

BURUNDI

Table 1 **2021**

Population, million	12.3
GDP, current US\$ billion	3.5
GDP per capita, current US\$	287.3
International poverty rate (\$1.9) ^a	72.8
Gini index ^a	38.6
School enrollment, primary (% gross) ^b	119.0
Life expectancy at birth, years ^b	61.6
Total GHG Emissions (mtCO ₂ e)	9.8

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

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

b/ Most recent WDI value (2019).

Economic growth is estimated at 1.8 percent in 2021 from 0.3 percent in 2020, driven by agriculture and a recovery in services. Industrial growth was subdued due to mining disputes. While recovery is expected to accelerate over the medium term, the country faces serious downside risks, including from fiscal slippages and inadequate external financing. Poverty continued to rise, reflecting the negative per capita GDP growth as population growth remains high.

Key conditions and challenges

Burundi's development has been hampered by structural weaknesses locking the economy in a low-level equilibrium sustained by mutually reinforcing fragility and poverty. Burundi faces a multidimensional fragility trap with recurring political instability, low economic diversification, high population growth, and environmental degradation, leading to low and volatile growth. The business environment is not conducive to private sector development. The cessation of most aid since 2015 constrained the government's ability to build infrastructure. These weaknesses have been exacerbated by inconsistent macroeconomic policies including foreign exchange restrictions, exchange rate overvaluation, fiscal dominance of monetary policy, and high public sector indebtedness. These factors lead to low capital accumulation, weak productivity growth and limited structural transformation of the economy and contribute to higher poverty rates and curtailed human capital development. The COVID-19 outbreak has increased the economy's vulnerability with a deterioration of macroeconomic accounts. A recent survey revealed that off-farm incomes decreased and food insecurity rose while large proportions of businesses reported declining sales, difficulty accessing inputs and cash flow crunches. The national development plan 2018-2027 and the President's program for peace consolidation,

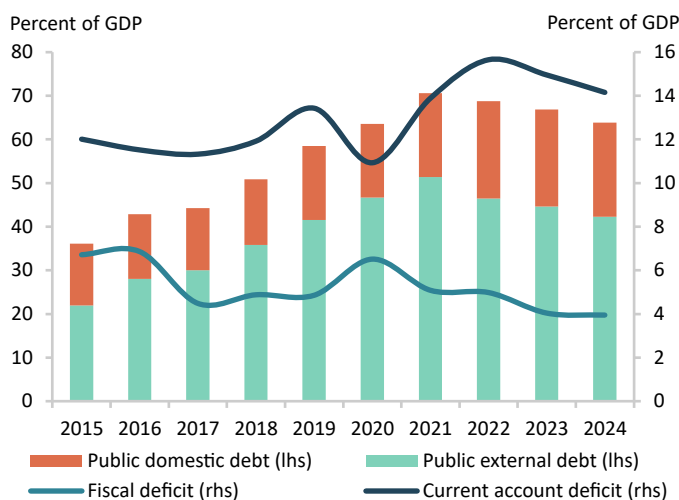
social stability and economic growth aims to sustain growth and resilience by boosting promising sectors, developing human capital, enhancing environmental protection, and strengthening institutional capacity. Implementing this agenda poses significant financing needs and requires deeper economic reforms.

The rising oil and wheat prices resulting from the Russian invasion and associated sanctions, represent a negative term - of trade shock likely to slow economic growth, accelerate inflation, and increase fiscal and current account deficits. Although projected to accelerate in the medium term, economic growth in 2022 and 2023 will be lower than initially projected, which further complicates efforts to reverse poverty trends. The fiscal and current account deficit are projected to remain high in 2022 before improving gradually over the medium term.

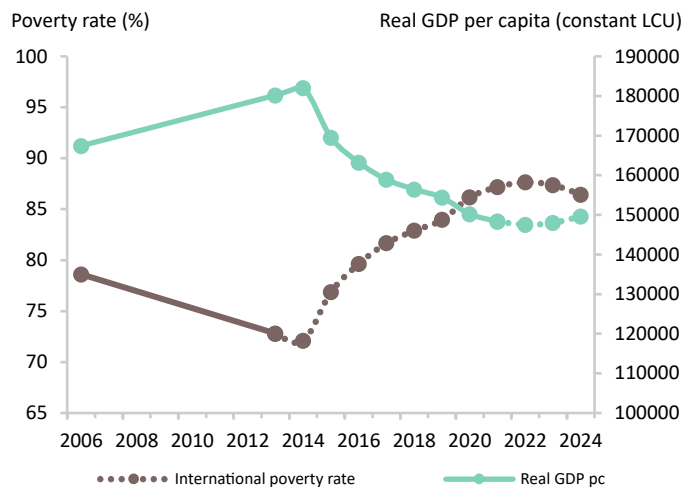
Recent developments

Growth in 2021 reached 1.8 percent from 0.3 percent in 2020, with a rebound in services and steady agriculture growth. 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. Inflation accelerated to 8.3 percent in December 2021 from 7.5 percent a year before, driven by food prices.

The fiscal deficit remained high at 5.1 percent of GDP in 2021 from 6.5 percent of

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


Sources: 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.

GDP in 2020. The increase in revenue mobilization was not enough to cover expenditures, with increased interest payments. The fiscal deficit continues to be financed mainly by domestic borrowing, bringing public debt to 70.6 percent of GDP (73 percent of which is domestic debt).

Driven by oil prices, the current account deficit (CAD) remained high at 13.9 percent of GDP in 2021, primarily financed by trade credits. Despite higher prices for Burundi's main exports, export earnings declined due to the absence of gold exports following the suspension of mining. The increase in export volumes focused on a few regionally traded products (e.g., beer). Imports of both capital and consumption goods increased. The SDR issuance strengthened international reserves, covering 4.3 months of imports at end-October 2021 from 0.8 months a year before. The exchange rate remained overvalued with the parallel market premium averaging 70 percent (end-December 2021).

Burundi's Human Capital Index remains low at 0.39, with stunting and learning poverty at 52.2 and 93 percent, respectively. Literacy remains particularly low among women and rural residents. With high population growth, any demographic dividend remains out of reach. GDP

growth per capita remains negative, with poverty estimated at 87.2 percent in 2021 (based on international poverty line of \$1.90/day, in 2011 PPP), from 72.8 percent in 2013 (the last year with data availability).

Outlook

Growth is projected to range between 2.5 - 4.1 percent in 2022-24. Services should continue to recover while agriculture will keep its growth pace assuming favorable rainfall. Industrial growth is projected to accelerate due to a loosening of forex constraints from the SDR allocation, 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 projected to 5 percent of GDP in 2022 before narrowing in 2023-24 as current spending is contained and revenue collection increases. However, the deficit will remain high at 4 percent of GDP as external grants increase only gradually. Public debt is expected to decrease to 64 percent of GDP by 2024. The

CAD is expected to average 14 percent of GDP in 2024, since export growth (expected from minerals and traditional exports) will be offset by higher imports driven by higher consumption growth and exchange rate overvaluation. The share of the population living below 1.90/day (2011 PPP), is projected to reach 86.4 percent in 2024.

The outlook is vulnerable to climatic hazards, 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. Inadequate financing of the CAD could heighten pressure on currency. With weak vaccination, the COVID-19 pandemic could return and affect the economy. On the upside, foreign aid could accelerate with the progress in international cooperation, following the lifting of sanctions by the USA in November 2021 and the EU in February 2022, and the re-engagement of the IMF. However, for growth to accelerate meaningfully, Burundi needs to implement reforms that support export growth and private sector development.

TABLE 2 Burundi / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
Real GDP growth, at constant market prices	1.8	0.3	1.8	2.5	3.3	4.1
Private Consumption	3.1	0.3	2.8	3.0	3.4	3.6
Government Consumption	8.3	19.2	5.4	4.0	3.9	3.9
Gross Fixed Capital Investment	32.9	-16.6	17.8	7.7	10.3	13.5
Exports, Goods and Services	-0.5	-14.9	18.2	10.9	9.4	9.8
Imports, Goods and Services	17.1	3.4	13.5	7.3	7.0	7.1
Real GDP growth, at constant factor prices	1.8	0.3	1.8	2.5	3.3	4.1
Agriculture	3.1	2.8	2.9	3.0	3.4	4.0
Industry	2.1	1.8	1.4	2.4	3.1	4.4
Services	0.9	-1.7	1.3	2.2	3.3	4.0
Inflation (Consumer Price Index)	-0.8	7.5	8.3	9.0	6.7	6.7
Current Account Balance (% of GDP)	-13.4	-10.9	-13.9	-15.7	-15.0	-14.2
Net Foreign Direct Investment (% of GDP)	0.0	-0.1	0.0	0.0	0.0	0.0
Fiscal Balance (% of GDP)	-4.9	-6.5	-5.1	-5.0	-4.0	-3.9
Debt (% of GDP)	58.5	63.6	70.6	68.8	66.9	63.8
Primary Balance (% of GDP)	-4.3	-5.2	-2.3	-2.4	-1.8	-1.8
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	84.0	86.2	87.2	87.7	87.4	86.4
GHG emissions growth (mtCO₂e)	3.1	3.0	3.2	3.3	3.4	3.5
Energy related GHG emissions (% of total)	14.4	14.2	13.7	13.3	12.9	12.5

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

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.