National budget brief
Budget Brief 2021-2022

Key messages

1. For the fiscal year 2021-2022, the total state budget is BIF 1,713.8 billion, equivalent to US$863.3 million, an increase of 8.7% in relative terms compared with the 2020-2021 fiscal year (BIF 1,576.0 billion, equivalent to US$822,994,776.3).

2. The state budget allocated to the social sectors (health, education, social protection, child protection, water, hygiene and sanitation) is BIF 867 billion (US$438.7 million) in 2021-2022, compared with BIF 798.5 billion (US$417.0 million) in 2020-2021. Considering the needs of the social sectors, government efforts to increase budget allocations to these sectors are essential.

3. The dialogue between the Government and the IMF has resumed. As a result, an ad-referendum agreement has been reached for financial assistance of US$78 million under the Rapid Credit Facility and will support the Government’s efforts to address the impacts of the COVID-19 pandemic, including measures to support the economy and the population, as well as to strengthen health services. The facility can then help close the budget deficit and avoid excessive debt burdens on children and future generations.

4. With the COVID-19 pandemic, an economic downturn is expected globally and in the region. For Burundi, a contraction of the economy is envisaged. This situation would be attributable mainly to the pandemic and also to a decrease in agricultural production, a drop in industrial activity due to the shortage of raw materials and a drop in service activities (hotels, tourism, etc.).

5. On the demand side, the prices of goods and services will increase with an estimated inflation rate of around 6% in 2021-2022. A sharp rise in prices will reduce the purchasing power of households, which are net consumers of food products. This situation will particularly affect children from the poorest households. In Burundi, 69 children out of 100 live below the monetary poverty line and 78.2% of children are deprived of at least 3 of the 7 dimensions of child well-being.

6. Official foreign exchange reserves, calculated in months of imports, remain low, following a regression of external assets. This situation leads to a shortage of foreign currency, which is essential for importing essential goods such as pharmaceutical products, etc.

7. The efficiency of the state budget requires the implementation of public policies that can contribute to the socio-economic development of the country. To this end, a priority peace-building program has been implemented with the following pillars:
   • Develop a dynamic, responsible, income-generating private sector;
   • Develop vocational and trade training and strengthen institutions;
The socio-economic development of Burundi remains one of the Government’s concerns. This concern has been reflected in the Burundi National Development Plan (NDP) 2018-2027, which is currently being implemented. Its preparation took into account lessons learned from the implementation of previous development planning documents in Burundi, such as the five-year plans, the Structural Adjustment Programs (SAPs), the Growth and Poverty Reduction Strategy Papers I and II. The NDP is inspired by the following agendas: national (Vision “Burundi 2025” the Burundi of milk and honey), regional (African Agenda 2063: “Africa we want”, sub-regional (Vision 2050 of the East African Community) and international (Sustainable Development Goals SDGs “leave no one behind”) to contextualize the targets for the country.

Introduction

The socio-economic development of Burundi remains one of the Government’s concerns. This concern has been reflected in the Burundi National Development Plan (NDP) 2018-2027, which is currently being implemented. Its preparation took into account lessons learned from the implementation of previous development planning documents in Burundi, such as the five-year plans, the Structural Adjustment Programs (SAPs), the Growth and Poverty Reduction Strategy Papers I and II. The NDP is inspired by the following agendas: national (Vision “Burundi 2025” the Burundi of milk and honey), regional (African Agenda 2063: “Africa we want”, sub-regional (Vision 2050 of the East African Community) and international (Sustainable Development Goals SDGs “leave no one behind”) to contextualize the targets for the country.

The evolution of the state expenditure execution rates appears satisfactory between 2016 and 2020/2021 (over 94% over the whole period), reflecting the execution capacity of the budget allocations.

The main objective of the NDP is to “structurally transform the Burundian economy, for a strong growth of 10.2%, sustainable, resilient, inclusive, creating decent jobs for all and leading to the improvement of social welfare”. The second strategic orientation of the NDP concerns the strengthening of social sectors.

Among the tools for the implementation of the Burundi NDP 2018-2027, the National Peacebuilding Plan (PNCP) has been drawn up. It is structured around the following six priorities: good governance, social protection for pensioners and other vulnerable people, public health, agriculture and livestock farming, socio-economic infrastructure, youth employment in the industrialization of the country, and peace and reconciliation.

This budget analysis addresses GDP and population indicators, trends in inflation, public expenditure, budget allocations to social sectors, public expenditure by economic classification, composition of budgetary revenues, modes of budget financing and budget deficit and execution of state expenditure.

Table 1.: Trends in macroeconomic and population indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Projected values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021-2022</td>
</tr>
<tr>
<td>Nominal GDP (in billions of Burundian francs)</td>
<td>7,299.4</td>
</tr>
<tr>
<td>Real GDP (in billions of constant Burundian Francs)</td>
<td>2,161.0</td>
</tr>
<tr>
<td>Nominal GDP growth rate (%)</td>
<td>9.7%</td>
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<tr>
<td>Real GDP growth rate (%)</td>
<td>3.3%</td>
</tr>
<tr>
<td>Inflation</td>
<td>7.1%</td>
</tr>
<tr>
<td>Budget deficit (commitment basis as % of GDP)</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Population size (ISTEEBU, population projections)</td>
<td>12,706,151</td>
</tr>
</tbody>
</table>

Source: Standing Committee on Macroeconomic and Budgetary Framework (SCMBF) (2010-2022)
movie 1

**Macroeconomic trends**

- The Burundian economy experienced a recession in 2015 with a negative economic rate of -0.4%. Economic growth improved to 3.2% in 2016 and 3.8% in 2017. It is estimated at 5.3% in 2018-2019 and 4.5% in 2019-2020. As a result of the COVID-19 pandemic, national output is expected to decline by 0.5% in 2020-2021 and economic growth is estimated at 3.3% in 2021-2022.

- Despite the efforts made to consolidate the productive bases to meet the needs of the population, the evolution of macroeconomic indicators points to a low purchasing power of the population, and consequently 64.6% of the population live below the monetary poverty line. Over the 2015-2020/2021 period, the average GDP per capita was US$275.50, estimated to rise to US$293.70 in 2021-2022.

- The population growth rate is estimated at 2.4% over the same period. This rapid population growth remains a major challenge and may slow down the economic development.

**Inflation trends in Burundi**

- Inflation rates are unstable. In 2012, inflation was significantly higher than in previous years, reaching 18.2%. In contrast, the average price increase from 2010 to 2021-2022 is 7%. In the period 2018-2019, there is a decline in prices of -2.6%, as the country has recorded good agricultural production.

- Inflation needs to be controlled and shared ‘fairly’, as children pay the highest price.

- Inflation and the risk of inflation favor certain types of investment decisions. When inflation is high and unstable, it undermines the ability of the economy to maintain conditions for sustained expansion for job creation. High inflation erodes the value of incomes and savings, and mainly affects households on fixed incomes. On the contrary, low inflation helps to create a favorable climate with low interest rates and productive investment, which stimulates economic growth and job creation.
In addition, during this period, the Burundian franc continued to depreciate against major foreign currencies. In this situation, we have noticed an increase in the prices of imported products and other basic necessities. For example, between June 2020 and 2021, the food and non-alcoholic beverages group has seen an price increase of 10.8%, the clothing and footwear group an increase of 5.4%.

**Table 2. Inflation trends**

<table>
<thead>
<tr>
<th>Sectors</th>
<th>July 2019</th>
<th>July 2020</th>
<th>July 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food products</td>
<td>13.0%</td>
<td>12.4%</td>
<td>-6.2%</td>
</tr>
<tr>
<td>Energy, fuel and combustibles</td>
<td>10.0%</td>
<td>4.9%</td>
<td>2.3%</td>
</tr>
<tr>
<td>All products</td>
<td>9.7%</td>
<td>7.7%</td>
<td>-2.6%</td>
</tr>
</tbody>
</table>

Source: ISTEEBU

**Fig. 3: Inflation rate evolution in Burundi (2011-2021/2022), in %**

Source: Ministry of Finance, Budget and Economic Planning

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**Evolution of public expenditure in Burundi**

There was an upward trend in nominal and real public spending from 2011 to 2015, but a decline in 2016 due to the withdrawal of some development partners following the 2015 situation.

From 2016, government expenditure increases from BIF 1,296.2 billion to BIF 1,713.8 billion in 2021-2022, so an overall growth rate of 0.3%.

**Fig. 4: Evolution of total public spending in nominal and real terms and in real terms from 2011 to 2021-2022, in billions of BIF**

Source: Finance Acts 2011-2021/2022
Evolution of total public expenditure by economic nature

The breakdown of expenditure according to economic classification shows the evolution of investments, salaries, goods and services, interest on the public debt, transfers and subsidies and the principal amount of the public debt. The figure 5 shows the trend in these expenditures from 2016 to 2021-2022.

This graph shows that investments account for a large share of the total analyzed period. It should be noted that investments from external resources are more important than those from domestic resources. Among all operating expenses, salaries occupy the largest proportion.

Transfers and subsidies as well as goods and services constitute the operating expenditure or priority expenditure necessary for the implementation of public policy.

Budget allocations to social sectors

The social sectors are one of the Burundian government’s priorities, as set out in the Burundi National Development Plan 2018-2027. In order to implement the social measures, the Parliament has granted the budgetary allocation to these sectors, described in the table below.

<table>
<thead>
<tr>
<th>Social sectors</th>
<th>2019-2020 Percentage share</th>
<th>2020-2021 Percentage share</th>
<th>2021-2022 Percentage share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>170,285,522,937 10.8%</td>
<td>223,890,176,328 13.6%</td>
<td>228,883,667,095 13.4%</td>
</tr>
<tr>
<td>Education</td>
<td>314,536,169,378 20.0%</td>
<td>322,118,504,154 19.6%</td>
<td>353,691,839,624 20.6%</td>
</tr>
<tr>
<td>Water, Hygiene</td>
<td>15,559,761,057 1.0%</td>
<td>15,559,177,788 0.9%</td>
<td>35,584,457,106 2.1%</td>
</tr>
<tr>
<td>Sanitation</td>
<td>171,316,801,014 10.9%</td>
<td>199,754,407,280 12.1%</td>
<td>209,334,308,208 12.2%</td>
</tr>
<tr>
<td>Social protection</td>
<td>33,098,720,338 2.1%</td>
<td>37,268,015,478 2.3%</td>
<td>39,534,340,640 2.3%</td>
</tr>
<tr>
<td>Child protection</td>
<td>704,796,974,722 44.8%</td>
<td>798,575,600,706 50.6%</td>
<td>867,030,612,673 50.6%</td>
</tr>
<tr>
<td>Total budget</td>
<td>1,574,910,944,840</td>
<td>1,576,034,805,156</td>
<td>1,713,865,403,303</td>
</tr>
</tbody>
</table>

Sources: Finance Acts 2019-2020-2021-2022
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Evolution of budgetary resources

- Domestic revenues constitute the largest share of government revenues, with an average increase of 10.5% between 2016 and 2021/2022.
- Official development assistance decreased, averaging 1.1% from 2011 to 2021-2022. It should be noted that a part of the budgetary aid is off-budget.

![Fig. 6: Trends in total public resources, in billions of BIF](Image 31 x 265 to 596 x 804)

Sources: Finance Acts 2011-2021/2022

Budget forecast and execution from 2016 to 2020-2021

- On the whole, there were no major differences between budget forecasts and execution over the reviewed period. Thus, the budget execution rate exceeded 90%, which reflects a relative capacity to absorb the budgetary appropriations made available to the government.

![Fig. 7: Budget forecast and execution 2016-2020/2021, in billion of BIF and %](Image 33 x 316 to 285 x 432)

Source: MRBPE

1. Exchange rate on 30 June 2021: 1 US$ = 1,976.04 BIF
2. The 7 dimensions are education, food, water, sanitation, protection, shelter and information.
3. ECVMB 2013/2014

Acknowledgements

The budget analysis presented in this document is part of a series of analyses on the social sectors for the fiscal year 2021-2022. It is the result of a frank collaboration between the University Research Centre for Economic and Social Development (CURDES), the Ministry of Finance, Budget and Economic Planning and the sectoral ministries.

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