

National budget brief

Burundi

Budget Brief 2022-2023

Key messages

1. For the 2022-2023 fiscal year, the general government budget amounts to **2,392.3 billion Burundian francs (BIF)**, which is equivalent to 1,176.4 million U.S. dollars (USD), an increase of 39.6% compared to the 2021/2022 fiscal year (1,713.8 billion BIF, equivalent to 867.3 million USD). This increase is intended to meet the development objectives contained in the National Development Plan (PND 2018-2027).

2. The government budget **allocated to the social sectors** (health, education, social protection, child protection, water, hygiene and sanitation) is **BIF 874.4 billion (USD 430 million) in 2022-2023**, compared to BIF 867 billion (USD 438.7 million) in 2021-2022. Given the importance of the social sectors, the government's efforts to increase budget allocations are essential.

3. The average price inflation for goods and services is estimated at about **8% in 2022-2023**. However, we notice an overshoot of this inflation, which appears already in double digits at the beginning of the 2022-2023 budget year. This conduct to a decrease in the purchasing power of households, which are net consumers of food, and **inflation** will particularly affect children from the poorest households.

More than five out of ten children (55,2%) live below the income poverty line, 64% of children are deprived of at least 3 of the 8 dimensions of child well-being, namely education, food, water, sanitation, protection, shelter and information.

4. **Official foreign exchange reserves**, calculated in months of imports, remain low as a result of a decline in foreign assets. This situation is aggravated by Russia's invasion of Ukraine and its consequences on the world economy in general and the African economy in particular. It has led to a shortage of foreign currencies allowing to import essential goods such as fuel, pharmaceuticals, etc.

5. The trend in **the state's expenditure execution rate** appears satisfactory since 2016 and until 2021-2022. As a fact it is **more than 95%** over the entire period. This reflects good budgetary credibility in Burundi, in terms of the allocation of budgetary funds

National budget brief



Introduction



Socio-economic development remains one of the main concerns of the Burundian government. This concern has been translated into its **National Development Plan (PND) 2018-2027**. The core objective of this work is to conduct a budget analysis at national level.

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 PND 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 adapt the targets to the country.

The main objective of the PND is to *«structurally transform the Burundian economy for strong, sustainable, resilient and inclusive growth that creates decent jobs for all and improves social welfare»*. The second of the five strategic orientations of this PND concerns the **strengthening of the social sectors**.



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

At the same time, sectoral and ministerial strategies have been developed to monitor the PND. This budget analysis addresses GDP and population indicators, inflation trends, public spending, budget allocations to social sectors, public spending according to economic classification, as well as the composition of budget revenues, sources of budget financing and the budget deficit, and the execution of government expenditures.

Table 1: Macroeconomic and population indicators

Indicators	Projected values 2022-2023
Nominal GDP (in billions of current Burundian Francs)	8,274.3
Real GDP (in billions of constant Burundian Francs)	2,276.3
Nominal GDP growth rate (%)	12.8%
Real GDP growth rate (%)	4.6%
Inflation	12.6% (June 2022)
Budget deficit (commitment basis as% of GDP)	-2.1%
Population size (ISTEEBU, population projections)	12,898,575

Source: Standing Committee on Macroeconomic and Budgetary Framework (SCMBF) (2010-2023)

National budget brief

Macroeconomic trends

After a recession in 2015, with a growth rate of -0.4%, economic growth recovered to 3.2% in 2016 and 3.8% in 2017. **This economic growth is projected at 4.6% in 2022-2023** better than the 3.1% estimate for 2021-2022 and is expected to continue over the 2022-2024 period. This expected performance is based on several assumptions, the main ones being:

- the recovery of global GDP growth,
- the strengthening of cooperation with technical and financial partners, and
- the gradual emergence from the health crisis, which will allow for the effective implementation of the reforms set out in the National Development Plan.

Despite the efforts made to consolidate the productive base in order to meet the needs of the population, the evolution of macroeconomic indicators shows the low purchasing power of the population. As a result, **51.4%² of the population lives below the monetary poverty line.**

The average GDP per capita is projected at US\$319.10 in 2022-2023 and estimated at **US\$301.50 in 2021-2022**. The population growth rate is estimated at 2.4% over the same period. Rapid population growth remains a major challenge and is likely to act as a brake on economic development.

The sectoral contribution to GDP is uneven. The **primary sector's** contribution to GDP has increased from 29.7% in 2011 to **34.6%** in 2022-2023, an increase of 5%age points. This increase is mainly due to the expected good production of food crops and tea. The contribution of the **secondary sector** may increase from 17.6% in 2011 to **18.1%** in 2022-2023 due to the recovery of industrial and mining production, as well as the construction sector. Finally, the contribution of the **tertiary sector** would rise from 41.8% in 2011 to **37.8%** in 2022-2023, thanks to the contribution of banks and insurance companies, among others.

Fig. 1 : Changes in real GDP and real GDP growth rates per capita, in %

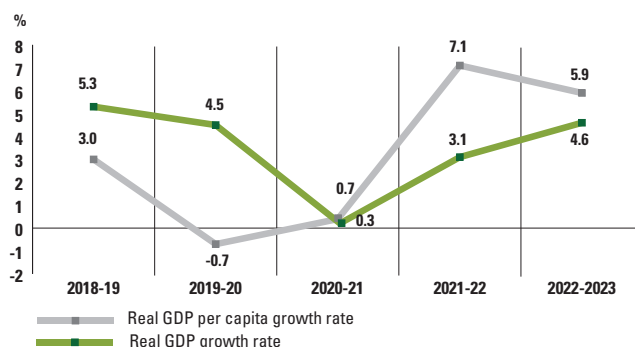
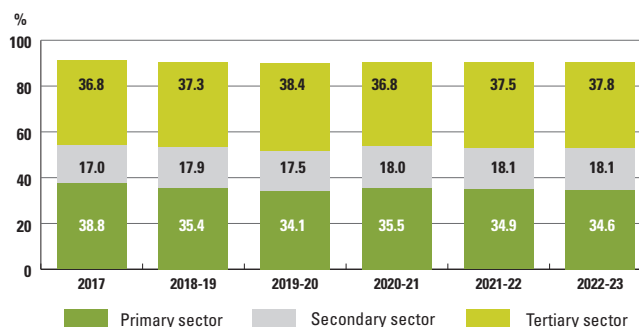


Fig. 2 : Share of GDP contributions of different sectors, in %



Source: Ministry of Finance, Budget and Economic Planning

Inflation trends in Burundi

Inflation rates in Burundi have been volatile. In 2012, inflation was significantly higher than in other years, reaching 18.2%. In contrast, there was a -2.6% decline in prices in the 2018-2019 fiscal year, as the country was recording good agricultural production. Control and «fair» sharing of inflation is necessary, 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 economy's ability to maintain conditions for sustained job creation. High inflation erodes the value of income and savings. Inflation particularly hurts households on fixed incomes.



National budget brief

■ In addition, during this period, the Burundian franc (BIF) continued to depreciate against major foreign currencies. In response to this situation, we noticed **a price increase of imported products and basic necessities**.

For example, the food and non-alcoholic beverage group registered a 24.4% increase between July 2021 and 2022.

■ On the contrary, low inflation contributes to a favorable climate of low interest rates and productive investment, which stimulates economic growth and job creation.



Table 2. Evolution of inflation

Sectors	07-2019	07-2020	07-2021	07-2022
Food products	13.0%	12.4%	-6.2%	24.6%
Energy, fuel and combustibles	10.0%	4.9%	2.3%	9.5%
All products	9.7%	7.7%	-2.6%	19.1%

Source: ISTEERU

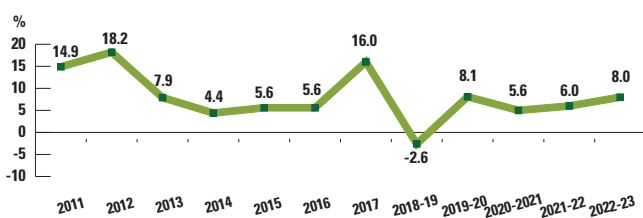


Evolution of public expenditures in Burundi

■ There was an upward trend in nominal and actual public spending from 2011 to 2015, followed by a decline in 2016, after the withdrawal of some development partners in 2015.

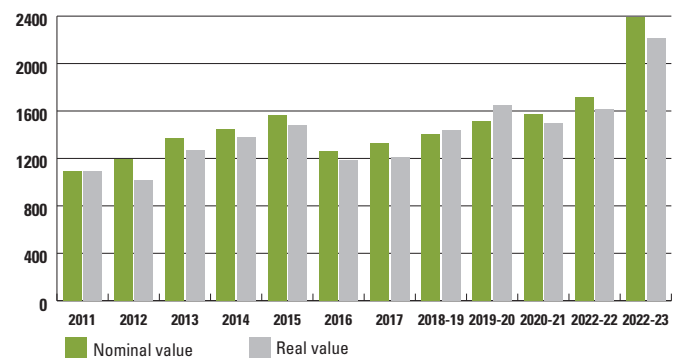
Since 2016, government spending increases from BIF 1,296.2 billion to reach 2,392.3 billion in 2022-2023, **an overall growth rate of 0.9% per year** over eleven years.

Fig. 3 : Evolution of the inflation rate in Burundi (2011-2022/2023), in %



Source: ISTEERU (2011-2022/2023)

Fig. 4 : Evolution of total public expenditure in nominal and real terms, in billion of BIF



Sources: Budget Acts 2011-2022/2023

Budget allocations in nominal terms are those that are reported relative to a given period. Budget allocations in actual terms are those that are adjusted for price increases relative to a baseline or reference.



National budget brief



Evolution of total public expenditures by economic nature

The allocation of public spending, according to the economic classification, shows the evolution of investments, wages, goods and services, interest on the public debt, transfers and subsidies, and the principal of the public debt. Figure 5 shows the evolution of these expenditures from 2016 to 2022-2023.

This figure of expenditure trends shows that investments take a large part over the entire analyzed period. Investments coming from external resources are more important than those financed by domestic resources. Among operating expenses, **salaries** represent the largest proportion. Transfers and subsidies, as well as goods and services, constitute the operating or priority expenditures necessary to implement the public policy.

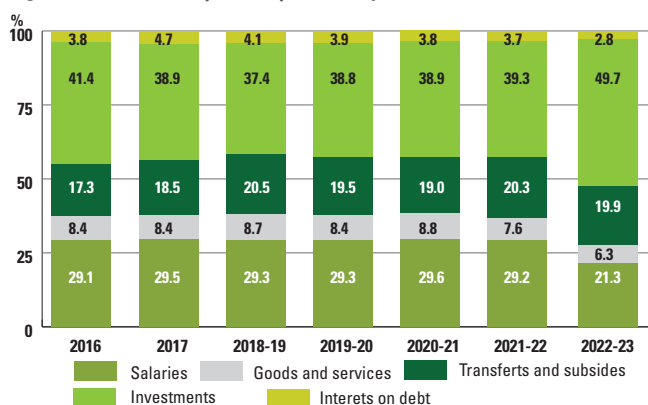


Budget allocations to social sectors

The social sectors are one of the priorities of the Burundian government, as set out in the Burundi National Development Plan 2018-2027.

In order to implement the social measures, the Parliament has granted the budgetary appropriations to these sectors, described in Table 3.

Fig. 5: Evolution of total public expenditure by economic nature, in %



Sources: Budget Acts 2016-2022/2023

Table 3: Share of state budget allocated to social sectors 2019-2020- 2022-2023, in BIF and in %

Social sectors	2020-2021	Share %	2021-2022	Share %	2022-2023	Share %
Health	223,890,176,328	14.2%	228,883,667,095	13.4%	228,745,483,995	9.6%
Education	322,118,504,154	20.4%	353,691,839,624	20.6%	354,049,092,932	14.8%
Wash	15,559,177,786	1.0%	35,586,457,106	2.1%	36,378,585,473	1.5%
Child Protection	37,268,015,478	2.4%	39,534,340,640	2.3%	41,057,883,035	1.7%
Social protection	199,739,726,959	12.7%	209,334,308,208	12.2%	214,264,811,154	9.0%
Total	798,575,600,706	50.7%	867,030,612,673	50.6%	874,495,856,589	36.6%
General budget	1,576,034,805,156		1,713,865,403,303		2,392,302,983,595	

Sources: Budget Acts 2020-2021 / 2022-2023

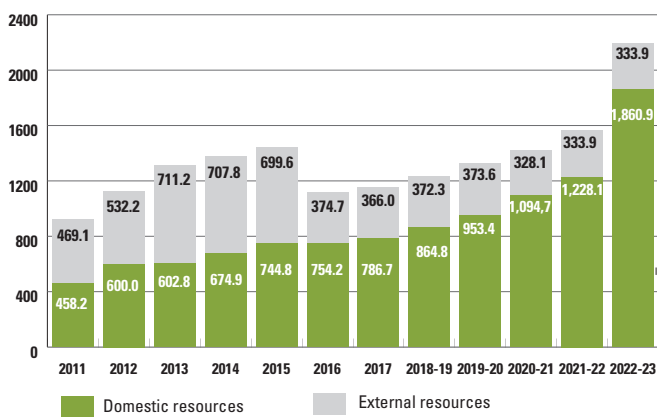


Evolution of budget resources

Domestic revenue is the largest share of government revenue, with an average increase of **14.9%** from 2016 to 2022-2023. Official development assistance has been on a downward trend, averaging **2.1%** from 2016 to 2022-2023. It should be noted that a portion of budgetary aid is off-budget



Fig. 6 : Evolution of budgetary resources 2011 to 2022-2023, in billion of BIF



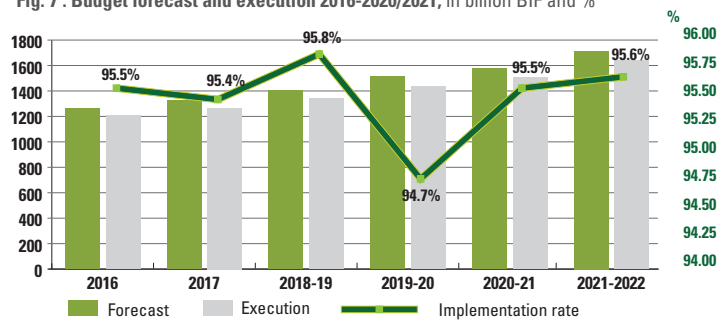
Sources: Budget Acts 2011 to 2022-2023



Budget forecasts and execution from 2016 to 2020-2021

Overall, there were no major discrepancies between budget forecasts and implementation during the period under review. **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 BIF and %



Source: Budget Acts 2016 to 2022-2023

1. Exchange rate as of June 30, 2022: 1 USD = 2,033.55 BIF
 2. EICVMB 2019/2020.



Acknowledgment

The budget analysis is part of a series of social sector analyses for the 2022-2023 budget year. It is the result of a frank collaboration between the University Research Center for Economic and Social Development (CURDES), the Ministry of Finance, Budget and Economic Planning and sector ministries.