Burundi: Expanding External Trade and Investment

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The objective of the program is to help USAID/REDSO establish an agenda for promoting economic reform and growth as well as financial transparency in the government of Burundi. The Nathan team has investigated—and developed recommendations to address—major economic issues and opportunities that Burundi is facing, emphasizing the appropriate role of the government in the national economy and anticorruption and transparency initiatives. The assessments and recommendations will be presented to government, civil society, and business actors in Burundi, as well as donor representatives, at a conference in Bujumbura in May 2006, and through related information programs.

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Final reports for the Burundi Economic Reform and Financial Transparency Assessment Program will be made available in both English and French at www.nathaninc.com. For further information or printed copies of these publications, please contact

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Contents

Summary

Before the civil conflict, Burundi's economic performance compared well with those of most African countries. One major factor was coffee, the principal export, and the increasing importance of tea and cotton exports. Strong and vibrant trade is an essential ingredient of resumed growth, and economic openness a stimulus to internal competition. Expanded coffee, tea, and cotton output can provide a basis for increased exports, with positive effects on economic management, macroeconomic performance, and incomes of the poor, especially given the dominant role of the agricultural sector in the economy. But to progress, Burundi will have to pursue export diversification and increased processing to reap the benefits from higher valued added. Some areas of export diversification are well known and include tropical fruit, vegetables, cut flowers, exotic plants, essential oils, mineral products, and services (e.g., tourism). Improved functioning of public structures will be important in this respect.

Rehabilitation and reform of the existing key exports is required and urgent. Steps should include further withdrawal of the state from economic activities in these sectors through privatization; facilitation of small farmers' participation in decision making and in the processing chain, thus improving the distribution of export proceeds; promotion of care of the productive structures; assurances of the timely delivery and effective use of inputs such as fertilizer and pesticide; ensuring output of quality products; and creating employment opportunities for displaced labor. Accordingly, there is a need to take into account the link between developments in the export sector and the creation of rural employment, as discussed in the paper on land, conflict, and the environment.

It is critical to ensure the timely and cost-effective delivery of commodities and goods to and from domestic and overseas markets. This requires improved transportation capacity and networks; further enlargement of communication structures; seeking ways to increase financial intermediation, to provide needed credit on the most cost-effective basis; and improvement in the provision of energy.

Regional trade integration is a cornerstone of Burundi's trade and investment policy. Such integration, through the harmonization of trade policy and its application, investment facilitation and competition, and principles on the movement of labor and capital could make Burundi a more attractive investment destination for regional and, in due course, international investors. The development of successful trade and investment strategies requires a significant strengthening of institutional capacity, not only in the Ministry of Trade and Industry, but throughout the administration and the private sector. An institution for the facilitation of investment and trade is needed to provide existing and potential exporters with information on markets, marketing

requirements and practices, and health and safety norms and standards. It is also needed to provide potential investors with information on laws, regulations, and business practices, and on investment incentives.

Trade facilitation measures should complement export rehabilitation and institutional reform. Improving the customs administration would lead to a smoother flow of goods into and out of Burundi, with implications for cost-effective imports of inputs and consumer goods. Improved customs administration could be achieved through computerization and computer linkages with other units and bodies involved in trade, training of personnel, and reforming the administrative structure. Harmonization of policies and practices as part of the regional integration strategy would strengthen customs administration. All of these measures would, among other things, contribute to reducing official corruption.

The potential for strengthening trade and investment is evident; the steps required to eliminate barriers, ease constraints, and reshape policy have generated broad consensus. The challenge is to mobilize and sustain policy commitment and determination and to generate effective support from national and international partners.

Openness to the outside world is, among other things, necessary to foster genuine internal competition in a small economy such as Burundi, and thus the efficient development of the private sector.

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INTRODUCTION

Burundi has a long record of policy dialogue and cooperation with bilateral donors and multilateral institutions—the World Bank, International Monetary Fund (IMF), United Nations Development Program (UNDP), and the World Trade Organization (WTO), among others. Of particular significance is Burundi's Interim Poverty Reduction Strategy Paper (I-PRSP)[1], elaborated in close cooperation with the World Bank and the IMF. Burundi's trade system was the subject of a trade policy review in 2003, under the provisions of the WTO; and Burundi is participating in the Integrated Framework (IF) and has prepared and endorsed the key component of the IF, the Diagnostic Trade Integration Study (DTIS). In all this work, there has been a broad consensus between the partners and stakeholders on the obstacles, problems, challenges and potential facing Burundi. This report brings together various threads rather than setting out any major new consideration.

Burundi is a landlocked, land-linked entrepôt country in central Africa. It is one of the poorest countries in the world, with a GDP per capita of US$110. More than two-thirds of the population lives below the poverty line. Its population is estimated to be 6.9 million, of which over nine-tenths live in rural areas, and more than half of which is younger than 20 years of age. Burundi's major exports are coffee and tea. It has export potential in tropical fruit, vegetables, cut flowers and exotic plants, and various mineral products. It also has the potential to regain its past role as an important transit point in regional trade.

SETTING AND ECONOMIC PERFORMANCE BEFORE 1993

Burundi has been marked by periodic social and political instability, turmoil, and conflict between its two major ethnic groups since independence in 1962. The conflict that broke out in 1993, compounded by the ensuing regional embargo imposed on Burundi and by sub-regional conflicts, had particularly disastrous effects on the economic and social fabric of Burundi.

From independence until 1993, Burundi's economic performance was one of the best in Africa. GDP grew about 4 percent (3.9 percent) a year; GDP per capita advanced by 1.7 percent a year;

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[1] République du Burundi, Boosting Interim Economic Growth and Poverty Reduction Strategy Paper, Bujumbura (November 2003). The full PRSP is in the latter stages of preparation. It will contain a full elaboration of trade and trade policy, incorporating material from the DTIS.

and inflation was modest in a setting of episodes of global inflation. In broad terms, annual GDP per capita reached about US$246 in 1986 and remained over US$200 until 1992. In addition, the coffee sector, the principal export, performed well; and tea and cotton became important export crops. Also in the period until 1993 Burundi introduced major structural adjustment programs with strong trade-liberalization components, including a shift from import substitution to export promotion (see Figures B-1–B-4).[2]

Economic reform was interrupted by the tragic civil conflict that broke out in 1993, which led to large-scale destruction of the economy. Between 1993 and 2000, GDP is estimated to have fallen by almost 30 percent. Agricultural production, the pillar of the economy, virtually collapsed. Coffee production declined, thus undercutting export earnings; the area under cotton cultivation also declined as farmers fled and fields were abandoned. The situation was exacerbated by the regional blockade (respected by international partners) in effect from 1996 to 1999, which cut off international financial support, slowed imports, and led to food and fuel shortages and inflation.

CURRENT SITUATION

The present and ongoing challenge for Burundi is to rehabilitate production, develop new export products, and explore the potential for processing its products, to obtain a greater share of the value added in the processing chain. Burundi's success in expanding the size and diversifying the contents of its export basket and accessing competitive imports is (and will continue to be) determined by a combination of domestic and external factors. These factors include domestic infrastructure including adequate modern transportation and communications links and regular and appropriately priced energy supplies; domestic institutions for the formulation, negotiation, implementation and monitoring of trade policy and developments; appropriate incentives and structures for attracting domestic and foreign investment, including a modern investment code, effective export-promotion institutions and robust trade facilitation; efficient and cost-effective transportation structures for the movement of products to and from international markets and within the country; and continued market-openings of foreign markets stemming from international and regional trade negotiations and seizing the trading preferences extended by trade partners. These challenges are to be seen within a framework of Burundi being a price-taker in international markets for both its exports and its imports. Because the volume of Burundi's principal exports products account for only a very small share of world exports in these products, a significant expansion of coffee, tea, or cotton export volumes by Burundi should have very little effect on world market prices for these products. The economic performance before 1993 demonstrates what can be accomplished in Burundi with the right set of incentives and policies.

Agriculture provides over 94 percent of employment and more than 50 percent of the gross domestic product (GDP) of Burundi. In addition, the agricultural sector supplies 95 percent of the nation's food needs and over 90 percent of its export earnings. Food crops, primarily for consumption by the rural families that grow them, cover 90 percent of cultivated land; industrial

[2] Robust analysis of developments in Burundi is hampered by the lack of timely and reliable data. The weaknesses of Burundi's statistical apparatus have been well identified and there is a consensus among authorities and donors on priorities to correct the situation.

crops (coffee, tea, cotton, and sugarcane) cover 10 percent. However, industrial crops bring in over 80 percent of Burundi's foreign exchange earnings. Therefore, the agricultural sector is the sector with the naturally highest growth potential—for both traditional and nontraditional products.

The strengths of the agricultural sector include an abundant labor force; the presence of experienced and properly trained technicians; the receptiveness of farmers to intensive agriculture techniques and modern technologies; potential reclaimable land (including swamps) in certain regions; adequate soil fertility in many regions; favorable rainfall (despite the drought that has hit the country in the recent past), which allows for two rotations of crops in certain areas; and an abundant network of rivers that can be tapped for irrigation. However, population pressures have led to overuse of land and declining fertility. Another obstacle to realizing the fuller potential of the agricultural sector is the extent and condition of the road network, which adds heavily to the cost of supplying essential inputs to farmers and transporting produce to markets—both domestic and international. Extension services are weak.

STRUCTURE OF EXPORTS

Burundi' export performance depends heavily on the price and production of coffee, its major export. Its other exports include tea, sugar, cotton (historically, but there were no formal exports of cotton during the 1997–2004 period; cotton exports resumed in 2005) and hides. Total exports averaged about $50 million a year during 2000–2004, with coffee accounting for a little less than half the total. Tea accounted for about 5 percent; nonmonetary gold, always showing wide swings from year to year, accounted for about one-fifth of the total. Burundi has over the years sought to promote exports of nontraditional items such as cut flowers and exotic plants, vegetables and tropical fruit, and more recently essential oils. (See Figures B-5 and B-6, and Tables B-1 and B-2.)

Markets for Burundi Exports

The majority of Burundi's exports go to European countries; European countries were the destination for about 58 percent of Burundi's exports during 2000–2004, compared with 54 percent during the1993–1999 period. The major markets are Belgium, France, Switzerland, and the United Kingdom. The largest shift has been away from the United States and Canada: these countries accounted for almost half of Burundi's exports in the period 1960–1980, but their share dropped to barely 2 percent in 2000–2004. Another noticeable shift is the larger share of exports to African countries: their share has risen to over 15 percent in 2000–2004, up from only 2 percent in 1960–1980, 10 percent in 1982–1992 and 11 percent in 1993–1999. The increase in African countries' share could reflect in part the impact of regional integration efforts; also, the share may be overstated, because these countries may not be the final destination of such exports as coffee and tea. (See Figures B-14 and B-15 and Tables B-3 and B-4.)

Coffee

Burundi's coffee production and exports have been subject to sharp swings in output and price. World coffee prices (for example, as measured in the composite price in U.S. cents per pound in New York) have been on a downward trend since 1979–1980, reflecting increased global production, especially as Brazil and Vietnam became the two largest producers and exporters. (The downward slope is even steeper in real terms.) Burundi is a small producer on the world market, accounting for less that 1 percent of world production. For example, world production in 2005/06 was 3.3 million tons; Burundi's exports were barely 6 thousand tons. (See Figures B-7–B-9.)

Since 1980 annual production of green coffee in Burundi has fluctuated widely—between 6,000 tons (in 2005/06) and 42,000 tons (in 1994/95)—but on a downward trend. Burundi coffee output and exports reflect a combination of factors that change from year to year, including the number of trees under cultivation, tree care, timely provision, and applications of inputs including pesticides; weather conditions; farmers' income return from coffee growing; processing efficiencies and quality; and transportation problems. In addition, the war, the regional embargo, and macroeconomic policies also put downward pressure on Burundi's coffee exports.

Because Burundi is such a marginal producer in the global setting, any increase in output and exports, albeit sizeable for Burundi, would have virtually no downward pressure on world price—thus the domestic challenge of restoring and increasing production. Increased production should be viewed against the backdrop of continued expansion of world coffee consumption; according to the World Bank, "Coffee consumption is expected to increase about 2 percent during 2006 and 2007, with most of the increase expected in specialty and instant coffee." This underscores the potential for Burundi to target niche markets.

Burundi coffee is grown on small plots, without irrigation. Yields are very modest, and the majority of households have between 150 and 300 trees, each producing less than 250 grams. Between 750,000 and 800,000 rural households reportedly maintain coffee trees; however, coffee is but one of a number of cash crops for these farmers, and it has lost ground in recent years.

In view of coffee's importance in the economy, the need to restore and expand the coffee sector, including improving and sustaining quality, is widely recognized and has been the subject of intensive study, negotiation and donor dialogue and support (in particular, from the European Union and the International Development Association [IDA]). The following problems hamstringing the sector have been identified:

- A decline in quality and production quantities, in part reflecting neglect
- Rigidities in ownership, management, pricing, marketing and processing
- Weak participation of growers in decision making
- Seemingly high cost of finance and the failure to tap potential external financing sources.

Measures and institutional changes have been launched. In 2005 the following actions were taken by the authorities to reform the coffee sector:

- Abolition of government guarantees of credit accorded by commercial banks to the coffee board (OCIBU)
- Adoption of presidential ordinance liberalizing entry at all levels of the sector
- Adoption of a ministerial ordinance transforming the role of the coffee board into one of coordination and regulation

- Conduct of a national workshop with all stakeholders to validate the coffee sector reform program
- Supplementary payment made to farmers, reflecting in part the sector's first operational surplus since 1998/99
- Abolition of the orchard tax (*taxe verger*)
- Adoption of a ministerial ordinance liberalizing prices in the sector and authorizing direct sales (thereby bypassing the coffee board)
- Launch of a bidding process for the sale of two washing stations, which was unsuccessful because there were no offers.

The privatization of washing stations has been identified as a key reform, but the process is on hold pending further study. Of particular concern is the need to ensure the effective participation of small coffee growers. It is clear that the sector reform is complex, both technically and politically, and thus is likely to take several years to complete. The strategy and the related action plan are likely to require several iterations, and strong leadership is needed.

Tea

Tea is Burundi's second export product and accounts for 4–5 percent of export earnings. (Tea was more important in the pre-1993 period.) Production of dry green leaf tea amounted to about 7,500 tons a year during 2000–2004, with a peak of 9,000 tons being achieved in 2001. World tea prices have shown a gentle upward trend since 1962, although with considerable volatility. The average London auction price varied from a low of 44 U.S. cents per pound in 1969 to a high of 157 cents per pound in 1984; more recently, the price has fluctuated between 74 cents in 1996 and 112 cents in 2000. (See Figures B-10 and B-11.) Globally, the outlook is for tea prices to remain fairly constant over the coming years, as demand remains strong. However, prices remain vulnerable to decline if export supplies continue to increase and demand weakens, especially in Middle East and other petroleum-exporting countries. Emerging tea exporters such as China and Vietnam could also expand production and exports, driving prices lower. As in coffee, from an international perspective Burundi is a marginal tea producer, with an output of less than 0.2 percent of world production.

The Burundi tea sector presents a high-development (and poverty reduction) opportunity. Tea exports, of good quality, have increased regularly in recent years, in contrast to other export sectors.

The tea sector is still entirely under state control. The Office du Thé du Burundi (OTB) has a monopoly on the processing of green leaf into dry tea in its five factories. The tea board is also responsible for supporting tea growers, to whom it supplies seeds free of charge and sells inputs such as fertilizer and herbicide on credit and at cost. However, OTB is in dire financial straits, and expanding production and improving quality will require a reorganization of the sector, including opening it up to private sector investment.

Reform steps taken or envisaged include:

- In late 2004 the government adopted a plan and tentative timetable for the disengagement of the state from the tea sector.
- A technical and financial audit is scheduled for early 2006.
- A restructuring plan designed to address the situation rapidly, in particular to ensure that arrears to producers are settled.
- The 2004 strategy will be transformed into a three-year implementation program setting out the steps to be taken to achieve reform objectives, including
  - — Liberalizing all activities, including price setting and marketing;
  - — Putting into place an adequate legal, regulatory, and institutional framework conducive to private investment;
  - — Privatizing government assets, with producers being able to participate fully as shareholders;
  - — Providing adequate services to secure increased production and improved quality; and
  - — Providing the needed accompanying measures.

These reforms have been formulated and implemented with the support of the European Union.

Cotton

Cotton was once the third most important export product after coffee and tea. During 1996–2004 virtually no cotton was exported; all production was sold in the domestic market. Production was particularly affected by poor security from 1993 to 1999: the planted area declined almost continuously, with land being abandoned as a result of population displacement. Bad weather, in particular the droughts of 1998 and 2001, exacerbated the situation. Production declined from 8,500 tons in 1993 to 2,900 tons in 2001, before increasing to 3,500 tons in 2003 (barely 0.2 percent of world cotton production), with further increases planned for the future. (See Figures B-12 and 13.) Exports of cotton resumed in 2005, with the export of 2,300 tons (primarily to Switzerland).

From a global perspective (World Bank Development Prospects Group), virtually all major cotton-producing countries are expected to reduce cotton output during 2005/06 in view of the total production potential and competition in the world market, shaped in part by large subsidies provided to cotton farmers, especially in the United States.

In Burundi the key issue confronting the sector is declining raw cotton production and COTEBU's[3] (a state-owned weaving company that sells gray and colored fabrics) monopsony on raw cotton production. In addition, both COGERCO[4] (a state-owned enterprise responsible for collecting and marketing raw cotton) and COTEBU have excess operating capacity, with obsolete

[3] Complexe textile de Bujumbura.

[4] Compagnie de gérance du cotton.

equipment, which adds to their fixed costs. To cover these costs, the companies offer prices to producers that are too low, while sales prices to domestic garment factories are too high. To strengthen the sector, the state enterprises need to be privatized and the sector liberalized. Modernizing the production structure will lead to improved quality of textiles, increased sales, and larger incomes for producers.

To address the current sector distress, the authorities granted permission to COGERCO to export its entire stock of cotton (about 2,800 tons from the 2004/05 crop season) because COTEBU was unable to purchase it. As of the end of October 2005, 1,500 tons of ginned cotton had been sold abroad, but this was not enough to alleviate the company's cash flow needs in a sustainable manner. Moreover, the COGERCO equipment needs to be rehabilitated for the company to continue to operate. As immediate measures, COGERCO will sell the rest of the stock (1,300 tons), which should provide about $2.5 million to pay producers and buy inputs for the next crop year. Moreover, the government has requested the update of the technical and financial audit of COGERGO and the review of the contract between COGERCO and COTEBU.

The government has undertaken a review of the sector and concluded that a complete restructuring is needed. The key elements of this strategy include (1) a comprehensive reform of the legal and regulatory framework; (2) liberalizing the sector, in particular abolishing COTEBU's monopsony as regards the purchase of ginned cotton from COGERCO; and (3) opening up the sector to private capital. There is also the hope that Burundi's recently granted eligibility for AGOA (the U.S. Africa Growth and Opportunity Act) will be an additional stimulus to sector reform and provide an expanding market for Burundi's cotton and other eligible items.

Nontraditional Agricultural Exports

Export diversification has been identified frequently and regularly as a strategic goal of public development and trade policy. In the late 1980s Burundi started developing a new, nontraditional export sector having the potential to be one of the top export sectors: off-season vegetables, tropical fruits, and cut flowers. Burundi's climate, rainfall, altitude, and soil quality give it clear advantages, for both temperate and tropical production.

Fruit, vegetable, and flower production and marketing started in full at the beginning of the 1990s, boosted by incentives provided by the economic export processing zone (see below).[5] Exported products include passion fruit, mangoes, papayas, green beans, chilies, eggplants, sweet potatoes, and cut flowers (heliconia, roses) and ornamental plants (dracaena). Production peaked at 1,076 tons in 1993, then quickly declining to minimal quantities by 1996. Exports of these products in 2002 were a mere 35 tons.

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[5] Burundi's export processing zone was established in 1993, as part of the overall effort to encourage foreign direct investment, export diversification, and the promotion of nontraditional exports. A total of 36 enterprises were granted the status of "free enterprises"; 13 of these enterprises never started operation; five closed down; and five had their status revoked. Presently, only 13 companies are still operational, of which twelve export fresh fruits and vegetables.

Many participants in the sector have taken advantage of support under from the export promotion fund (see below); some of them operate in the economic processing zone. With the lifting of the embargo (in 1999), the key remaining constraint is the absence of regularly scheduled air transport and, to a lesser extent, the absence of access to local markets in production areas. The few existing exports are transshipped through Nairobi or Entebbe, resulting in increases in transport costs, longer transport times that affect product freshness, and damaged packaging due to frequent mishandling. The lack of regular air cargo space is a major obstacle to the recovery of fruit and horticulture exports from Burundi, but it is not the only one. In addition to security concerns that complicate access to local markets, export entrepreneurs face numerous other constraints, including

- Difficult access to working capital at competitive terms,
- High packaging prices,
- Lack of refrigeration equipment at the Bujumbura airport,
- Lack of a routine quality control system at the airport,
- Insufficient knowledge and understanding of European market operations, requirements, pricing, competition, and potential niches,
- Training needs in international marketing of the concerned produce,
- Lack of an export support framework, and
- Cumbersome administrative procedures.

Recently, US$2 million has been invested in a project for the development of essential oils, with an additional US$4.8 million envisaged.[6] At present, the project employs 350 permanent workers; in the long term, it projected to provide 4,000 permanent jobs.

Mining and Quarrying

Mining and quarrying are underdeveloped. The contribution of this sector to GDP and exports was virtually zero before 2001; in that year, Colombo-tantalite (“coltan”) mining contributed to raising the sector’s share of Burundi’s exports to 10 percent. Apart from coltan, there are deposits of nickel, cobalt, copper, cassiterite, phosphates, vanadium, and gold. The main constraints on the development of mining are the distances separating the deposits from the ports of exportation, the lack of transport infrastructure, and political instability. Moreover, the mineral and land codes, particularly relevant to the sector, need review and modernization.

Services

In the early 2000s services represented about one-third of GDP. More than half of the sector product comes from transport and communications services and trade-related services, as well as from informal sector activities. Tourism and financial services are very underdeveloped. Burundi’s commitments under the General Agreement on Trade in Services (GATS) concern

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[6] Part of the financing has been obtained from Window II of the Integrated Trust Fund.

business services, construction and related engineering services, distribution services, health-related services, and social services.

Tourism

The main tourist attractions in Burundi are its cultural heritage, its national parks and its nature reserves. Because of its socio-political instability, Burundi has not been able to develop a flourishing tourist industry. In addition, the country is handicapped by the limited number of air links with the main tourism markets, an underdeveloped hotel infrastructure, and the problems with its communication infrastructure.

STRUCTURE OF IMPORTS

Imports play a major role in the Burundi economy. Indeed, Burundi registers large and increasing trade deficits. Imports comprise a wide variety of goods. Manufactures make up about two-thirds of Burundi merchandise imports; fuels account for about 15 percent. This commodity composition largely reflects the lack of domestic manufacturing and fuel resources, and a small domestic market that limits the benefits that can be derived from economies of scale. (See Tables B-5–B-8 and Figures B-16 and B-17.)

Suppliers of Imports

European Union countries, in particular Belgium and France, are the major sources of Burundi's imports. Since 1994, African countries' share of imports has increased sharply, from 12 percent during 1969–1980, to 14 percent during 1981–1992, to 20.6 percent during 1993–1999, and to 34 percent during 2000–2004. Tanzania, Kenya, and Zambia have been the leading suppliers. This development reflects, in part, Burundi's efforts in regional integration, most notably membership in the Common Market of Eastern and Southern Africa (COMESA). (Tanzania, a major African supplier, withdrew from COMESA.)

Policies Affecting Imports

Tariffs are Burundi's principal trade policy instrument; Burundi eliminated many nontariff barriers in the 1990s. However, the trade liberalization program was brought to a halt by the war in 1993. Import tariffs remained basically unchanged for a decade. Effective January 1, 2003, Burundi embarked on a major revision of import tariffs, with the reduction of the maximum tariff rate from 100 percent to 40 percent. Further tariff reductions and simplifications were introduced in September 2005 as part of Burundi's undertaking under the COMESA Free Trade Area. Specifically, four tariff rates, covering all imports, were instituted:

- A zero rate applied to items such as wheat flour, wheat and rye, seed, and certain military supplies.
- A tariff rate of 10 percent, generally applied to equipment and construction material and inputs (this rate will fall to five percent in 2007);
- A tariff rate of 15 percent applied to intermediate imported inputs and to mass transportation vehicles of people and merchandise; and
- A tariff rate of 30 percent applied to consumption imports.

In addition to import duties, all Burundi imports are subject to a transaction tax of 17 percent, with the exception of beverages and fuel imports, which have a transaction tax rate of 20 percent and zero, respectively.[7] Other taxes, levied essentially on certain categories of imports, include a tariff surcharge applied to textile imports, excise duties, and a consumption tax.

EXTERNAL FACTORS SHAPING EXPORT CONTEXT

Transport[8]

Landlocked Burundi is heavily dependent on sea shipment services at the ports of Dar-es-Salaam (1,200 kilometers away) and Mombasa (2,050 kilometers away), on the Indian Ocean. The transport of imports and exports is frequently hampered by the closure of one or more routes to the ports due to war, heavy rains, or technical problems. There are frequently long delays and intermediate reloading. Transport costs to the coast are high because fuel is expensive, road conditions are poor, and tolls and axle weigh limits add to the number of expensive trips that transporters make. There is also the problem of frequent ad hoc barriers, giving rise to rent-seeking behavior.

Goods to and from Burundi are carried along one of three corridors[9] using a combination of rail, truck, and lake vessels, depending on the corridor used. The northern corridor exemplifies Burundi's international transport problems. The route to Bujumbura from Mombasa stretches some 2,050 kilometers. Various weight requirements, formation and movement by convoy, border procedures, bureaucracy, incompatible or unnecessary documents, limited national and international institutional coordination, ad hoc highway barriers and controls, and rent-seeking behavior add to the cost and time of transporting goods—both imports and exports. In addition, in view of Burundi's trade imbalance, trucks carrying loads to Burundi often have to wait in Burundi for sufficient loads to return to port, or must return empty.

Port Facilities

Because Burundi is a landlocked country, the bulk of Burundi's imports and exports transit the ports of Mombasa and Dar-es-Salaam. But Burundi does not have a permanent physical presence at either port. Such a presence might ensure timelier processing of formalities and transporting of goods.

For transportation on Lake Tanganyika, goods transit the port of Kigoma in Tanzania and the port of Bujumbura. The Bujumbura port has a reported total capacity of 500,000 tons per annum; in

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[7] The previously applied service tax was abolished in January 2006.

[8] Whereas this discussion is presented in the context of exports, the analysis applies to imports.

[9] The three corridors are the northern corridor—Mombasa–Bujumbura, via Nairobi, Kampala, Kigali and entry into Burundi at Kobero, or Kanyaru-Haut—total distance, 2,050 kilometers; the central corridor—Dar-es-Salaam to Bujumbura via Kobero, by truck, or Dar-es-Salaam to Kigoma, by rail, and Kigoma to Bujumbura, by lake vessels on Lake Tanganyika—road distance, 1,200 kilometers; and the southern corridor—southern African countries (for example, Beira in Mozambique and Durban) to Bujumbura, via ports of Mpulungu (Zambia) or Kalemie (Democratic Republic of Congo).

2002, the port handled about 170,000 tons. The port is spacious and relatively well organized; however, the age and associated unreliability of cranes in the port is a source of occasional delay in loading and unloading. In addition, there are cumbersome documentation requirements at the port, and the police in the port seem to slow the movement of goods, adding to transit costs.

Market Access and Trade Preferences

Burundi belongs to several and often overlapping regional organizations, including the African Union (AU), COMESA, and the Economic Community of Central African States. Burundi has applied for membership in the East African Community (EAC).[10] Moreover, Burundi is an original member of the WTO.

It is clear that Burundi can significantly improve resource allocation by reforming and further liberalizing its national trade regime, strengthening infrastructure, and building capacity.[11] Nevertheless, the country will not be able to take full advantage of potential gains from trade if its trading partners maintain import barriers against Burundi's existing or potential exports.

The pursuit of regional integration is a cornerstone of Burundi's trade policy. The dominant factor is Burundi's membership in COMESA: membership in COMESA is seen as an instrument to catalyze investment, market expansion, efficiencies of scale, and domestic competitive production. COMESA currently comprises 20 states, which have agreed to promote regional integration through the development of trade as well as their natural and human resources. COMESA's program is to broaden and expand the integration process in member countries by adopting general measures to liberalize trade, over a wide range of goods and services. The internal markets of most of the COMESA counties are too small to achieve economies of scale in production and to attract investment. Therefore, they formed a regional bloc, to benefit from enhanced competition, stronger economic growth, and fuller integration into the world economy. Key components of the COMESA integration process are the establishment of the free trade area, in due course a common market though a common external tariff, and harmonization of codes, procedures and practices. These elements have implications for Burundi's trading patterns, domestic industrial structure, and government finance.

Burundi's exports enjoy preferential market access to developed economies. In the absence of such preferences, the pattern of protection that Burundi's exports would face would be identical to that of all other exporters. Many developed countries provide enhanced preference and reciprocal preference schemes:

- ***EU preferences.*** Burundi has signed the Cotonou Agreement (the successor to the Lomé Agreements). As a least-developed country (LDC), Burundi receives additional preferences granted by the European Union under the Everything but Arms initiative.

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[10] The EAC currently comprises Kenya, Tanzania, and Uganda. At their seventh summit, the EAC heads of state requested further advancement in membership preparations and negotiations (for Burundi and Rwanda); they will return to this issue at their next ordinary summit meeting in November 2006. See Joint Communiqué, April 5, 2006 (http://www.eac.int).

[11] See WTO, Burundi: Trade Policy Review, 2003 (http://www.wto.org).

This initiative, launched in March 2001, grants duty-free and quota-free access to all products imported from LDCs, with the exception of arms. A timetable has been set for applying preferential treatment to sugar, rice, and bananas.

- ***U.S, preferences.*** The U.S. Africa Growth and Opportunity Act (AGOA)[12] gives extended preferential access to sub-Sahara African countries that meet stipulated eligibility criteria. Burundi was declared AGOA-eligible at the end of 2005. The potential benefits of AGOA extend beyond preferential access to the U.S. market to possible enhanced trading opportunities as suppliers to other AGOA-eligible countries, as the latter transform products for export to the United States. This would appear to be especially relevant to Burundi's cotton and textile export potential. This being the case, there is a need for training and information for Burundi producers as they assess how they may benefit from AGOA.
- ***Other preferences.*** Other advanced countries that have granted limited duty-free and quota-free market access include Australia, Canada, Japan, New Zealand, Norway, and Switzerland.

Key Market Access Issues

Burundi, a producer of primary agricultural commodities, with coffee, tea, and cotton the major exports, and with untapped potential in nontraditional horticultural exports and textiles, faces various barriers to its exports (existing or potential) to Western markets. These include

- High agricultural subsidies and support to domestic cotton production and export in the United States and the European Union;
- Tariff escalation at successive stages of processing;
- Higher average tariffs on agriculture than on manufacturing;
- High tariff peaks for some goods produced in developed countries;
- Restrictive sanitary and phytosanitary measures; and
- Antidumping and countervailing measures—actual or threatened.

Trade Policy Formulation and Implementation

It is broadly recognized that trade is a powerful engine for growth (and poverty reduction). Maximizing the gains from trade largely depends on the nature of incentives created for domestic producers, the openness of domestic markets to imports, and the degree to which Burundi exports can penetrate foreign markets. Clearly, the outcome of regional and multilateral trade negotiations is of the utmost importance to Burundi.

Trade policy is formulated and implemented by the Ministry of Trade and Industry, in close cooperation with the Ministry of Finance. Other ministries and institutions involved in implementing trade policy include the agriculture and livestock ministry, planning and

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[12] Signed into law in May 2000 and modified through AGOA-II, August 2002.

reconstruction ministry, justice ministry, state enterprises service, and the permanent secretary monitoring economic and social reforms. The Economic and Social Council is a consultative and advisory body with competence in all areas related to economic and social development, and must be consulted on any draft development plan or regional or subregional integration project. Increased consultations with the private sector, a priority of the transition government (during 2002–2005), were reflected in the preparation of the Interim Poverty Reduction Strategy Paper and the Diagnostic Trade Integration Study.

It is generally recognized that the Ministry of Trade and Industry is hampered in fulfilling its mandate by a lack of regular training for its staff at all levels. Only a very limited number of officials have the depth and breadth of expertise for effective participation in regional and multilateral negotiations. Moreover, there is an inadequate supply of computers and of motor vehicles needed for collecting information. In addition, there is the comparable need to strengthen other ministries, governmental units, and private sector participants, to develop a fuller understanding of the importance of an open trade and investment regime and to play their full role in this area.

INSTITUTIONAL ARRANGEMENTS FOR TRADE AND INVESTMENT FACILITATION

Customs Administration

The absence of clear and simple rules and a lack of capacity in customs administration are important constraints to trade in Burundi, leading to distortions, undermining the transparency of the tariff system, increasing costs for economic operators, and limiting the choice of producers and consumers. In addition, corruption and inefficiencies in Burundi's customs administration create distortions in resource allocation and raise the cost of imported goods—inputs as well as consumer goods. This favors import-competing industries relative to export industries.

The customs department is the lead agency involved in the administration, control, and taxation of goods imported into and exported from Burundi. Besides customs administration, a variety of public and private organizations are involved at various stages of trade, with considerable impact on transaction costs and speed of passage at clearance offices and border posts. These non-customs organizations include the ministries of trade and industry, finance, agriculture and livestock, and environmental services; foreign preshipment inspection company;[13] commercial banks; quality control institutions; and security services. Administrative controls and requirements are numerous and often redundant, inducing some traders to seek dispensation or to bribe officials to accelerate or sidestep customs formalities. In addition, customs exemptions, mostly for nongovernmental organizations (NGOs) and diplomats and for project-related imports, are widely granted and a source of abuse. Action should be taken to reduce the size of customs duty exemptions or to eliminate them, and to implement a rigorous exemption control and monitoring system (with the use of special treasury checks).

[13] The Geneva-based SGS is the sole preshipment inspection company currently contracted by Burundi; its contract was renewed in late 2005.

Steps to strengthen customs administration include greater use of computers and networking; greater harmonization of customs procedures with logistics platforms at the port, airport, and border posts; improved equipment for all customs clearance offices; and staff training. In addition, there is a need for standards and quality control infrastructure, a need to ensure complementary between preshipment inspection and other customs activities, and a need for a unique identification number for each economic operator.[14]

Export Support Systems

Burundi's main export support institutions and mechanisms are the drawback system,[15] the external trade promotion agency (APEE), the export processing zone, and the export promotion fund. In general, this export support system is dysfunctional, owing in part to a lack of adequate financing and technical expertise and in part to administrative encumbrances. For example, the drawback system, which has existed formally since 1994, is barely used because it is cumbersome and bureaucratic; it rarely results in any reimbursement.

In 1989 the government created APEE as a semipublic entity with private sector shareholders. Its purpose was to help exporters with nonprofit support services. To cover some of the APEE's operating costs, the government provided subsidies from a percentage of inspection fees carried out by the preshipment inspection entities. These transfers were interrupted in 1996; currently APEE is without financial resources and incapable of fulfilling its purpose—it is effectively nonoperational.

Burundi's export processing zone was established in 1993 to encourage foreign direct investment, export diversification, and the promotion of nontraditional exports. A total of 36 enterprises were granted the status of "free enterprises": 13 of these enterprises never started operation; five were closed down; and five have had their status revoked. Presently, 13 companies are still in operation, of which 12 export fresh fruits and vegetables.

The export promotion fund was created in 2000 as part of a reform package aimed at diversifying exports and promoting new nontraditional exports. Since its creation, the fund has made loans to about 20 projects for the export of nontraditional products. These loans exhausted the initial capital of the fund, many borrowers have been unable to pay back their loans, and the activities of the fund are at a temporary standstill.

Burundi has made little significant progress in export promotion and diversification since the early 1990s. Persistent obstacles to exports, in particular nontraditional exports, fall into three broad categories:

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[14] In due course, Burundi's participation in the yet-to-be-operational COMESA Regional Customs Bond Guarantee Scheme could enhance customs efficiency and reduce import costs.

[15] A drawback system basically allows the reimbursement of import duties paid for inputs to products that are being exported. A drawback system may also be used as a tax-credit system for the refund of indirect taxes on inputs intended to produce exports.

- Administrative and policy constraints, including the high cost of and difficult access to credit; scarcity of foreign exchange for importing essential inputs; dysfunctional duty-drawback system; preshipment inspection requirements that increase the cost of imported inputs; cumbersome customs procedures; and a central bank staff with limited specialized knowledge of nontraditional export operations;
- Institutional constraints, including the lack of a mutually supportive, interconnected network of domestic and overseas services; and
- Structural export obstacles and constraints owing to Burundi's political and geographic situation, including high transport costs; long transport time that reduces export quality; lack of regular air traffic to Europe; difficult access to rural areas for the supply of export products, owing to a lack of security and poor roads; poor port infrastructure; and high costs of energy and other infrastructure.

Burundi needs a comprehensive and fully elaborated export promotion and diversification strategy. Such a strategy should have well-defined objectives, identify and mobilize required resources for its implementation, and specify the respective roles of government, state-controlled enterprises, and businessmen, with adequate monitoring mechanisms to ensure accountability. The following actions could help establish the institutional arrangements needed for an export promotion strategy to be instituted and to become effective:

- Clear articulation of a high-level political commitment to treat export support and promotion as a primary goal of the country;
- Creation of a national export council empowered to create an export-enabling policy environment; and
- Creation of a trade and investment promotion organization led by the private sector, to implement the strategy to facilitate exports and investments on a day-to-day basis.

An effective, fully functional export and investment promotion structure will provide exporters with critical knowledge and information in areas such as market access conditions, marketing requirements and practices, packaging, shipping and promotion, sources of finance, and regulation and standards. The last element is especially important in view of the increasing practice of applying rigorous health and safety standards, particularly by industrialized countries.[16] Moreover, such a structure can advise on whether to reform or abolish the duty drawback system, the export promotion fund, and the export processing zone.

Business Regulatory Environment

Overall, regulation is a serious constraint to trade in Burundi. Regulations have been developed and imposed by previous governments with little private sector input or comment. Moreover, there is no formal system for consultation between the government and the private sector about regulations affecting business. Burundi's domestic regulatory regime consists of the investment

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[16] The functions of the Burundi standardization office (BNN—*Bureau Burundais de Normalisation*) are pertinent in this area.

code, the commercial code, the taxation system, the labor code, and the mining code. All are dated and need to be modernized.

The main business incentives are extended under the investment code. The code, in effect since 1987 and updated repeatedly, has been simplified, but falls short of meeting modern criteria. The code does not offer incentives to investments themselves, but rather provides exonerations on income, property, and building taxes for the initial years of operation and the possibility of reduced taxation in future years. These incentives are well intended but fall short of a good incentive environment, including an efficient judicial system, efficient financial system, good infrastructure, and adequate training and schooling for workers. The code lacks provisions for efficient implementation based on the transparency and automatic implementation that are essential to attract foreign investment.

The commercial code, designed with the assistance of the World Bank in 1993, is incomplete. Its principal weaknesses are a lack of bankruptcy provisions; a narrow definition of unfair competition; a lack of harmonization with tax and tariff laws and with the investment code; and a failure to discuss the status of foreign firms operating in the domestic economy. Furthermore, a implementation texts are lacking, and there is insufficient financing for enforcement.

The taxation system contains too many taxes, imposes a high overall level of taxation, and imposes onerous administrative mechanisms, all serious burdens on the private sector.

Besides the investment code, the commercial code, and the labor code, other business regulations in need of review and updating include the mining code, energy code, and telecommunications code.

Telecommunications

With the growth of mobile telephony, telephone contacts in the region have increased in reliability and costs have declined. Telecommunications in Burundi remain a privileged instrument of international and domestic communication, and their improvement has been part of Burundi's development strategy since independence. Burundi's telecommunications regulations promote competition in both domestic and international markets. The market is accessible to all operators, and foreign and domestic investors are treated equally. Prices have been downward sloping and are regionally competitive. Burundi needs to accelerate the privatization of government-owned telecommunications and to liberalize the telecommunications sector to facilitate the entry and exit of firms. Access to telecommunications infrastructure could strengthen the marketing of primary commodities, for example, by facilitating direct contacts between producers, processors, and buyers, and by facilitating the dissemination of market information.

Energy Costs and Quality

The lack of adequate electricity infrastructure in Burundi and neighboring countries is a major factor hindering economic activity, especially the manufacturing sector. Energy costs are high in Burundi, and the service quality is poor, subject to frequent disruption. As a result, energy consumption in Burundi is the lowest in the region. Despite the abundance of potential hydroelectric capacity, electricity is expensive (large industrial and commercial users pay high tariff rates to subsidize household consumption) and undependable, with frequent power failures or reductions that raise costs, impose the need for backup sources of power, and prevent the use of some industrial processes entirely.

Fuel is imported and expensive but can be obtained fairly rapidly, in part because it is not subject to the preshipment inspection system used for other imports. A regional approach, for example the Mombasa–Eldora pipeline project, could lower the cost of importing fuel.

Financial Services and the Cost of Credit

Financing is more expensive and unreliable in Burundi that in many other countries.[17] Entrepreneurs report that the execution of financial transactions such as letters of credit is relatively swift and reliable, but the paperwork requirements, plus the costs of other financial services, reduce competitiveness. Seemingly high nominal lending rates can be attributed to the central bank's limitation on its rediscounting in the framework of maintaining macroeconomic stability, domestic inflation anticipation, exchange rate risk, the need to cover nonperforming loans (in large measure stemming from lending during the embargo period), and the lack of effective competition among banks. The lack of equity financing from foreign or domestic sources, high nominal interest rates, and the absence of medium- and longer-term debt finance are major obstacles to new investment that even a more permissive investment environment would not overcome.

CONCLUDING REMARKS—THE OUTLOOK

As stated in the introduction, Burundi has a long record of dialogue and cooperation on policy and measures, to render the economy competitive and to facilitate trade and investment. The dialogue has given rise to a broad consensus between the partners and stakeholders on the obstacles, problems, challenges, and potential facing Burundi. Most of the elements for reducing and eliminating barriers and obstacles to trade and investment have thus already been identified. This report brings together various threads rather than setting out new considerations.

For Burundi to advance in economic growth and poverty reduction, it is clear that in the immediate near term it must build up its reliance on the three major export products, but it must also diversify along the processing chain and into new commodity and product areas.

Among the policies and measures needed to facilitate trade and investment are sustained peace and security; a stable macroeconomic framework that attracts investment and supports growth, underpins a stable and competitive exchange rate, holds inflation in check, and attacks international savings; institutional reforms, including effective institutions for export diversification and facilitation, and revival of traditional exports; capacity building, in particular to enhance the capacity of the Ministry of Trade and Industry and other ministries and private sector stakeholders to formulate and implement trade policy, taking into account Burundi's

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[17] Lending rates in Burundi exceed those in Kenya and Tanzania and are about on par with those in Uganda (see Table B-9). In any case, rates in Burundi are a multiple of those in the industrial world.

regional and international commitments and obligations; the strengthening of trade facilitation, including the reform and modernization of customs; legal and regulatory reform and modernization, to attract investment, both by national and international investors; enhance domestic resource mobilization; and mobilize the support of national stakeholders and external partners (donors and international and regional institutions).

The potential for strengthening trade and investment in Burundi is evident. The challenge is to mobilize and sustain policy commitment and determination, to move forward expeditiously in the implementation of reform measures and programs, and to generate effective support from national and international partners.

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Appendix B. Tables and Figures

TABLES

FIGURES

Table B-1

Burundi: Exports by Commodity Groups, 1993–2004 (US$ thousand)

Commodity Group	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
All food items	47,823	87,782	107,023	54,267	67,569	85,728	43,752	36,747	31,499	21,620	29,709	36,446
Agricultural raw materials	7,799	4,731	4,878	1,315	215	170	209	3,059	302	353	210	458
Ores & metals	908	653	1,305	714	737	436	617	316	3,689	790	416	605
Fuels	14										212	5
Chemical products	952	1,186	964	35	13	3	60	5	19	10	157	120
Machinery & transport equipment	62	91	102	83	1	57	5	117	11	116	1,423	788
Other manufactured goods	4,351	1,542	2,881	644	205	99	53	72	262	315	497	1,120
Unallocated	96,355	75,613	61,786	24,717	5	4	17,718	2,506	6,374	3,344	33,278	43,182
Total	158,263	171,597	178,939	81,776	68,745	86,496	62,413	42,821	42,155	26,547	65,903	82,725

Table B-2

Burundi: Annual Average Exports by Commodity Group, 1993–1999 and 2000–2004

Commodity Group	SITC[a]	Average 1993–1999	Percent of Total	Average 2000–2004	Percent of Total
All food items	(SITC 0 + 1 + 22 + 4)	70,564	61.1	31,204	60.0
Agricultural raw materials	(SITC 2 - 22 - 27 - 28)	2,760	2.4	876	1.7
Ores and metals	(SITC 27 + 28 + 68)	767	0.7	1,163	2.2
Fuels	(SITC 3)	2	0.0	43	0.1
Chemical products	(SITC 5)	459	0.4	62	0.1
Machinery and transport equipment	(SITC 7)	57	0.0	491	0.9
Other manufactured goods	(SITC 6 + 8 - 68)	1,396	1.2	453	0.9
Unallocated	(SITC 9)	39,457	34.2	17,737	34.1
Total	(SITC 0 to 9)	115,461	100.0	52,030	100.0

[a]*Standard International Trade Classification*

Table B-3

Burundi: Exports by Destination, Selected Annual Averages

Destination	1969–1980	1981–1992	1993–1999	2000–2004
US$ MILLION				
World	46.7	93.5	82.5	41.8
Developed economies	36.0	65.6	45.5	25.0
Developed economies: Europe	13.2	52.7	44.7	24.1
EU 25	13.1	52.1	33.4	13.3
United States and Canada	22.2	10.2	0.7	0.8
Japan	0.6	2.7		
Developed economies: Other				
Southeast Europe and CIS	0.8			
Developing economies	1.9	9.8	9.5	7.1
OPEC		0.5		
Developing economies: America				
Developing economies: Africa	1.0	8.9	9.1	6.5
Developing economies: West Asia				
Developing economies: Other Asia	0.8	0.7		0.6
Unallocated	8.0	18.1	24.1	7.2
PERCENT OF TOTAL				
World	100.0	100.0	100.0	100.0
Developed economies	77.1	70.1	55.2	59.9
Developed economies: Europe	28.2	56.4	54.2	57.6
EU 25	28.1	55.7	40.5	31.8
United States and Canada	47.5	10.9	0.9	1.9
Japan	1.4	2.9		
Developed economies: Other				
Southeast Europe and CIS	1.7			
Developing economies	4.0	10.5	11.5	17.0
OPEC		0.6		
Developing economies: America				
Developing economies: Africa	2.2	9.6	11.1	15.4
Developing economies: West Asia	0.0			
Developing economies: Other Asia	1.7	0.7		1.5
Unallocated	17.2	19.3	29.2	17.3

SOURCE: *UNCTAD Handbook of Statistics 2005*

Table B-4 (1)

Burundi: Exports by Destination, 1993–2004 (US$ million)

Destination	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average 2000–2004
World	61.9	118.9	104.0	37.3	87.3	64.0	55.0	48.9	38.5	31.0	37.5	53.2	41.8
Developed economies	38.3	61.6	51.9	10.0	55.2	33.4	37.9	30.2	27.5	14.9	21.2	31.4	25.0
Developed economies: Europe	38.0	61.2	51.6	9.9	54.4	32.2	35.7	29.7	27.4	14.8	20.5	28.1	24.1
EU 25	29.9	45.4	40.0	7.4	42.6	25.8	25.3	17.5	17.1	8.8	8.5	14.5	13.3
United States and Canada	0.3	0.3	0.2		0.8	1.1	2.0	0.3	0.0	0.1	0.6	3.0	0.8
Japan						0.1	0.1	0.1			0.0	0.3	0.1
Southeast Europe and CIS											0.3	0.4	0.1
Developing economies	16.2	12.1	13.5	9.9	2.9	2.2	1.3	8.4	6.0	9.8	3.6	7.8	7.1
OPEC			0.1		0.5	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Developing economies: America						0.1							0.0
Developing economies: Africa	16.0	12.0	13.1	9.2	2.3	1.9	1.2	8.3	6.0	9.8	3.4	4.8	6.5
Developing economies: West Asia	0.1	0.2	0.3	0.7	0.5	0.0	0.1	0.1	0.1				
Developing economies: Other Asia	0.1		0.1	0.0	0.1	0.1	0.1	0.0			0.2	3.0	0.6
Unallocated	7.4	45.1	38.7	17.4	15.3	22.5	14.1	7.9	0.9	3.6	10.3	13.5	7.2

SOURCE: *UNCTAD Handbook of Statistics 2005*

Table B-4 (2)

Burundi: Exports by Destination, 1993–2004(percent of total)

Destination	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Average 2000–2004
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed economies	61.9	51.8	49.9	26.8	63.2	52.2	68.9	61.8	71.4	48.1	56.5	59.0	59.9
Developed economies: Europe	61.4	51.5	49.6	26.5	62.3	50.3	64.9	60.7	71.2	47.7	54.7	52.8	57.6
EU 25	48.3	38.2	38.5	19.8	48.8	40.3	46.0	35.8	44.4	28.4	22.7	27.3	31.8
United States and Canada	0.5	0.3	0.2		0.9	1.7	3.6	0.6		0.3	1.6	5.6	1.9
Developed economies: Other													
Southeast Europe and CIS											0.8	0.8	0.3
Developing economies	26.2	10.2	13.0	26.5	3.3	3.4	2.4	17.2	15.6	31.6	9.6	14.7	17.0
OPEC			0.1		0.6		0.2	0.2	0.3				0.1
Developing economies: America						0.2							0.0
Developing economies: Africa	25.8	10.1	12.6	24.7	2.6	3.0	2.2	17.0	15.6	31.6	9.1	9.0	15.4
Developing economies: West Asia	0.2	0.2	0.3	1.9	0.6	0.0	0.2	0.2	0.3				0.1
Developing economies: Other Asia	0.2	0.0	0.1	0.0	0.1	0.2	0.2	0.0			0.5	5.6	1.5
Unallocated	12.0	37.9	37.2	46.6	17.5	35.2	25.6	16.2	2.3	11.6	27.5	25.4	17.3

SOURCE: *UNCTAD Handbook of Statistics 2005*

Table B-5

Burundi: Average Imports by Commodity Group, 1993–2004 (US$ thousand)

Commodity Group	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
All food items	33,267	45,033	56,560	22,172	22,169	31,802	14,728	34,458	18,195	14,363	22,590	15,553
Agricultural raw materials	4,621	3,416	5,231	2,354	2,812	2,387	2,936	3,610	3,517	3,163	1,890	1,976
Ores and metals	3,898	2,829	3,253	1,822	1,635	5,662	4,467	3,266	2,383	2,338	2,215	1,982
Fuels	27,118	30,296	30,869	19,513	13,319	22,393	19,130	17,856	17,400	16,639	26,692	28,491
Chemical products	30,767	27,269	37,595	18,067	20,765	22,422	20,945	19,693	25,255	23,168	20,980	26,089
Machinery and transport equipment	59,615	47,808	79,281	39,086	30,532	37,677	40,005	34,419	32,473	29,460	36,615	54,864
Other manufactured goods	58,828	45,868	56,413	36,462	28,910	39,312	29,356	35,894	39,082	38,832	33,668	43,774
Unallocated	3,095	826	1,289	327	426	579	406	961	586	848	0	0
Total	221,210	203,345	270,490	139,802	120,567	162,235	131,972	150,157	138,891	128,811	144,650	172,729

Table B-6

Burundi: Average Imports by Commodity Group, 1993–1999 and 2000–2004 (US$ thousand)

Commodity Group	SITC	Average 1993–1999	Percent of Total	Average 2000–2004	Percent of Total
All food i tems	(SITC 0 + 1 + 22 + 4)	32,248	18.1	21,032	14.3
Agricultural raw materials	(SITC 2 - 22 - 27 - 28)	3,394	1.9	2,831	1.9
Ores & metals	(SITC 27 + 28 + 68)	3,366	1.9	2,437	1.7
Fuels	(SITC 3)	23,234	13	21,416	14.6
Chemical products	(SITC 5)	25,404	14.2	23,037	15.7
Machinery and transport equipment	(SITC 7)	47,715	26.7	37,566	25.5
Other manufactured goods	(SITC 6 + 8 - 68)	42,164	23.6	38,250	26
Unallocated	(SITC 9)	992	0.6	479	0.3
Total	(SITC 0 to 9)	178,517	100	147,048	100

Table B-7

Burundi: Imports by Geographic Origin, Selected Annual Averages, 1969–2004

Origin	1969–1980	1981–1992	1993–1999	2000–2004
US$ MILLION				
World	65.9	204.6	164.8	159.7
Developed economies	44.0	122.4	78.2	53.5
Developed economies: Europe	35.5	99.9	62.7	38.2
EU 25	35.0	97.9	61.3	37.3
United States and Canada	3.7	6.7	5.9	7.3
Japan	4.7	15.4	9.4	7.8
Developed economies: Other	0.2	0.3	0.2	0.3
Southeast Europe and CIS	1.4	0.8	0.4	1.1
Developing economies	18.2	65.4	60.2	77.9
OPEC	6.3	25.8	14.1	8.2
Developing economies: America	0.1	0.0	0.0	0.0
Developing economies: Africa	8.0	28.0	34.0	54.9
Developing economies: West Asia	6.3	26.0	14.1	8.3
Developing economies: Other Asia	3.7	11.4	12.1	14.8
Unallocated	2.4	16.1	13.5	10.2
PERCENT OF TOTAL				
World	100.0	100.0	100.0	100.0
Developed economies	66.8	59.8	47.4	33.5
Developed economies: Europe	53.8	48.8	38.1	23.9
EU 25	53.1	47.8	37.2	23.3
United States and Canada	5.5	3.3	3.6	4.5
Japan	7.1	7.5	5.7	4.9
Developed economies: Other	0.3	0.2	0.1	0.2
Southeast Europe and CIS	2.1	0.4	0.2	0.7
Developing economies	27.6	31.9	36.5	48.8
OPEC	9.6	12.6	8.5	5.1
Developing economies: America	0.2	0.0	0.0	0.0
Developing economies: Africa	12.2	13.7	20.6	34.4
Developing economies: West Asia	9.6	12.7	8.5	5.2
Developing economies: Other Asia	5.6	5.6	7.3	9.3
Unallocated	3.6	7.9	8.2	6.4

SOURCE: UNCTAD Handbook of Statistics 2005.

Table B-8 (1)

Burundi: Imports by Geographic Origin, 1993–2004 (US$ million)

Origin	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2000–2004
World	197.1	233.3	233.0	125.0	122.7	157.0	117.7	147.2	138.8	130.0	156.7	225.7	159.7
Developed economies	120.5	126.7	144.4	72.0	46.0	49.7	30.1	49.1	39.9	34.8	38.2	105.6	53.5
Developed economies: Europe	96.8	99.7	118.9	57.8	36.0	40.6	23.4	36.3	28.1	24.4	27.2	74.9	38.2
EU 25	95.3	96.5	117.5	57.4	35.3	38.7	22.4	35.4	27.4	23.5	26.4	73.7	37.3
United States and Canada	4.6	9.2	12.0	6.0	2.3	2.8	2.9	5.0	4.7	2.9	4.1	19.6	7.3
Japan	18.9	17.6	13.4	8.2	7.6	6.0	3.7	7.7	7.0	7.5	6.8	9.9	7.8
Developed economies: Other	0.2	0.2	0.1	0.1	0.1	0.4	0.2	0.1	0.2	0.0		1.3	0.3
Southeast Europe and CIS	0.1	0.1	0.5	0.6	0.1	0.6	0.4	0.6	2.4	0.9	0.8	0.6	1.1
Developing economies	65.4	84.8	59.0	46.9	45.7	67.1	57.6	68.6	63.6	61.6	84.9	111.0	77.9
OPEC	12.6	17.4	3.0	16.3	12.7	18.3	16.8	18.0	16.0	3.7	1.4	1.9	8.2
Developing economies: America		0.0											
Developing economies: Africa	37.0	48.7	38.2	21.3	27.2	36.7	31.9	38.2	33.5	43.9	69.0	89.7	54.9
Developing economies: West Asia	12.6	17.4	3.0	16.3	12.7	18.3	16.8	18.0	16.0	3.7	1.4	2.2	8.3
Developing economies: Other Asia	15.8	18.6	17.9	9.2	5.9	12.1	8.9	12.4	14.1	14.0	14.5	19.0	14.8
Unallocated	10.4	21.0	28.6	3.8	8.6	9.4	9.7	10.3	11.3	11.4	9.6	8.5	10.2

SOURCE: UNCTAD Handbook of Statistics 2005.

Table B-8 (2)

Burundi: Imports by Geographic Origin, 1993–2004 (percent of total)

Region	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2000–2004
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Developed economies	61.1	54.3	62.0	57.6	37.5	31.7	25.6	33.4	28.7	26.8	24.4	46.8	33.5
Developed economies: Europe	49.1	42.7	51.0	46.2	29.3	25.9	19.9	24.7	20.2	18.8	17.4	33.2	23.9
EU 25	48.4	41.4	50.4	45.9	28.8	24.6	19.0	24.0	19.7	18.1	16.8	32.7	23.3
United States and Canada	2.3	3.9	5.2	4.8	1.9	1.8	2.5	3.4	3.4	2.2	2.6	8.7	4.5
Japan	9.6	7.5	5.8	6.6	6.2	3.8	3.1	5.2	5.0	5.8	4.3	4.4	4.9
Developed economies: Other	0.1	0.1	0.0	0.1	0.1	0.3	0.2	0.1	0.1	0.0	0.0	0.6	0.2
Southeast Europe and CIS	0.1	0.0	0.2	0.5	0.1	0.4	0.3	0.4	1.7	0.7	0.5	0.3	0.7
Developing economies	33.2	36.3	25.3	37.5	37.2	42.7	48.9	46.6	45.8	47.4	54.2	49.2	48.8
OPEC	6.4	7.5	1.3	13.0	10.4	11.7	14.3	12.2	11.5	2.8	0.9	0.8	5.1
Developing economies: America	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Developing economies: Africa	18.8	20.9	16.4	17.0	22.2	23.4	27.1	26.0	24.1	33.8	44.0	39.7	34.4
Developing economies: West Asia	6.4	7.5	1.3	13.0	10.4	11.7	14.3	12.2	11.5	2.8	0.9	1.0	5.2
Developing economies: Other Asia	8.0	8.0	7.7	7.4	4.8	7.7	7.6	8.4	10.2	10.8	9.3	8.4	9.3
Unallocated	5.3	9.0	12.3	3.0	7.0	6.0	8.2	7.0	8.1	8.8	6.1	3.8	6.4

SOURCE: UNCTAD Handbook of Statistics 2005

Table B-9

Comparative Lending Rates in Burundi, Selected Neighboring Countries, Belgium, and the United States, 2000–2005 (average percent per annum)

Year	Burundi	Kenya	Tanzania	Uganda	Belgium	United States
2000	15.77	22.34	21.58	22.92	7.98	9.23
2001	16.82	19.67	20.26	22.66	8.46	6.92
2002	19.47	18.45	16.43	19.10	7.71	4.68
2003	18.23	16.57	14.48	18.94	6.89	4.12
2004	18.25	12.53	13.92	20.60	6.70	4.34
2005	19.30[a]	12.88	15.12	19.79[a]	6.72	6.19

[a] *Third quarter 2005*

SOURCE: IMF, IFS various issues

Figure B-1

Burundi: GDP, 1961–2005

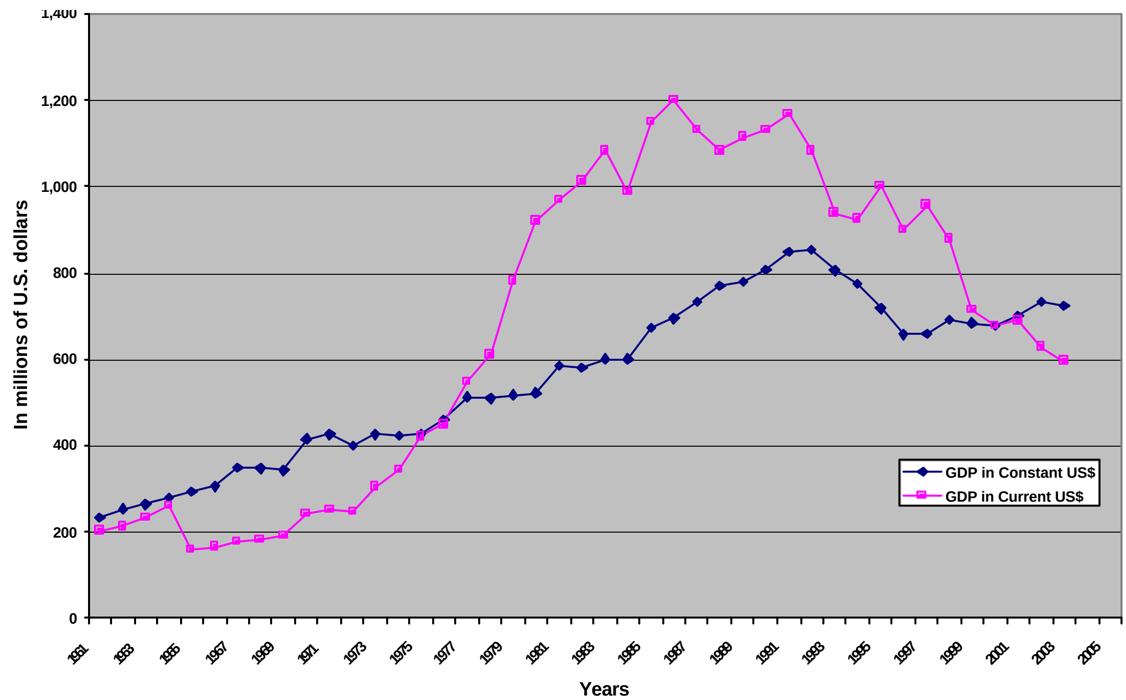


Figure B-2

Burundi: GDP per Capita, 1961–2005

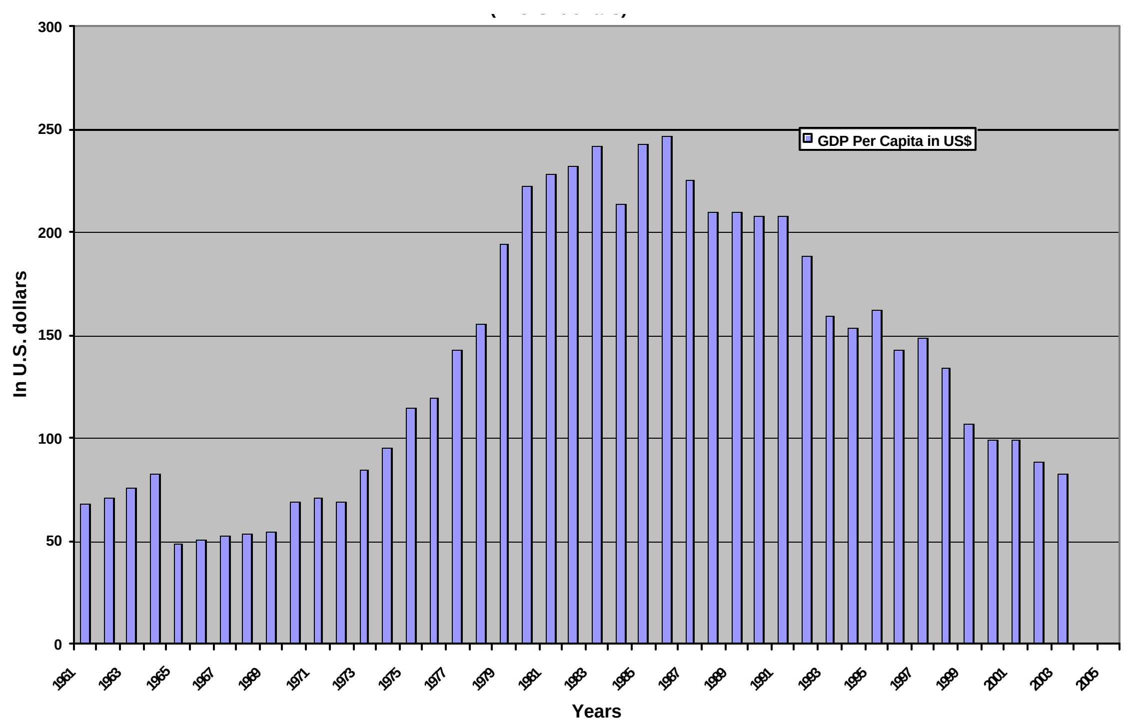


Figure B-3

Burundi: Inflation, 1980–2005

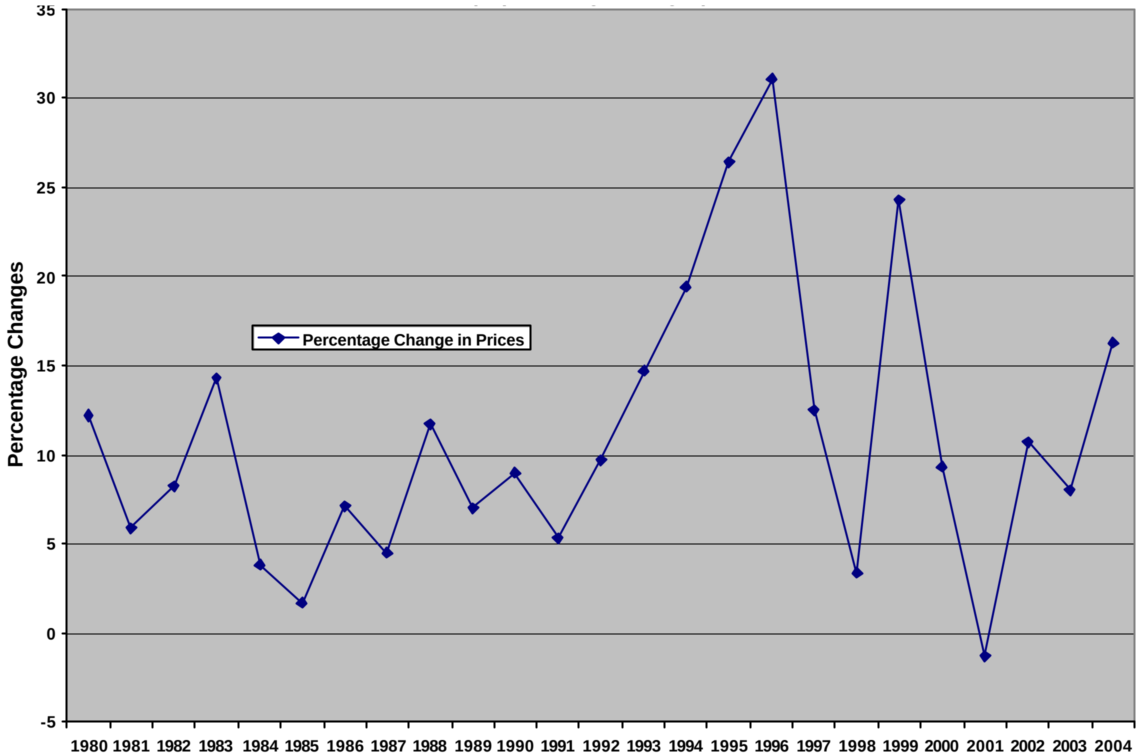


Figure B-4

Burundi: Changes in Terms of Trade, 1992–2005

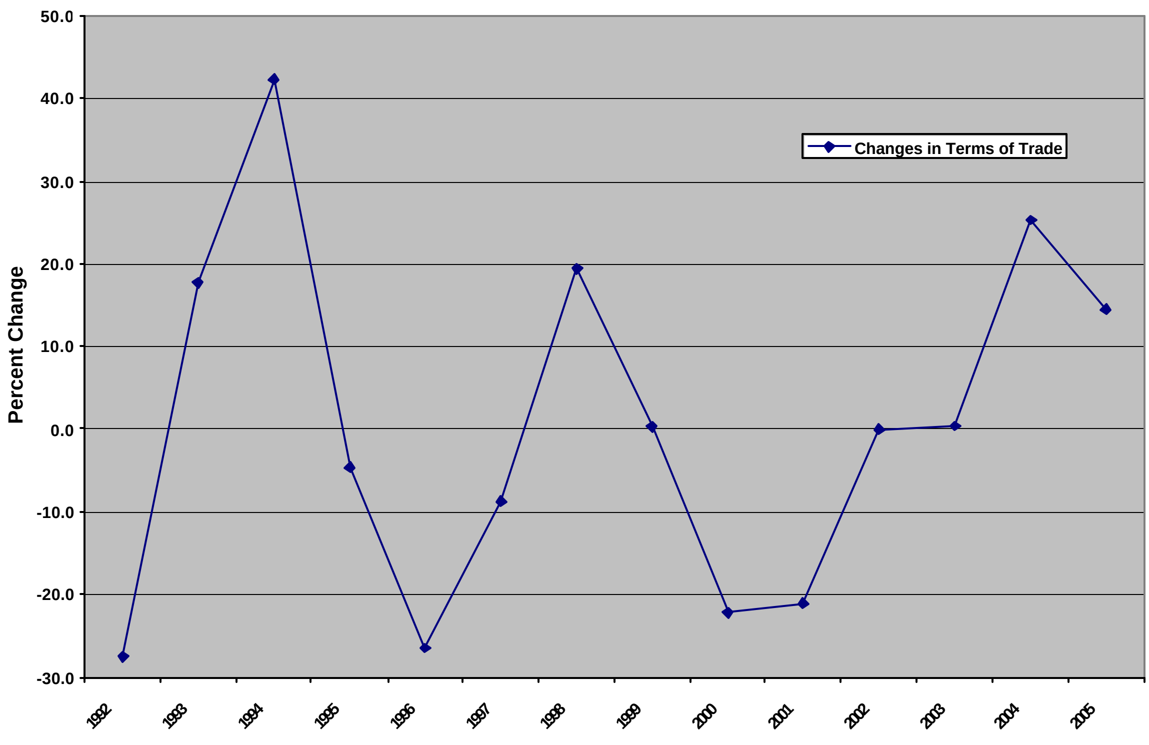


Figure B-5

Burundi: Exports of Coffee, Tea, and Cotton, 1980–2004

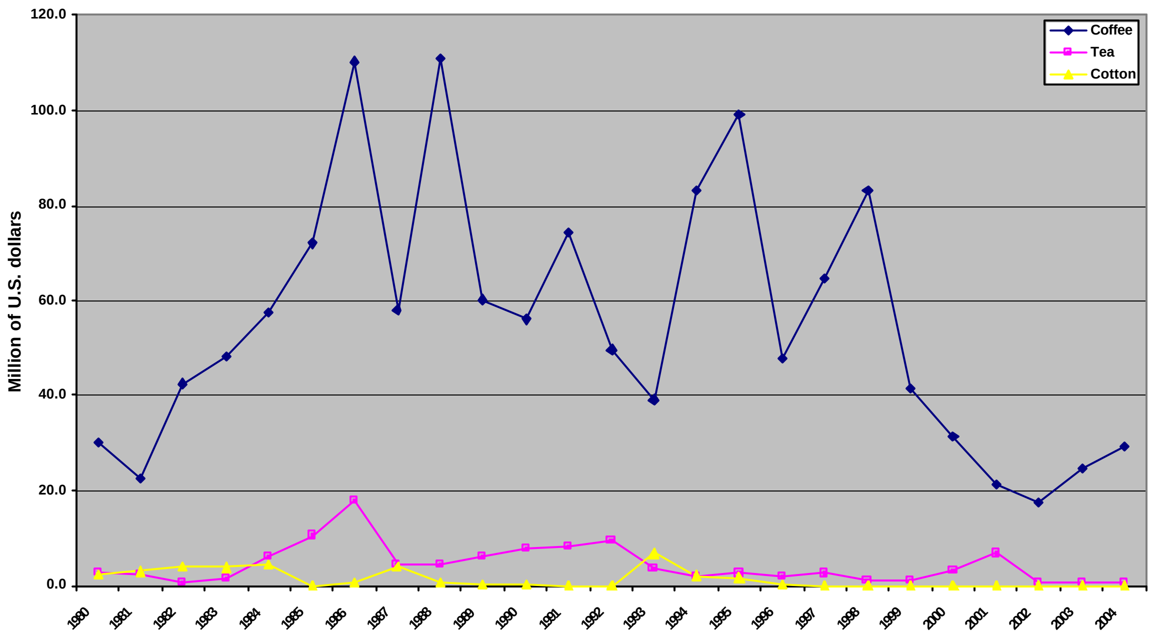


Figure B-6

Burundi: Exports of Coffee, Tea, and Cotton, 1992–2005

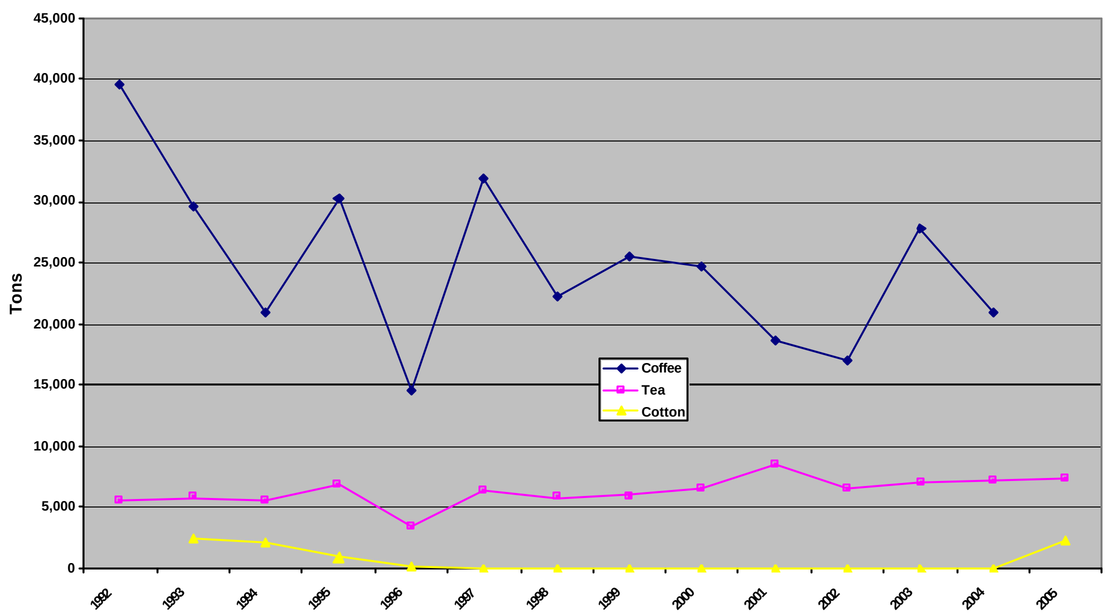


Figure B-7

Burundi: World Coffee (Other "Milds" New York) Prices, 1961–2005 (U.S. cents per pound)

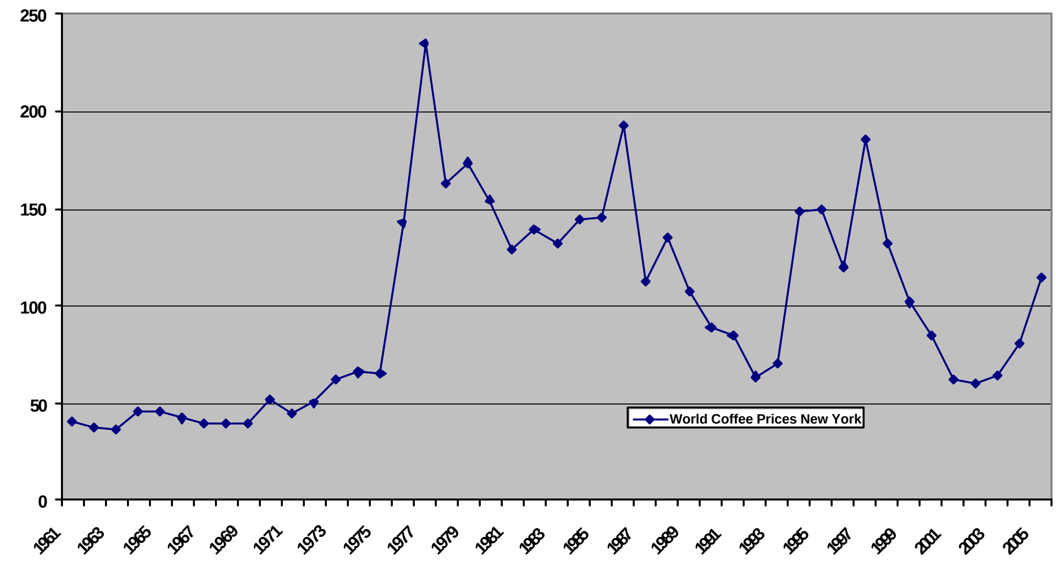
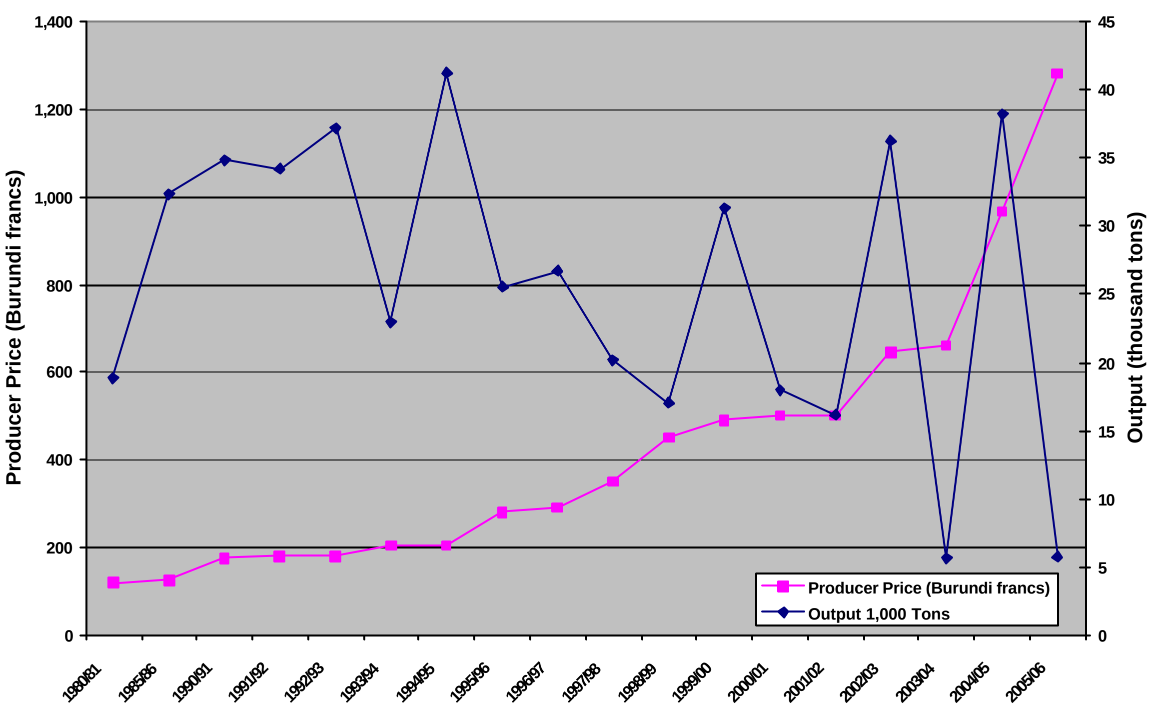


Figure B-8



Burundi: Selected Coffee Indicators (Output and Producer Price), 1980/81–2005/06

Figure B-9

Burundi: Coffee Exports, 1980/81–2005/06

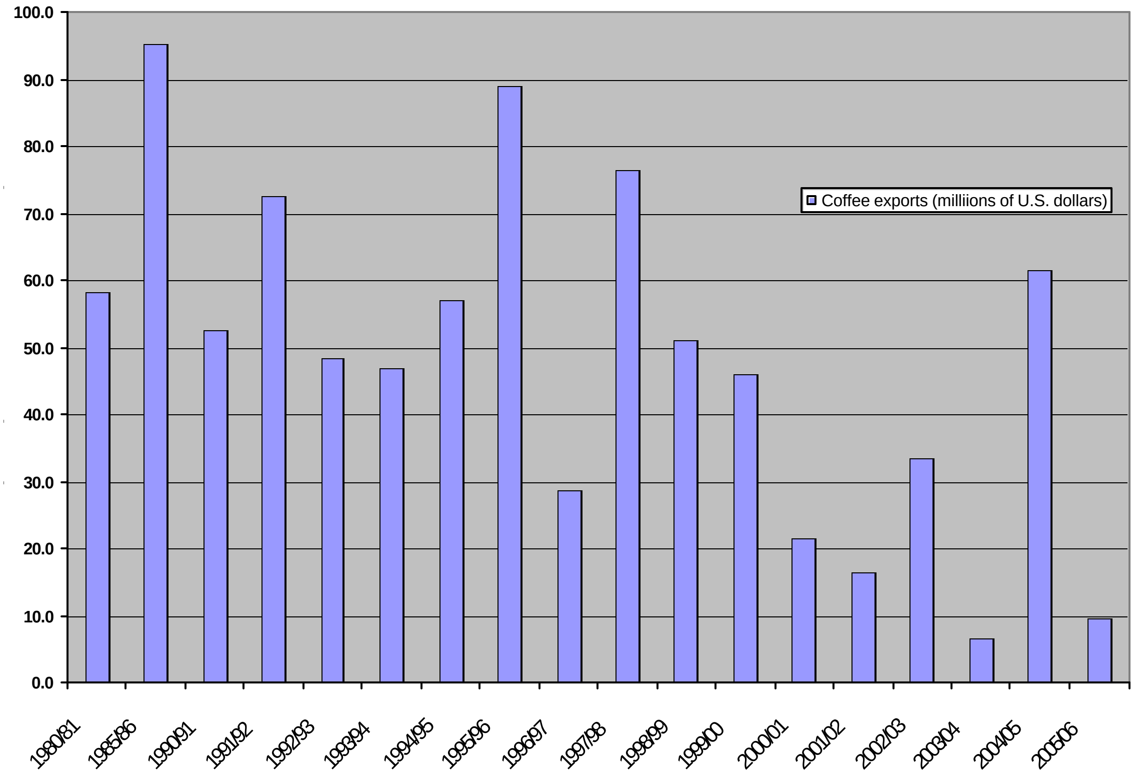


Figure B-10

Burundi: World Tea Prices (Average London Auction), 1961–2005

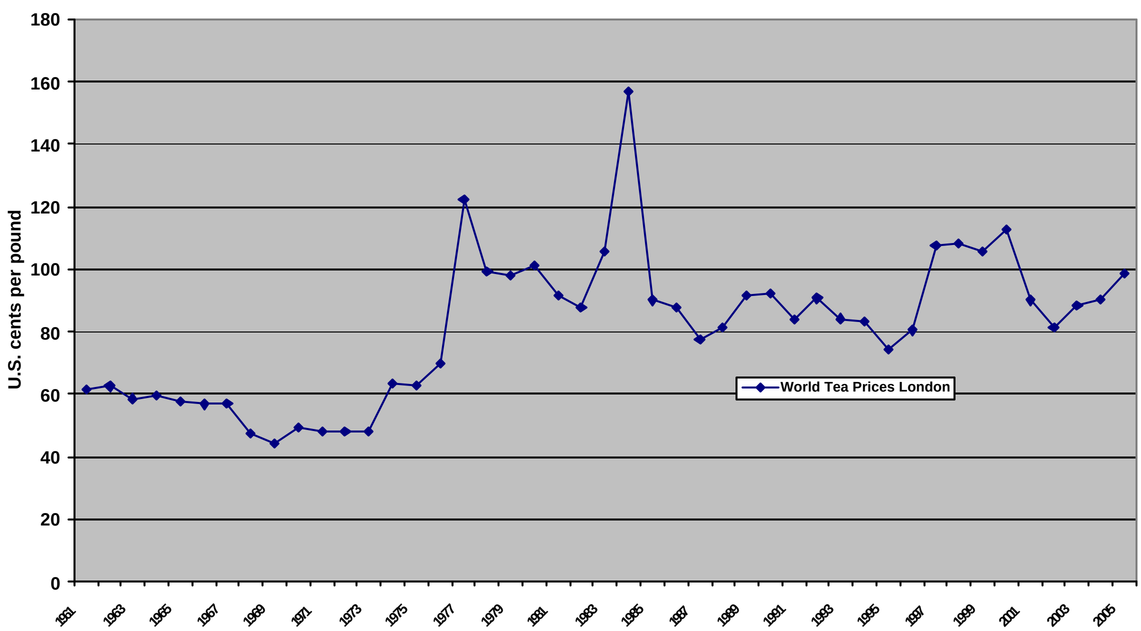


Figure B-11

Burundi: Tea Sector Indicators (Area under Cultivation, Production, and Export), 1992–2005

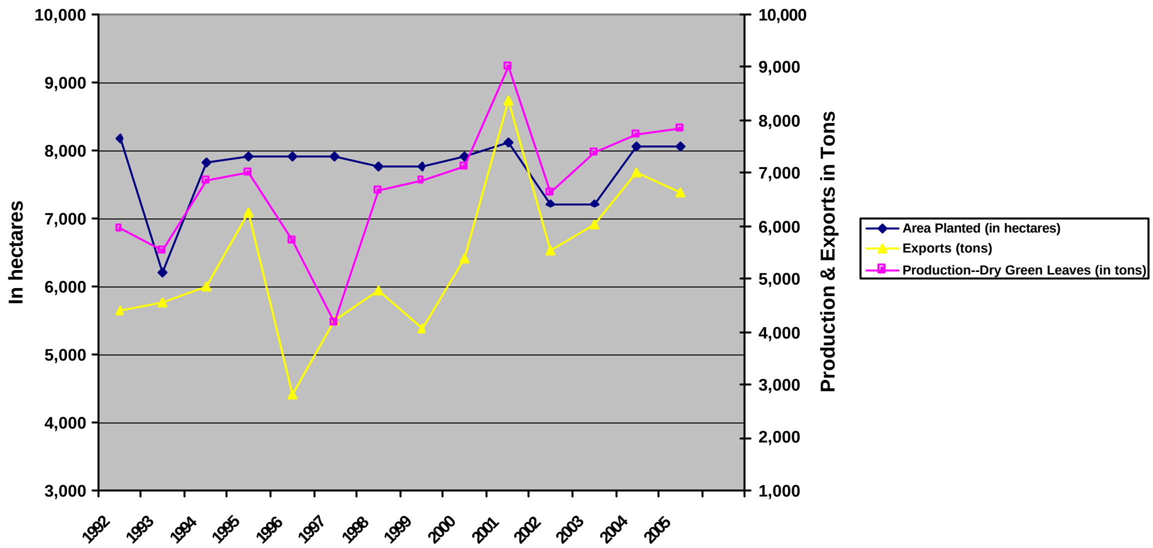


Figure B-12

Burundi: World Cotton Prices (Liverpool Index), 1969–2005

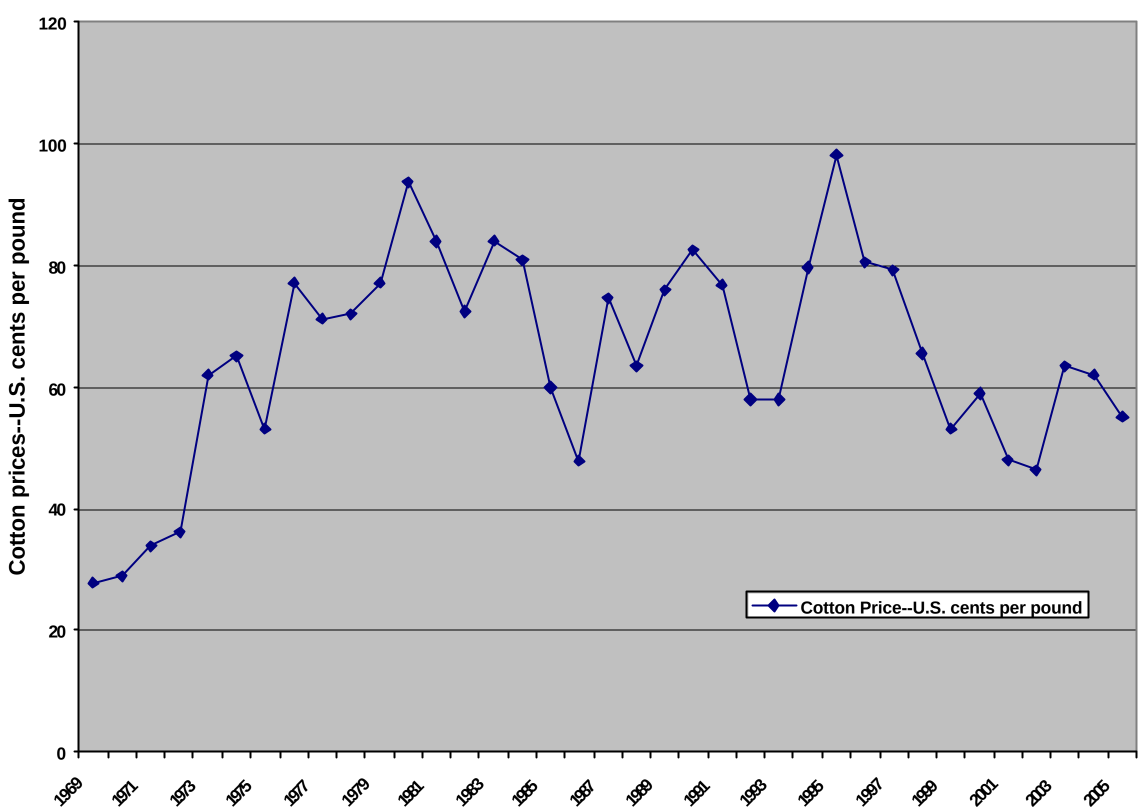


Figure B-13

Burundi: Selected Cotton Sector Indicators (Hectares under Cultivation, Domestic Consumption, and Exports), 1992–2005

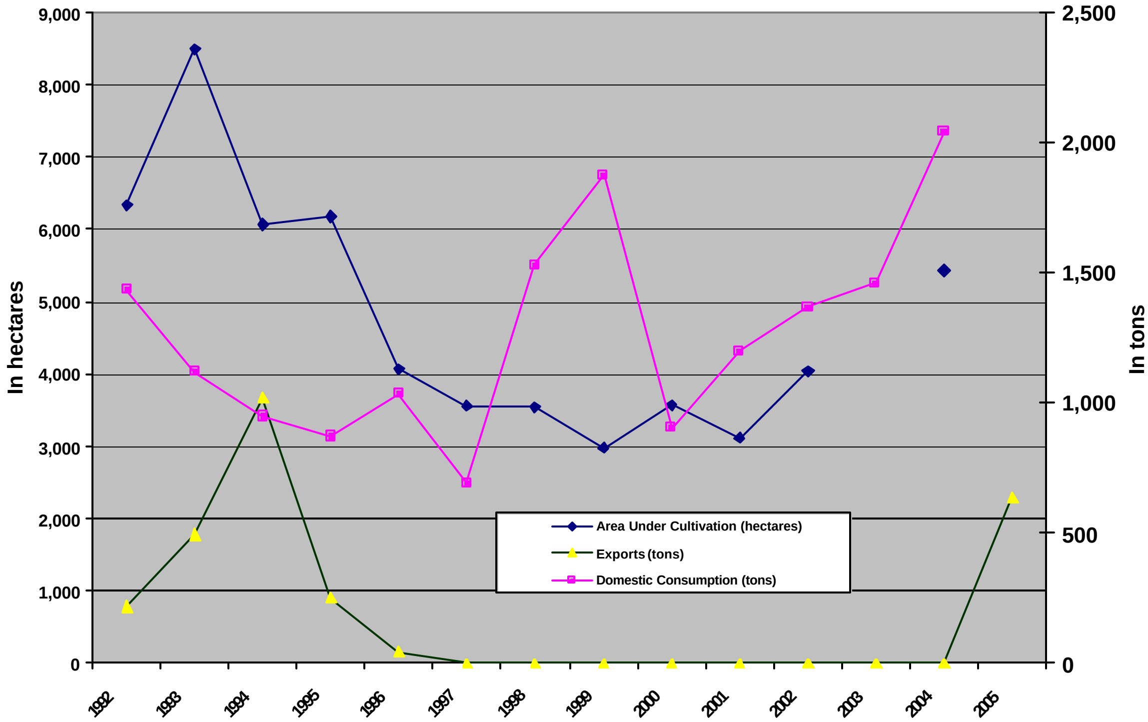


Figure B-14

Burundi: Exports by Major Commodity Group, Average 1993–1999

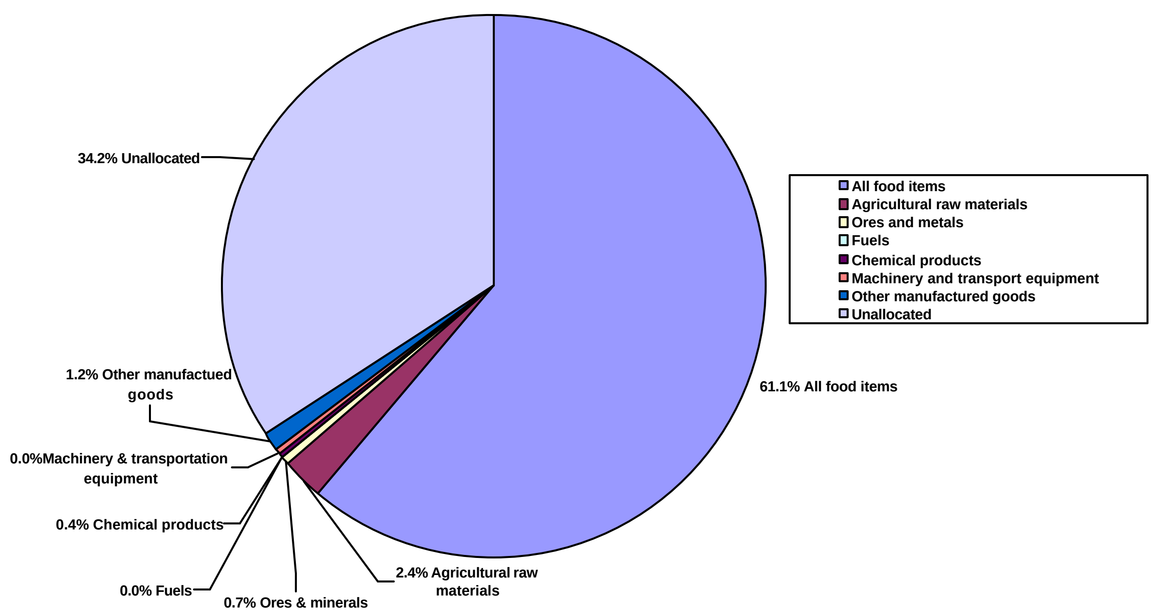


Figure B-15

Burundi: Exports by Major Commodity Group, Average 2000–2004

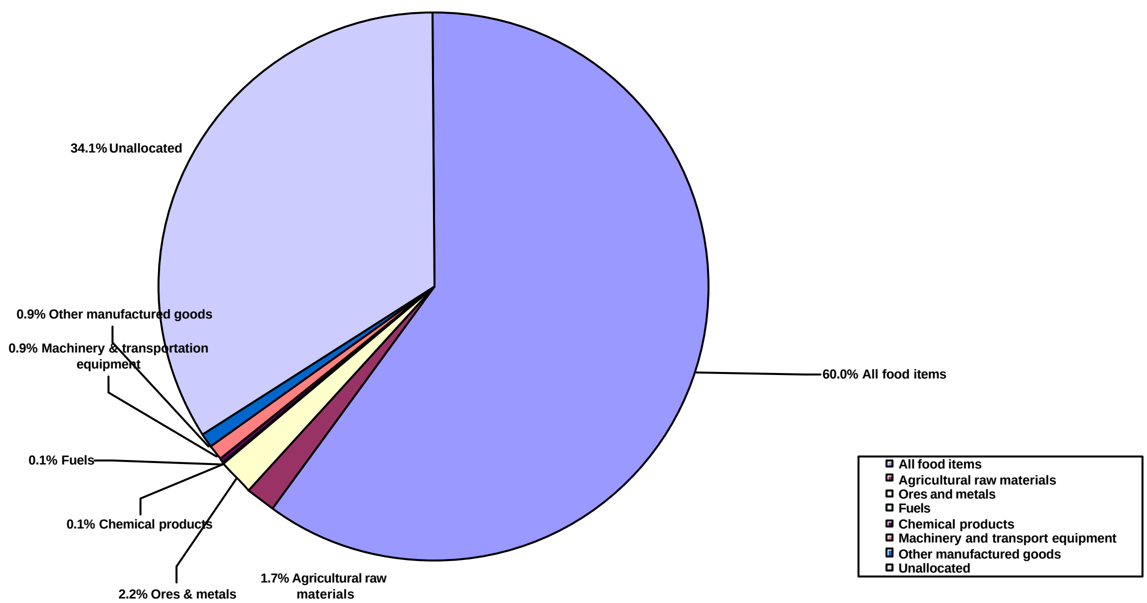


Figure B-16

Burundi: Imports by Major Commodity Group, Average 1993–1999

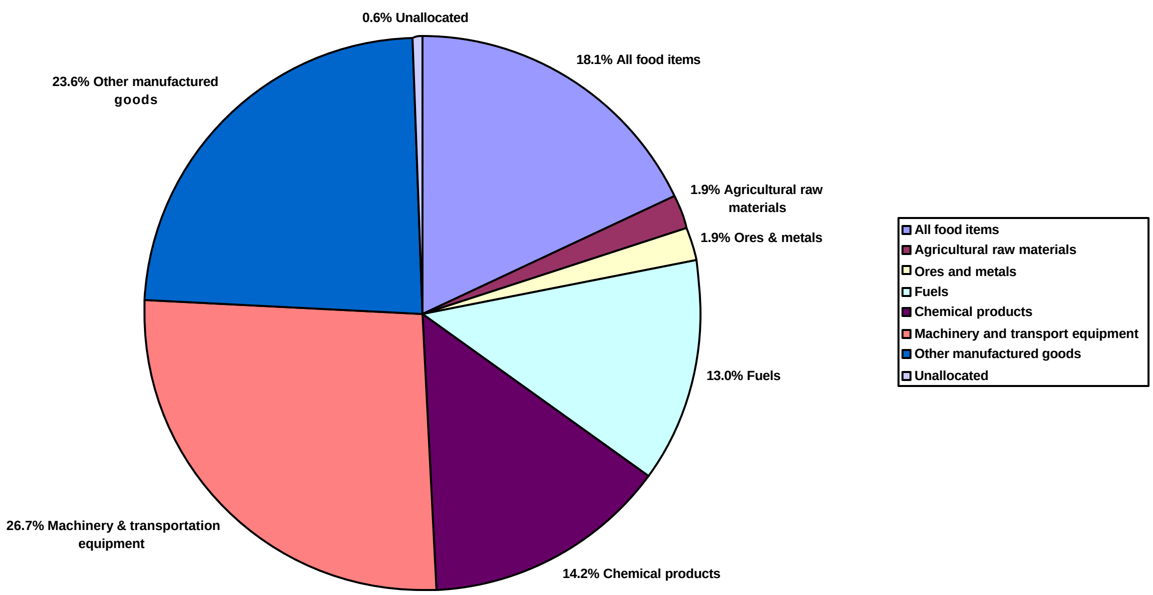


Figure B-17

Burundi: Imports by Major Commodity Group, Average 2000–2004