The national development plan for 2018-2027 aims to boost economic growth and resilience notably by supporting growth sectors (such as market-oriented agriculture, infrastructure, mining), developing human capital, and enhancing environmental protection. Implementing this agenda poses significant financing needs and requires political commitment to reforms.

In addition, uncertainty around the second wave of COVID-19 persists. Burundi's increases in cases since December 2020 and the closure of land and sea borders are likely to slow the pace of recovery depending on the duration of these measures.

Recent developments

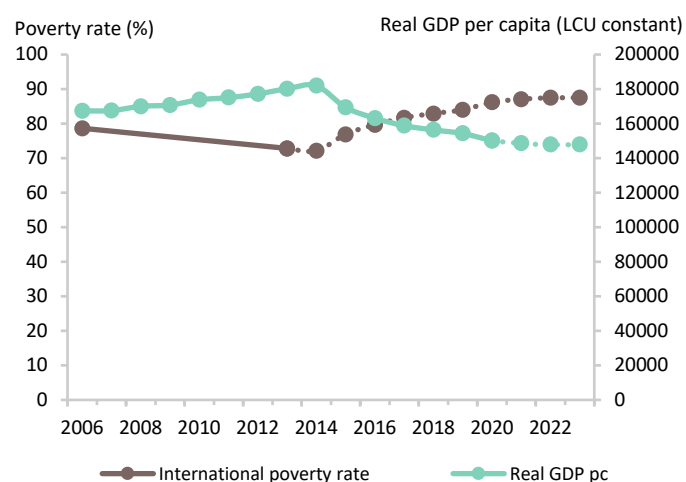
Although COVID-19 cases remain relatively low, the pandemic has impacted Burundi's fragile economy through border closures and lower commodity exports. Economic growth for 2020 is estimated at 0.3 percent from 1.8 percent in 2019, owing to a slowdown in agriculture and a contraction in services. The industrial sector expanded moderately driven by the food industry. Growth was supported by government consumption (especially health) while other demand components tumbled. Inflation rose in 2020 with higher food prices and disruptions to imported consumer products.

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



Sources: Official statistics and World Bank calculations.

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



Source: World Bank. Notes: see Table 2.

The fiscal deficit narrowed due to a drastic cut in capital expenditure to address the loss in revenue, but remained high at 4.6 percent of GDP in 2020, leading to a further increase in public debt to 63.2 percent of GDP (of which 26 percent is external). Helped by lower oil prices, the current account deficit (CAD) narrowed to a still-high 11.9 percent of GDP in 2020. The deficit was mainly financed by trade credits. Exchange rate overvaluation weighs on the economy. In December 2020, the parallel market premium averaged 70 percent while the depreciation of the official exchange rate was limited to 3.8 percent year-on-year. In September 2020, international reserves remained low covering 1.3 months of imports. GDP growth per capita remains negative. Poverty has been estimated at 87 percent in 2021 (based on international poverty line of \$1.90/capita/ day, in 2011 PPP), up from 72.8 percent in 2013 (last year with data availability). Progress has been made in education and health, yet Burundi's Human Capital Index remains low – with children today living up to only 39 percent of their productive potential - compared to the counterfactual if they had enjoyed full health, including adequate nutrition, and education. Literacy rates remain particularly low among women and rural residents. Food insecurity remains alarming, with 56

percent of children under 5 stunted and malnutrition rates even higher outside of the capital city.

Outlook

Under the base case that the COVID-19 is brought under control during 2021, economic growth is projected at 2-3 percent during 2021-23, supported by gains in all sectors. Assuming normal weather conditions, agriculture will grow faster in 2021 as borders start to reopen. Mining activity is expected to pick up as the country exploits its mineral potential and a new coltan mine was opened in 2020. On the demand side, a rise in private and public investment is expected under economic recovery.

The fiscal deficit is expected to narrow in 2021-2023, driven by measures to bolster revenue collection as outlined in the Government's Public Finance Management Strategy 2018-2027. These measures rely on increasing the effectiveness of tax administration and include broadening the tax base (taxation of the informal sector) and improving revenue collection. The strategy also aims at improving the utilization of external resources, notably the accounting and monitoring and evaluation of grants.

However, with external grants limited, public debt is expected to rise further to 67 percent of GDP in 2023 mostly due to issuance of new domestic debt. The CAD is expected to remain high at around 14 percent of GDP in 2022–23 as the overvalued exchange rate leads real growth in imports to outstrip export growth (the latter is expected to be driven by minerals).

The outlook remains vulnerable to the continuing economic fallout from the COVID-19 and the availability and distribution of vaccines, fiscal slippages, forex pressures and climatic shocks. Under a low-case scenario that COVID is not controlled and border closures and other restrictive measures recur throughout 2021, economic growth could be reduced by 1 percentage point with attendant impacts on poverty. On the upside, the new administration has shown efforts to reengage with development partners, and the rapid resumption of aid flows could accelerate growth.

TABLE 2 Burundi / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.6	1.8	0.3	2.0	2.5	3.0
Private Consumption	3.5	3.1	0.3	2.7	2.8	3.1
Government Consumption	6.7	8.3	19.2	-0.6	4.4	5.1
Gross Fixed Capital Investment	24.9	32.9	-16.6	21.4	7.1	6.0
Exports, Goods and Services	11.0	-0.5	-10.9	4.6	4.7	4.9
Imports, Goods and Services	19.0	17.1	4.3	6.9	6.0	5.8
Real GDP growth, at constant factor prices	1.7	1.8	0.3	2.0	2.5	3.0
Agriculture	3.0	3.1	2.8	3.1	3.2	3.2
Industry	2.4	2.1	1.8	2.0	2.0	2.0
Services	0.7	0.9	-1.7	1.3	2.2	3.3
Inflation (Consumer Price Index)	-2.6	-0.8	7.5	3.4	3.7	3.6
Current Account Balance (% of GDP)	-11.9	-13.4	-11.9	-13.7	-14.2	-14.4
Net Foreign Direct Investment (% of GDP)	0.0	0.0	-0.1	0.0	0.0	0.0
Fiscal Balance (% of GDP)	-4.9	-4.9	-4.6	-4.4	-4.2	-4.3
Debt (% of GDP)	50.9	58.5	63.2	69.2	75.4	66.8
Primary Balance (% of GDP)	-4.5	-4.3	-3.9	-3.6	-3.4	-3.6
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	82.9	84.0	86.2	87.0	87.5	87.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on 2006-QUIBB and 2013-ECVMB. Actual data: 2013. Nowcast: 2014-2020. Forecast are from 2021 to 2023.

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