

Burundi

The 2010 growth rate of 3.9% fell short of the government's target, owing to political uncertainty and inclement weather.

Burundi's economic growth is held back by political instability and constraints on private sector development.

Co-operation with China, Burundi's main emerging partner, dates from the early 1960s but has intensified in recent years.

Burundi's economy grew by 3.9% in 2010. As in previous years, this rate was below the government's target of 4.5%, mainly as a result of political uncertainty stemming from a series of elections in a politically fractionalised environment, as well as inclement weather. In 2011 and 2012, growth is expected to reach 4.5% and 5.2% respectively. This improvement will be conditional on better weather conditions and a more predictable political environment.

Fiscal policy was neutral, with levels of revenue and expenditure in 2010 similar to those in 2009. Public investment increased by 10%, mostly as a result of the expansion of social sector infrastructure. The rise in public spending combined with a small decline in grants increased the overall deficit from 2% of gross domestic product (GDP) in 2009 to 3.2% in 2010. Large increases in credit to the government drove money supply upwards. The resulting pressure on domestic prices was counterbalanced by higher food production and lower food price inflation. Overall domestic inflation stood at 7.1%, down from 10.7% in 2009. Over the years, the country's chronic trade deficit has been partly absorbed by current transfers, mostly in the form of aid. Owing to the high level of transfers in 2010, the current account balance declined despite a substantial increase in the trade deficit.

Aid transfers to Burundi might decline over the next two years as a result of the economic crisis affecting its traditional partners as well as poor governance in Burundi. Such a decline would impair the government's ability to deliver basic services. Burundi's long-term financial stability requires that the country find new sources of finance, preferably domestic, and increase efficiency in resource allocation and use.

It is inconceivable that Burundi will reach high and sustained levels of growth unless it can stabilise its political environment, strengthen its embryonic private sector and develop its human resources. The insecurity that followed the 2010 elections will have to be addressed in order to achieve the higher levels of investment and aid flows that are needed to raise growth rates. To strengthen the private sector, the second vice-president is leading a drive to improve the business environment. However, the private sector will not thrive unless more is done to modernise the decaying agriculture sector, which sustains the livelihoods of the large majority of Burundians. Efforts to develop human resources by expanding education and health infrastructure and ensuring its efficiency will help to overcome the shortage of skilled labour.

The development of economic relations with new partners has opened up new opportunities that will help Burundi to diversify its markets and sources of assistance. China stands out as the country's key emerging partner. While China benefits from Burundi's diplomatic backing, there is no indication that this co-operation is driven by China's commercial interests in the country. Burundi is still dependent on its traditional partners, which fund a large share of the country's budget, so there does not seem to be competition between Burundi's partners. The country's needs are so immense that more partnerships should be welcome.

Table 1: Macroeconomic indicators

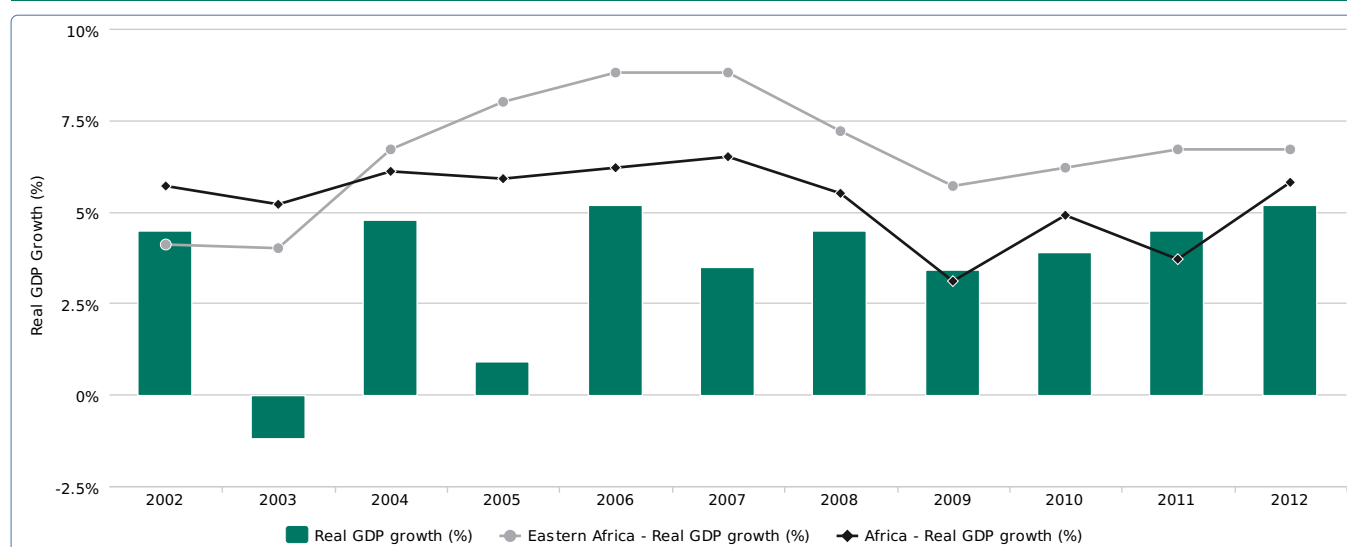
	2009	2010	2011	2012
Real GDP growth	3.4	3.9	4.5	5.2
CPI inflation	10.7	7.1	8.3	6.9
Budget balance % GDP	-2	-3.2	-4.5	-3.9
Current account % GDP	-15.5	-9.4	-7.9	-11.7

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932406213>

Figure 1: Real GDP growth (E)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932403857>