

National Budget Brief

Finance Law 2020 | 2021



KEY MESSAGES

- 1 For fiscal year 2020/2021**, the total state budget is BIF 1,648.8 billion, equivalent to US\$856.5 million, representing an increase of 4.7% in absolute terms compared with fiscal year 2019/2020 (BIF 1,574.9 billion, or US\$805.1 million). This rise is attributable mainly to investment expenditure, which has risen from BIF 585.4 billion in 2019/2020 to BIF 611.4 billion in 2020/2021, along with personnel expenditure, which has risen from BIF 442.3 billion to BIF 465.4 billion.
- 2 The state budget allocated to social sectors** (health, education, social protection, child protection and water, sanitation and hygiene (WASH)) amounts to BIF 798.5 billion (US\$414.8 million) in 2020/2021, compared with BIF 704.7 billion (US\$317.9 million) in 2019/2020. Given limited achievement of internationally defined targets in these sectors, it will be critical to find ways to increase domestic resource mobilization to ensure adequate allocations to social sectors.
- 3 The COVID-19 pandemic is generating a global and regional economic recession.** For Burundi, a contraction of the economy is expected. This situation is the result of a drop in agricultural production, a fall in industrial activity caused by an insufficiency of raw materials and a decline/drop in the service industry (hotels, tourism, etc.).
- 4 Prices of goods and services in 2020/2021** are estimated to rise by an average of 5%. However, a significant rise in prices implies lower purchasing power among households that are net consumers of food products. This situation affects children from the poorest households in particular.
- 5 The COVID-19 pandemic has hit in an already fragile socio-economic context**, in which more than six out of 10 households (64.6%) are living under the poverty line.¹ This rate is higher among children (69% under the monetary poverty line). In addition, a significant proportion of children (78.2%) are deprived in at least three of seven dimensions essential to their well-being (education, food, water, hygiene, protection, housing and information). This confirms that a multi-sectoral approach is essential to adequately respond to the needs of children in Burundi.
- 6 The total civil service wage bill remains high** and represents 28.2% of the total budget and 7.5% of gross domestic product (GDP) in 2020/2021. This is above the internationally accepted level of 7% of GDP. It is vital to improve monitoring and control of the public wage bill to guarantee accessibility and equity, and to make budgetary adjustments to adequately finance other, non-wage, expenses that respond to children's needs.
- 7 For the state budget to be efficient**, there is a need to ensure the implementation of public policies that contribute to the socio-economic development of the country. This is highlighted through some of the government's priorities, which include good governance, health, agriculture and livestock, youth and support to those entering retirement after working for the state.²

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INTRODUCTION

Within the framework of the Sustainable Development Goals (SDGs), the government of Burundi has elaborated its National Development Plan (PND) for the period 2018–2027. It is noteworthy that this document takes into account lessons learnt through implementation under previous development plans in Burundi, for example the country's five-year plans, its structural adjustment programmes and its Poverty Reduction Strategy Papers (PRSPs) I and II. The PND takes as its reference point national (Vision Burundi 2025: "the Burundi of milk and honey"), regional (Agenda 2063: "the Africa that we want"), sub-regional (the East African Community's Vision 2050) and international (SDGs: "leave no one behind") agendas in contextualizing targets for the country.

The socio-economic development of the country is one of the main concerns of the government of Burundi. This concern is expressed in the PND 2018–2027, of which the main objective is "Structural transformation of the Burundian economy, for strong growth of 10.2% that is sustainable, resilient and inclusive, generates decent work for all and improves social well-being." The second of the PND's five strategic orientations relates to strengthening the social sectors.

This budget analysis presents indicators related to GDP and the population, along with data on trends with regard to inflation; budget credit allocations by sector; public expenditure by economic nature; revenue composition; financing modalities for the budget and the budget deficit; and execution of state expenditure.



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TABLE 1. Main macro-economic and social indicators

| Indicator | Value |
|---|------------|
| Real GDP, 2020/2021 (BIF billion) | 2,055 |
| Real GDP per capita, 2020/2021 (BIF billion) | 175.6 |
| Real GDP growth per capita, 2020/2021 | -4.1% |
| Budget deficit (% of GDP), 2018/2019 | 8.3 |
| Total average inflation, 2020/2021 (%) | 5 |
| Size of the population, 2020/2021 | 12,439,117 |

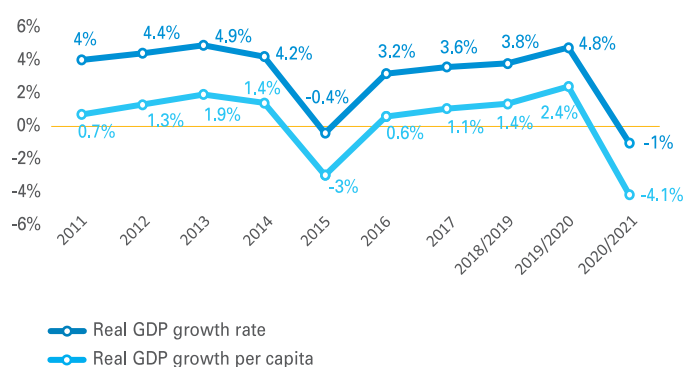
Source: Ministry of Finance, Budget and Economic Planning; Institute of Statistics and Economic Studies of Burundi (ISTEEBU)

MACRO-ECONOMIC TRENDS

The Burundian economy entered into a recession in 2015, with an economic growth rate of -0.4%. Growth improved after this, reaching 3.2% in 2016 and 3.6% in 2017. Growth is estimated at 3.8% in 2018/2019 and 4.1% in 2019/2020. As a result of the COVID-19 pandemic, a fall in national production is anticipated in 2020/2021. Despite efforts to consolidate the country's productive base in order to meet the needs of the population, macro-economic indicators have shown weak performance in the past three years. This situation is explained by various factors, including the freezing of support by certain technical and financial partners, the effects of climate change, etc.

Over the period 2015–2018/2019, GDP per capita averaged US\$265; for 2018/2019 it is estimated at US\$286. The average annual population growth rate is estimated at 2.4% for the same period. This rapidity could impede Burundi's economic development.

FIGURE 1. Evolution of real GDP growth and real GDP growth per capita, 2011–2020



Source: Ministry of Finance, Budget and Economic Planning

The recession is all the more worrying given that the population of Burundi has seen global growth of more than 20% in the period 2011–2020. According to the World Bank, Burundi has over 6 million people in poverty, or more than 50.9% of the total population. In addition, 3.6 million Burundians, or 38.7% of the population, live in a situation of extreme poverty.

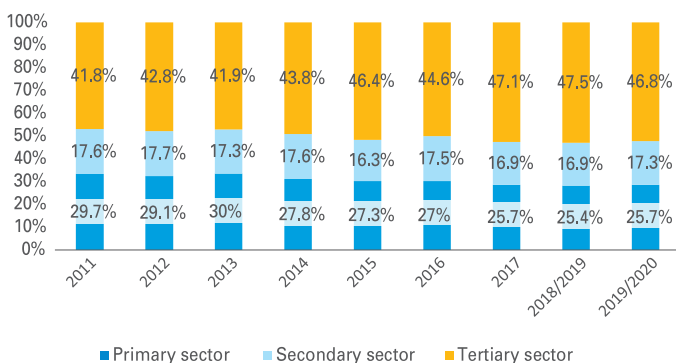


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STRUCTURE OF THE BURUNDIAN ECONOMY

The economic transformation of Burundi has stagnated with the slowdown in growth of the secondary sector. Sectoral contributions to GDP have fluctuated. The contribution of the primary sector fell from 29.7% in 2011 to 25.7% in 2019/2020, as a result of the effects of climate change and a reduction in agricultural production. The contribution of the secondary sector fell from 17.6% to 17.3% in the same period as a result of a drop in industrial production. Finally, the contribution of the tertiary sector rose from 41.8% to 46.8% in the same period, driven mainly by the banking and insurance sub-sectors, among others.

FIGURE 2. Sectoral shares in GDP, 2011–2020



Source: Ministry of Finance, Budget and Economic Planning

INFLATION TRENDS

Control of inflation and its volatility is vital to create an environment favourable to the realization of sustainable economic growth.

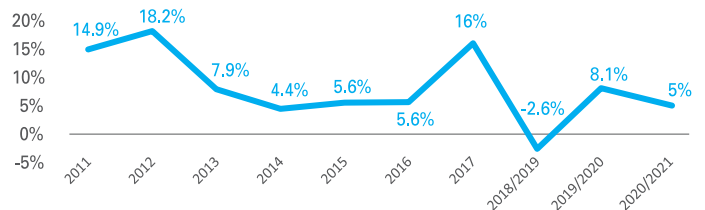
The inflation rate has seen an uneven evolution. In 2012, inflation was significantly higher than in previous years, reaching 18.2%. However, the average rise between 2010 and 2020 was 7%. Over 2018/2019, the inflation rate fell to -2.6%, reflecting good agricultural production in the country. However, in 2020/2021, inflation will reach 5%. Control over and “equitable” sharing of inflation are vital, especially since it is children on whom this will take the heaviest toll.

Meanwhile, during this period, the Burundi franc has continued to depreciate against the main foreign currencies. This has led



to a rise in the price of imports and other essential products. For example, clothing and footwear saw a rise in prices of 3.7% between August 2019 and 2020.

FIGURE 3. Evolution of the inflation rate, (2011-2020/2021)

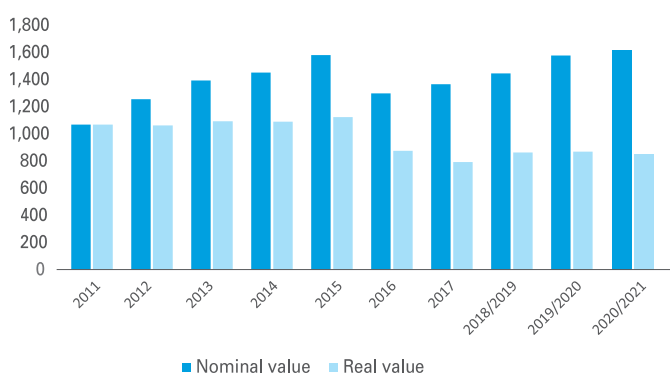


Source: ISTEEDU 2011–2020/2021; Ministry of Finance, Budget and Economic Planning

TRENDS IN PUBLIC EXPENDITURE

We note a rising trend in nominal and real public expenditure in 2011–2015 followed by a fall in 2016 as a result of the withdrawal of certain development partners from the country in response to the situation in 2015. Expenditure then went from BIF 1,296.2 billion in 2016 to BIF 1,648.8 billion in 2020/2021, representing a growth rate of around 22%.

FIGURE 4. Evolution of total public expenditure in nominal and real terms, 2011–2020/2021 (BIF billion)

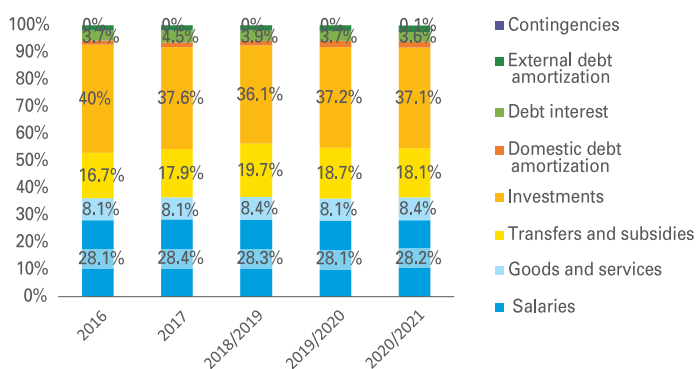


Source: Finance Laws 2011–2020/2021

TRENDS IN TOTAL PUBLIC EXPENDITURE BY ECONOMIC NATURE

The decomposition of expenditure by economic nature makes it possible to review the evolution of the situation with regard to investments; salaries; goods and services; interest on public debt; transfers and subsidies; and the public debt principal (amortization of domestic and external debt).

FIGURE 5. Evolution of total public expenditure by economic nature, 2016–2020/2021



Source: Finance Laws 2016–2020/2021

Investments take up a large part of public expenditure in the period under analysis. Note that investments in external resources are more substantial than those in domestic resources. Among operating expenditures, it is wages that make up the most important share. Next come transfers and subsidies followed by goods and services, which represent operating expenditures or priority expenditures necessary for the implementation of public policies.

BUDGET ALLOCATIONS TO THE SOCIAL SECTORS

The social sectors represent one of the priorities of the Burundian government expressed in the PND 2018–2027. Measures to improve these sectors have been taken, in particular free primary education, an education support fund, health care interventions for children under five and women giving birth, protection of the vulnerable, etc. Moreover, considerable efforts have been put into setting up health and education infrastructure. All these measures have contributed to a significant improvement on certain health and education indicators.

TABLE 2. Share of the budget allocated to the social sectors, 2019/2020–2020/2021

| Sector | Budget 2019/2020 | Share of the total budget | Budget 2020/2021 | Share of the total budget |
|---------------------|--|---------------------------|--|---------------------------|
| Health | 170,285,522,937 | 10.8% | 223,890,176,328 | 13.6% |
| Education | 314,536,169,378 | 20% | 322,118,504,154 | 19.5% |
| WASH | 15,559,761,057 | 1% | 15,559,177,786 | 0.9% |
| Social protection | 171,316,801,014 | 10.9% | 199,754,407,280 | 12.1% |
| Child protection | 33,098,720,336 | 2.1% | 37,268,015,478 | 2.3% |
| Budget total | 1,574,910,944,840 [US\$805,061,277] | 100% | 1,648,866,363,955 [US\$856,553,242] | 100% |

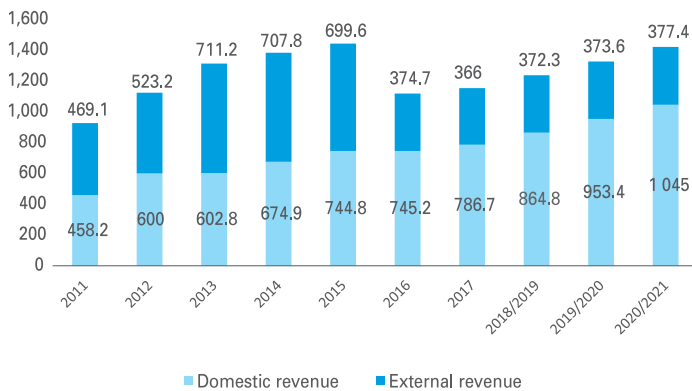
Source: Finance Laws 2019/2020–2020/2021

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BUDGET REVENUE TRENDS

Domestic revenue makes up the biggest share of public revenue, and has shown an average increase of 10.2% between 2016 and 2020/2021. External revenues saw a rise between 2011 and 2014 – the period under the PRSP II – from BIF 469.1 billion to BIF 707.8 billion. In the period under review, the level of external resources in 2014 remains the highest compared with the other years.

FIGURE 6. Trends in total public resources, 2011–2020/2021 (BIF billion)

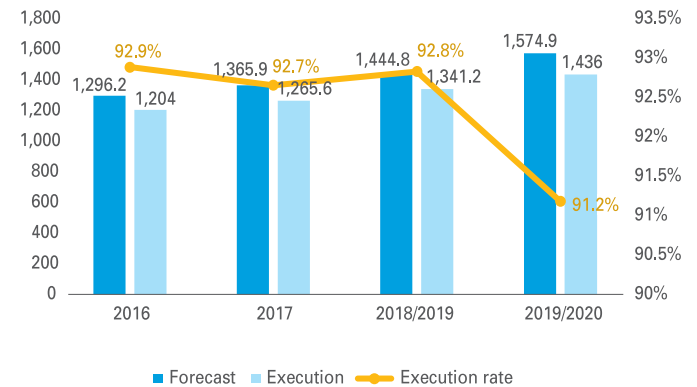


Source: Finance Laws 2011-2020/2021

BUDGET FORECASTS AND EXECUTION FROM 2016 TO 2019/2020

Overall, there are no big gaps between forecasts and execution in the period under review. As such, the budget execution rate has always been over 90%, which demonstrates relatively good capacity to absorb the budget credits available to the government.

FIGURE 7. Budget forecasts and execution, 2016–2019/2020



Source: Finance Laws 2016-2019/2020, Ministry of Finance, Budget and Economic Planning



ACKNOWLEDGEMENTS

This budget brief is part of a series of analyses on social sectors for fiscal year 2020/2021. It is the result of a collaboration between the University Research Centre for Economic and Social development (CURDES), the Ministry of Finance, Budget and Economic Planning and the sectoral ministries.

¹ Burundi Household Living Conditions Survey 2013/2014

² Extract from a speech by His Excellency the President of the Republic of Burundi at the launch of the activities of the newly formed government, 30 June 2020, pages 4 and 5