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## Country Report

# Burundi

**February 2007**

The Economist Intelligence Unit  
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United Kingdom

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# Burundi

February 2007

## Summary

- Outlook for 2007-08** The president, Pierre Nkurunziza, and his party, Conseil national pour la défense de la démocratie-Forces pour la défense de la démocratie (CNDD-FDD), are expected to maintain a firm grip on political power during the forecast period, but internal divisions could weaken the party. A declining trend evident in the quality of governance means that their opponents are likely to continue to fall victim to government heavy-handedness. Progress on negotiating a peace deal with the rebel Parti pour la libération du peuple Hutu-Forces nationales pour la libération (Palipehutu-FNL) is expected to be slow owing to the vested interests involved. Growth in construction, trade and manufacturing will help to drive real GDP growth to 5% in 2007 and 5.5% in 2008. Large fiscal deficits and an only gradual fall in food prices will mean that the average rate of inflation remains fairly high and declines only slowly, to 8%, in 2007 and 2008. Better-performing coffee and tea exports in 2007-08 will have an impact on the current-account deficit, which is forecast to remain large but to fall to 15.9% of GDP in 2007 and 15.1% of GDP in 2008.
- The political scene** In an embarrassing ruling for the CNDD-FDD, a number of opposition politicians have been acquitted by the High Court of treason. The CNDD-FDD hierarchy have begun planning a congress as splits in the party become more apparent. There has been growing international criticism of the government over its increasingly authoritarian nature.
- Economic policy** The 2007 budget has been approved by the National Assembly. The budget has projected only modest expenditure increases, while revenue is expected to surge on the back of strong economic growth, despite a number of tax cuts.
- The domestic economy** The consumer price index in the capital, Bujumbura, has fallen significantly owing to lower food prices. However, elsewhere in the country there have been problems with food security. The Banque Populaire du Burundi (BPB), one of the main commercial banks, closed down in November 2006 owing to its deteriorating financial position.
- Foreign trade and payments** The current account deteriorated sharply during the first three quarters of 2006. Poor coffee exports in the first half of the year and increased official travel bills have been major factors. The newly established UN Peacebuilding Commission has selected Burundi as one of two countries that it is focusing on intensively, agreeing to grant the country US\$25m to support reconstruction.
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## Political structure

<b>Official name</b>	République du Burundi	
<b>Form of state</b>	Unitary republic	
<b>Legal system</b>	Based on Belgian law; a new constitution was adopted in 2005	
<b>National legislature</b>	National Assembly elected July 2005, with 118 members; Senate elected by communal councillors in July 2005	
<b>National elections</b>	Legislative and senatorial elections July 2005, presidential election August 2005; the next elections are expected in 2010	
<b>Head of state</b>	Elected by National Assembly members and Senators in August 2005; subsequently to be elected directly by voters every five years	
<b>National government</b>	Appointed in August 2005; last reshuffle September 2006	
<b>Main political parties</b>	Main parties: Conseil national pour la défense de la démocratie-Forces pour la défense de la démocratie (CNDD-FDD), Front pour la démocratie au Burundi (Frodebu), Union pour le progrès national (Uprona), Mouvement pour la réhabilitation des citoyens-Rurenzangemero (MRC-Rurenzangemero), Parti pour le redressement national (Parena); other parties include Conseil national pour la défense de la démocratie (CNDD), Forces nationales pour la libération-Icanzo (FNL-Icanzo), Inkinzo, Parti du peuple (PP), Parti pour la libération du peuple Hutu (Palipehutu), Parti pour la socio-démocratie (PSD), Parti pour la réconciliation du peuple (PRP), Rassemblement pour la démocratie et le développement économique et social (Raddes), Rassemblement pour le peuple du Burundi (RPB); in addition, Parti pour la libération du peuple Hutu-Forces nationales pour la libération (Palipehutu-FNL) is at war with the government	
	<b>President</b>	Pierre Nkurunziza (CNDD-FDD)
	<b>First vice-president</b>	Martin Nduwimana (Uprona)
	<b>Second vice-president</b>	Marina Barampana (CNDD-FDD)
<b>Key ministers</b>	<b>Agriculture</b>	Elie Buzoya (Frodebu)
	<b>Civil service &amp; social security</b>	Juvénal Ngorwanubusa (MRC-Rureranzangemero)
	<b>Commerce &amp; industry</b>	Jean Bigirimana (CNDD-FDD)
	<b>Communication &amp; government spokesperson</b>	Ramadhani Karenga (CNDD-FDD)
	<b>Defence</b>	Germain Niyoyankana (military)
	<b>Education &amp; culture</b>	Saïdi Kibeya (CNDD-FDD)
	<b>Energy &amp; mines</b>	Herman Tuyaga (CNDD-FDD)
	<b>Finance</b>	Denise Sinankwa (CNDD-FDD)
	<b>Foreign affairs &amp; co-operation</b>	Antoinette Batumubwira (CNDD-FDD)
	<b>Good governance &amp; state inspection</b>	Venant Kamana (CNDD-FDD)
	<b>Health</b>	Triphonie Nkurunziza (Parena)
	<b>Human rights &amp; national solidarity</b>	Françoise Ngendehayo (Inkinzo)
	<b>Interior</b>	Evariste Ndayishimiye (CNDD-FDD)
	<b>Justice</b>	Clothilde Niragira (CNDD-FDD)
	<b>Planning, development &amp; reconstruction</b>	Dieudonné Ngowembona (CNDD-FDD)
	<b>Public works</b>	Potame Nizigire (CNDD-FDD)
	<b>Transport &amp; telecommunications</b>	Marie Goreth Nizigama (Uprona)
<b>Central bank governor</b>	Gabriel Ntisezerana	

## Economic structure

### Annual indicators

	2002 <sup>a</sup>	2003 <sup>a</sup>	2004 <sup>a</sup>	2005 <sup>a</sup>	2006 <sup>b</sup>
GDP at market prices (Bufr bn)	584.6	644.7	748.5	862.1	949.4
GDP (US\$ bn)	0.6	0.6	0.7	0.8	0.9
Real GDP growth (%)	4.5	-1.2	5.5	0.9 <sup>b</sup>	3.8
Consumer price inflation (av; %)	-1.4	7.9	10.7	13.5	5.0
Population (m)	6.8	7.0	7.3	7.6	7.6
Exports of goods fob (US\$ m)	31.0	37.5	47.9	57.2	41.3
Imports of goods fob (US\$ m)	104.8	130.0	148.9	239.0	269.1
Current-account balance (US\$ m)	-9.6	-36.5	-54.0	-84.0	-192.7
Foreign-exchange reserves excl gold (US\$ m)	58.8	67.0	65.8	100.1	64.9
Exchange rate (av) Bufr:US\$	930.7	1,082.6	1,100.9	1,081.6	1,025.0

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates.

Origins of gross domestic product 2003	% of total	Components of gross domestic product 2005	% of total
Agriculture	49.0	Private consumption	88.1
Industry	19.0	Government consumption	23.8
Services	32.0	Gross fixed investment	15.5
		Exports of goods & services	8.8
		Imports of goods & services	-33.6

Principal exports fob 2005	US\$ m	Principal imports cif 2005	US\$ m
Coffee	39.8	Capital goods	96.8
Tea	8.7	Intermediate goods	86.6
Manufactures	5.1	Consumption goods	78.7

Main destinations of exports 2005 <sup>a</sup>	% of total	Main origins of imports 2005 <sup>a</sup>	% of total
Germany	41.8	Kenya	13.2
Belgium	18.2	Tanzania	10.8
Netherlands	13.8	Belgium	10.1
US	7.8	Italy	8.7

<sup>a</sup> Based on partners' trade returns; subject to a wide margin of error.

## Quarterly indicators

	2004	2005				2006		
	4 Qtr	1 Qtr	2 Qtr	3 Qtr	4 Qtr	1 Qtr	2 Qtr	3 Qtr
<b>Central government finance (Bufr bn)</b>								
Revenue & grants	68.14	79.13	66.90	64.06	90.46	52.48	64.29	n/a
Expenditure & net lending	99.18	84.67	81.74	92.15	108.64	74.38	77.53	n/a
Balance	-31.05	-5.54	-14.85	-28.09	-18.17	-21.90	-13.24	n/a
<b>Prices</b>								
Consumer prices (2000=100)	136.5	147.2	147.8	148.4	140.9	146.0	153.4	149.4
Consumer prices (% change, year on year)	10.9	19.2	16.3	14.2	3.2	-0.8	3.8	0.7
<b>Financial indicators</b>								
Exchange rate Bufr:US\$ (av)	1,103.6	1,139.3	1,110.5	1,066.8	1,009.9	1,006.3	1,025.0	1,038.5
Exchange rate Bufr:US\$ (end-period)	1,109.5	1,145.3	1,090.6	1,037.3	997.8	1,017.5	1,027.7	1,057.0
Discount rate (end-period; %)	14.50	14.50	14.50	14.50	14.50	14.50	14.50	11.26
Lending rate (av; %)	18.66	19.00	19.31	19.30	18.84	18.08	16.93	16.83
M1 (end-period; Bufr bn)	151.4	163.5	171.1	167.5	177.3	176.7	183.5	n/a
M1 (% change, year on year)	26.3	44.4	26.8	20.2	17.1	8.0	7.2	n/a
M2 (end-period; Bufr bn)	203.7	219.3	233.1	229.9	242.5	258.6	259.8	n/a
M2 (% change, year on year)	17.8	35.9	28.3	23.7	19.0	17.9	11.4	n/a
<b>Sectoral trends</b>								
Coffee exports (t)	12,131	9,465	5,528	3,199	3,660	1,440	823	4,521
<b>Foreign trade (Bufr m)</b>								
Exports fob	20,956	28,522	13,075	10,336	9,657	7,565	5,751	18,685
Coffee	20,477	21,840	10,383	5,208	6,279	2,706	1,272	9,995
Imports cif	-54,658	-57,598	-70,893	-78,096	-80,341	-127,609	-100,494	-92,995
Trade balance	-33,702	-29,077	-57,819	-67,760	-70,685	-120,044	-94,743	-74,310
<b>Foreign reserves (US\$ m)</b>								
Reserves excl gold (end-period)	65.75	99.58	88.72	93.63	100.08	87.22	73.47	75.67

Sources: IMF, *International Financial Statistics*; Banque de la République du Burundi, *Bulletin mensuel*.

## Outlook for 2007-08

### Political outlook

#### Domestic politics

The president, Pierre Nkurunziza, and his party, Conseil national pour la défense de la démocratie-Forces pour la défense de la démocratie (CNDD-FDD), are overwhelmingly dominant in the government, the National Assembly and the Senate. Mr Nkurunziza and his party should therefore have little difficulty seeing out their current terms in office, which end in 2010. Yet the government, and particularly the powerful CNDD-FDD party president, Hussein Radjabu, have increasingly acted as if they face a severe threat to their survival from political opponents and civil society activists. The authorities, apparently at Mr Radjabu's instruction and to the dismay of domestic and international observers, have launched a brutal crackdown involving arbitrary arrests and detentions without trial, the apparently widespread use of torture and, most recently, a highly implausible prosecution of senior opposition politicians that was rightly thrown out by the impressively independent-minded High Court. The government's conduct is in part a reflection of its inexperience in governance and its incomplete transformation from a rebel militia to a party in power, but is also a cynical response from its leadership to splits within the CNDD-FDD itself. Ironically, the government's brutal approach is worsening these splits, and encouraging ordinary CNDD-FDD activists to seek common cause with the party's exiled dissidents. The government's current direction is unsustainable, but there appears little recognition of this so far at its highest levels, so the Economist Intelligence Unit believes that political conditions will deteriorate further.

Supporters of the CNDD-FDD have been moved rapidly into nearly all senior positions of state and, if the armed forces were still predominantly Tutsi, a coup attempt would have been likely by now. However, roughly half of the armed forces are Hutu ex-CNDD-FDD soldiers, enough to face down an attack—or at least enough to cause a bloody stalemate—were Tutsi forces to attempt to bring Mr Nkurunziza's government down. In addition, in late 2006 Mr Nkurunziza increased the armed forces' take-home pay, which diluted much of the potential revolutionary fervour. We doubt that a successful coup attempt will materialise during the forecast period, unless governance deteriorates to such an extent that sufficient CNDD-FDD elements in the armed forces feel obliged to intervene.

At his election, Mr Nkurunziza promised that his victory would bring peace to Burundi, and a ceasefire agreement in September 2006 signed with the rebel Hutu militia, Parti pour la libération du peuple Hutu-Forces nationales pour la libération (Palipehutu-FNL), was a significant step towards this. The South African safety and security minister, Charles Nqakula, leads a facilitation team and has established a joint verification commission, but this has been boycotted until now by Palipehutu-FNL. The militia's participation is expected soon, which will improve the prospects for the agreement being adhered to by both sides, albeit with periodic infractions. Yet, on the substantive issues that divide them, the government and Palipehutu-FNL are as far apart as ever,

presenting a huge challenge to Mr Nqakula and his team in their efforts to achieve a true end to the war by drawing the militia into a comprehensive political and military settlement.

### **International relations**

Donors had high hopes for the new administration, which enjoys both a democratic mandate and the support of the armed forces—a combination that has eluded all Burundian administrations since the late 1960s—and were preparing to assist generously. The troubling political developments of the second half of 2006 therefore presented a considerable problem to donors, who are trying to work out the best way to encourage a substantive return to good governance, and how punitive to be if this does not occur. The release of opposition politicians in mid-January 2007 following their acquittal on treason charges will be seen by donors as an important step in the right direction, and will encourage them to deliver on aid pledges. If at the same time the government is seen to be taking action in apparent cases of high-profile corruption, such as the controversial sale of the president's jet in 2006, the case for aid will appear overwhelming. However, if no action is taken and further examples of dictatorial governance and corruption emerge, donors will continue withholding funds.

Mr Radjabu is keen to develop closer ties between Burundi and Africa's Muslim states, and has already forged links with Sudan, Libya and Nigeria. We anticipate that this trend will continue and intensify. The Rwandan president, Paul Kagame, has established relations with both Mr Radjabu and Mr Nkurunziza that are among the strongest between leaders in the region. The Burundian and Rwandan governments are already co-operating militarily, and we expect increased economic co-operation too. The Tanzanian president, Jakaya Kikwete, is alarmed by recent political developments in Burundi and will intensify his efforts, which have already discreetly begun, to persuade the government to adopt a more measured approach to its critics.

The South African government worked hard to ensure the success of the political transition that brought Mr Nkurunziza to power and, via Mr Nqakula, will continue to exercise influence on the government during the forecast period. In addition, South African troops are to stay on in Burundi for 2007 at least and perhaps into 2008—the only international force to do so—and are expected to play a critical role in the success or otherwise of the ongoing demobilisation and disarmament campaign.

## **Economic policy outlook**

### **Policy trends**

Mr Nkurunziza and the CNDD-FDD have placed the fight against corruption at the centre of their economic policy and their governance generally, and have already begun reorganising the civil service to reflect this. At the same time, allegations of high-level involvement in corruption are multiplying. The government denies all wrongdoing, but its habit of locking up the journalists and civil society activists presenting the allegations has lent little credence to its protestations.

The government desperately needs to maintain access to the IMF's poverty reduction and growth facility (PRGF), as well as needing to make progress towards debt forgiveness under the heavily indebted poor countries (HIPC) process. For Burundi to retain access to the PRGF and to reach HIPC completion point, which would earn the country US\$1.5bn in debt relief (in nominal terms), the government will—despite the CNDD-FDD's interventionist instincts and Mr Nkurunziza's tendency towards unbudgeted acts of generosity—have to stick to the existing economic liberalisation and reform process. This will involve maintaining fiscal and monetary discipline; promoting price stability; pursuing structural reforms, including the liberalisation and privatisation of state assets, particularly in the coffee sector; and increasing expenditure on poverty reduction. Progress is expected in these areas, although the liberalisation of the coffee sector is a contentious issue in the domestic arena, and industry lobbying could lead to government disagreements with the IMF and World Bank about reforms of the sector during the forecast period.

Also key to securing debt relief is the adoption of a poverty reduction strategy. After many delays, the government's finalised poverty reduction strategy paper (PRSP) may be ready before the second quarter of 2007, although even this date appears to be in doubt. The current draft endorses the economic policy objectives of the interim PRSP, which are to reduce poverty by stabilising the economy, to promote recovery, to raise the rate of real GDP growth to at least 5% and to revitalise the delivery of public services.

**Fiscal policy** The government is exploring how to balance the fiscal prudence required of it by its lenders with its desired spending on civil service and military pay awards, and the social expenditure schemes of the president. The IMF initially exercised leniency to avoid accusations of undermining the country's hard-won transition to democracy. However, we anticipate a tougher line from the IMF on the fiscal deficit for the fifth and sixth PRGF reviews. The principal problem during the forecast period will be that donor concern is expected to manifest itself in lower grants, which in turn will restrict fiscal revenue and prevent the government from satisfying the IMF. A further challenge will be to replace the revenue lost following the tariff reductions required when Burundi becomes a member of the East African Community (EAC). Although the government should be better able to control expenditure as the forecast period progresses, and domestic revenue should increase on the back of robust economic growth, subdued donor assistance means that we expect the fiscal deficit to remain high, at 8.5% of GDP in 2007 and 7.5% of GDP in 2008. Should developments on the political front lead to a more severe reduction in donor assistance, the fiscal deficit after grants may balloon unsustainably.

**Monetary policy** Monetary policy reform has made headway over the last two years, and the IMF is keen to see further progress over the forecast period in the context of the PRGF. An important PRGF monetary policy condition is for the Banque de la République du Burundi (the central bank) to increase the use of indirect monetary instruments, the implementation of which has helped to contain liquidity growth thus far and should continue to do so in 2007-08. If donor inflows are strong during the forecast period, the authorities will be able to

desist from increasing the money supply excessively to meet their fiscal commitments. This is an unlikely scenario, however. It is more likely that the monetary stance will loosen in 2007-08 as donor inflows reduce but the government's appetite for spending accelerates.

## Economic forecast

### International assumptions

### International assumptions summary

(% unless otherwise indicated)

	2005	2006	2007	2008
<b>Real GDP growth</b>				
World	5.0	5.4	4.8	4.8
OECD	2.5	3.0	2.3	2.4
EU27	1.6	2.7	2.2	2.1
<b>Exchange rates</b>				
¥:US\$	110.1	116.2	114.3	99.8
US\$:€	1.246	1.256	1.342	1.363
SDR:US\$	0.677	0.678	0.654	0.640
<b>Financial indicators</b>				
€ 3-month interbank rate	2.18	3.08	4.00	4.10
US\$ 3-month commercial paper rate	3.38	5.04	4.99	4.85
<b>Commodity prices</b>				
Oil (Brent; US\$/b)	54.7	65.3	58.8	57.4
Coffee, arabica (US cents/lb)	114.9	114.4	121.9	98.8
Gold (US\$/troy oz)	445.0	604.5	635.0	650.0
Food, feedstuffs & beverages (% change in US\$ terms)	-0.5	16.1	4.5	-1.2

Growth in the global economy is expected to remain robust over the forecast period, at 4.8% in 2007-08. Coffee demand is expected to rise only slowly, owing to stagnation in most of the traditional markets of North America and western Europe. However, production is expected to expand only gradually, with the average price of arabica, Burundi's primary coffee export, forecast to increase in 2007 to average 121.9 US cents/lb, before falling to an average of 98.8 US cents/lb in 2008.

### Economic growth

The welcome return to peace after so many years of fighting will boost economic growth in Burundi during the forecast period, although it is not yet certain that the recent ceasefire between the government and Palipehutu-FNL will evolve into a conclusive settlement. Donor-financed capital expenditure will also play an important role. The manufacturing sector is expected to continue on its current growth path, although textile output is at risk of collapsing altogether and energy shortages will pose a growing problem for everyone. Nonetheless, we anticipate further increases in the production of beer and household consumer goods. A combination of greater stability, increased banking credit to the private sector, repair of damage caused by the war and donor-funded reconstruction will encourage growth in the construction industry. The historical position of the capital, Bujumbura, as a regional trading hub should also benefit from the peace, prompting growth in the wholesale and retail sectors.

We expect modest improvements in food-crop agricultural performance over the forecast period owing to the peace dividend, although agriculture will continue to suffer from severe structural constraints, including highly fragmented land ownership, declining soil productivity and a lack of inputs. Improvements in manufacturing, construction and trade will drive economic growth during the forecast period, but agriculture's woes will restrict it, and we forecast real GDP growth of 5% in 2007 and 5.5% in 2008.

**Inflation** A relatively positive 2006 "B" harvest helped to bring inflation down in the second half of 2006, with the annual average rate estimated at 5%. However, the good harvest was because of favourable rains rather than any upturn in the moribund agricultural sector, so prospects of greater falls in food prices during the forecast period are limited. Furthermore, problems with fiscal policy—as the inexperienced government seeks to reconcile the targets of the PRGF with the need to keep key interest groups happy—are likely to pose an inflationary threat over the forecast period. Overall, we expect the rate of inflation to average 8% in both 2007 and 2008.

**Exchange rates** The Burundi franc has enjoyed an unusual level of stability for over three years, owing to US dollar weakness, donor inflows and a modest improvement in export performance. A nominal appreciation of 5.5% is estimated to have occurred in 2006, with the franc averaging Bufr1,025:US\$1. This stability will continue to some extent in 2007 as the US dollar remains weak and exports show modest improvement, but, with doubts over donor assistance, a gentle depreciation is expected. A more marked depreciation is forecast in 2008, as the US dollar begins to recover and the amount of donor assistance remains uncertain. We therefore expect the Burundi franc to fall to an average of Bufr1,070:US\$1 in 2007 and Bufr1,200:US\$1 in 2008.

**External sector** Export earnings will be notably higher in 2007 than in 2006, mainly because of developments in the coffee sector, where the harvest will be a substantial improvement on that of 2005/06, one of the worst on record. We also expect that the liberalisation of the coffee sector will help to boost export volumes, particularly in 2008, which should compensate for expected lower international prices. We expect earnings from tea to rise modestly over the forecast period. A previously unexpected bonus, which emerged only in the 2005 figures, will be what official statistics term "other primary products". This almost certainly refers to gold, which has for many years been smuggled into Burundi from the Democratic Republic of Congo (DRC). Gold prices are high and are expected to remain so, which will mean rising export earnings for Burundi at the DRC's expense.

Import volumes will remain high over the forecast period, boosted by the country's accession to the EAC, which will lead to lower import tariffs for regional goods, most notably Kenyan manufactures. However, growth will be restricted by the expected problems with donor inflows. Burundi's services deficit is expected to widen as greater trade volumes result in growing freight costs, although transfers from donors should do much to help to balance the current account. We anticipate a current-account deficit of 15.9% of GDP in

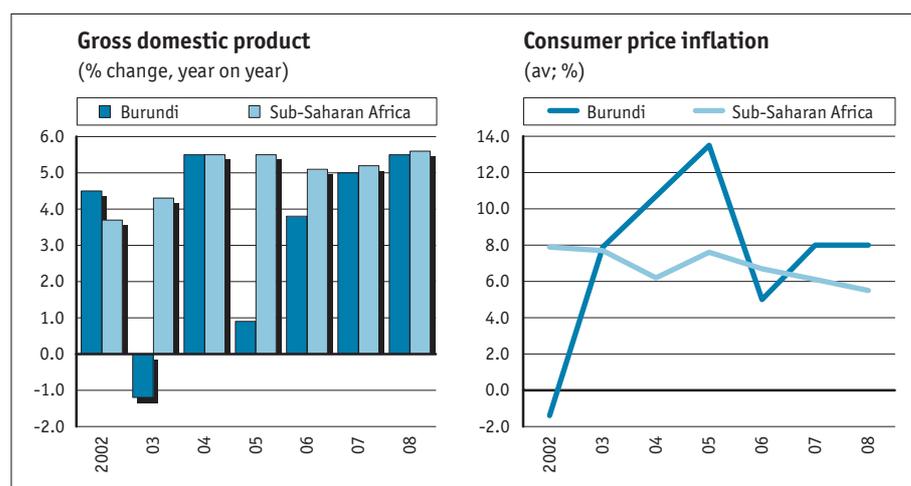
2007 and 15.1% of GDP in 2008. Such large deficits are a cause for concern, as they are unlikely to be fully covered by the capital and financial account surpluses. This implies that the government will need to draw down on foreign-exchange reserves, and a balance-of-payments crisis is a possibility unless the government is bailed out by its international donors.

### Forecast summary

(% unless otherwise indicated)

	2005 <sup>a</sup>	2006 <sup>b</sup>	2007 <sup>c</sup>	2008 <sup>c</sup>
Real GDP growth	0.9 <sup>b</sup>	3.8	5.0	5.5
Consumer price inflation (av)	13.5	5.0	8.0	8.0
Lending rate (av)	14.5	11.0	11.5	12.5
Government balance (% of GDP)	-7.7	-9.3	-8.5	-7.5
Exports of goods fob (US\$m)	57.2	41.3	65.1	82.1
Imports of goods fob (US\$m)	-239.0	-269.1	-260.4	-269.4
Current-account balance (US\$m)	-84.0	-192.7	-162.4	-153.9
Current-account balance (% of GDP)	-10.5	-20.8	-15.9	-15.1
Exchange rate Bufr:US\$ (av)	1,081.6	1,025.0	1,070.0	1,200.0
Exchange rate Bufr:¥100 (av)	982.6	882.0	936.5	1,203.0
Exchange rate Bufr:€ (av)	1,347.4	1,287.1	1,435.6	1,635.0
Exchange rate Bufr:SDR (av)	1,598.3	1,511.2	1,636.4	1,873.6

<sup>a</sup> Actual. <sup>b</sup> Economist Intelligence Unit estimates. <sup>c</sup> Economist Intelligence Unit forecasts.



## The political scene

### Former president is acquitted in treason trial

On January 15th 2007 the High Court acquitted Domitien Ndayizeye of the Front pour la démocratie au Burundi (Frodebu), a former president of Burundi, and Alphonse Kadege of the Union pour le progrès national (Uprona), a former vice-president, along with two other senior opposition politicians of treason. The court ruled that there was insufficient evidence to convict the men. Two others, Alain Mugabarabona of Forces nationales pour la libération-Icanzo (FNL-Icanzo) and Tharcisse Ndayishimiye, were found guilty, on the grounds that they had previously confessed to the alleged conspiracy, and were sentenced to substantial prison sentences. The court's ruling is a major blow to

the president, Pierre Nkurunziza, who had earlier described the evidence against Mr Ndayizeye and the others as "incontrovertible". The trial had began on November 24th, but was immediately adjourned after defence lawyers called for two of the three judges hearing the case to recuse themselves because of alleged conflicts of interest. Defence lawyers wanted the court president, Grégoire Nkeshimana, removed because he is the husband of the justice minister, Clotilde Niragira, and claimed that one of the judges, Sylvestre Nyandwi, had already taken a position on the case in the build-up to the trial.

The trial resumed in late December—with both judges still in place—at which time the prosecution alleged Mr Ndayizeye, Mr Kadege and their co-accused were part of a regional conspiracy to overthrow the government in a coup d'état, and called for them to be imprisoned for life. The defendants, who had been arrested in July (November 2006, The political scene), all pleaded not guilty. The prosecution accused the defendants of being members of the so-called Kampala Club, which it said also included Pierre Buyoya, a former president of Burundi; James Kabarere, the commander-in-chief of the Rwandan Defence Force (RDF); Philbert Rujugiro, an influential Rwandan businessman; Salim Saleh, the half-brother of Ugandan president Yoweri Museveni and the former commander-in-chief of the Ugandan People's Defence Force (UPDF); Rose Zimurinda, a former Ugandan cabinet minister; and Laurent Nkunda, a dissident general from the Democratic Republic of Congo (DRC). The prosecution alleged that the Kampala Club met a number of times in venues throughout the region during 2005 and 2006, plotting to assassinate Mr Nkurunziza and the high command of the Force de défense nationale (FDN; the Burundian army), seize power in the country and thereby provide a base from which Mr Nkunda could take power in the DRC. The prosecution said that the plot was uncovered in early 2006, owing mainly to the testimony of Mr Mugabarabona, who implicated Mr Ndayizeye and the others. However, Mr Mugabarabona subsequently claimed that he only gave this testimony because the intelligence services threatened him and his family (November 2006, The political scene).

### **Alleged regional dimension to plot appears improbable**

The prosecution's extraordinary allegations were denied by all those implicated, with Mr Saleh dismissing them out of hand, the RDF spokesman angrily terming them baseless, and Rwanda's foreign minister, Charles Murigande, calling them a farce. Even the Burundian minister of defence, General Germain Niyoyankana, distanced himself from the prosecution's charges, saying at a press conference in December 2006 that the FDN had uncovered no evidence of a planned coup. Mr Niyoyankana added that he disapproved of neighbouring countries being dragged into Burundi's problems, and called for acceptance that the country's difficulties were home-grown.

The prosecution's case certainly appeared far-fetched, not least because it grouped together in a conspiracy people who had previously demonstrated their antipathy, if not downright hostility, to each other. Mr Ndayizeye and Mr Kadege clashed repeatedly when they were both in office, culminating in Mr Ndayizeye's acrimonious sacking of Mr Kadege for allegedly frustrating his government's programme (February 2005, The political scene). It is also hard to imagine Mr Saleh and Mr Kabarere being part of the same conspiracy, since

they commanded armies that fought three vicious battles against each other in eastern DRC just a few years ago. Also, Mr Kabarere could not have been involved in such a conspiracy without the endorsement of the Rwandan president, Paul Kagame, yet Mr Kagame enjoys apparently close relations with Mr Nkurunziza's government, particularly with the party president of the ruling Conseil national pour la défense de la démocratie-Forces pour la défense de la démocratie (CNDD-FDD), Hussein Radjabu. Such is their closeness that Mr Radjabu endangered French bilateral aid by coming out loudly in support of the Rwandan government when it broke diplomatic relations with France in November 2006, following the indictment of key Rwandan government figures by a French court for allegedly masterminding the assassination of the then president of Rwanda, Juvénal Habyarimana, in 1994. Finally, it was profoundly unclear why the RDF should have required a coup in Burundi before backing Mr Nkunda in his implausible bid to seize power in the DRC, when it could have more easily have backed him from Rwanda.

### **High Court orders release of journalists**

In early January 2007, shortly before its landmark ruling on the treason trial, the High Court again demonstrated its determined independence from the executive by ordering the release of three journalists who had been detained in November for allegedly reporting information that could endanger public security. The journalists, Serge Nibizi and Domitile Kiramvu of Radio Publique Africaine and Mathias Manirakiza of Radio Isanganiro, had broadcast reports casting doubts on the veracity of the government's coup plot allegations. The High Court ruled that the charges against them lacked substance and that they should be released immediately. A month earlier the High Court ordered the release from detention of Gabriel Rufyiri, the president of an anti-corruption pressure group, Observatoire de lutte contre la corruption et les malversations économiques (Olucome). Mr Rufyiri had been detained without charge in August 2006 following Olucome's allegations against the government concerning corruption (November 2006, The political scene), but the High Court ruled his detention illegal.

### **The ceasefire with Palipehutu-FNL is holding**

The ceasefire agreement signed by the government and the rebel Parti pour la libération du peuple Hutu-Forces nationales pour la libération (Palipehutu-FNL) on September 7th 2006 (November 2006, The political scene) has largely been honoured thus far, with few reports of hostilities between the militia and government forces. Palipehutu-FNL has complained bitterly, however, that its members continue to be arrested by the authorities in breach of the agreement. For its part, the government has alleged that the militia is resisting disarmament and has instead been rearming. In a further worrying development, a joint verification commission to ensure that the ceasefire agreement is implemented—which was formally inaugurated on October 11th by the facilitator of the peace process, Charles Nqakula, the South African minister of safety and security—has still not met. This is because of a boycott by Palipehutu-FNL, which has demanded the release of its leaders from detention and the granting of amnesty from prosecution for its members. On October 26th the cabinet approved the granting of provisional amnesty from prosecution to Palipehutu-FNL, and on November 3rd the National Assembly voted by 109 votes to zero to do so. The law was promulgated by

Mr Nkurunziza on November 27th. The amnesty will remain valid until a mooted UN-backed truth commission releases its findings and makes recommendations about who is to be prosecuted by a proposed special court for genocide and crimes against humanity. Palipehutu-FNL welcomed the amnesty, but said that it would not participate in the joint verification commission until its leaders were released from detention.

Referring to the ongoing travails of opposition politicians, Palipehutu-FNL also expressed doubts about whether the government's promise of immunity could be trusted. This concern was addressed on November 9th when the peace and security commission of the African Union (AU) approved the deployment of a special South African military force acting under AU auspices to protect Palipehutu-FNL leaders, just as South African troops had done for a range of returning opposition political figures following the conclusion of the Arusha peace agreement in 2000 (August 2001, The political scene). The South African force will also be in line to inherit the responsibilities of the military component of the UN Operation in Burundi (UNOB), whose mandate expired at the end of 2006.

### **Joint verification commission is due to start work soon**

Mr Nqakula visited the Burundian capital, Bujumbura, and Dar es Salaam in Tanzania at the end of November 2006 to meet with government and Palipehutu-FNL representatives, aiming to break the deadlock and enable the joint verification commission to start work. Mr Nqakula's efforts met with limited success, but Palipehutu-FNL finally softened its position in late December after its leaders in Dar es Salaam were personally issued with an amnesty certificate signed by Mr Nkurunziza. A militia spokesman, Pasteur Habimana, welcomed the development, describing it as long overdue, and promised that the leadership would soon return to Bujumbura, and the Tanzanian government said that the joint verification commission would start work in earnest some time in January 2007. It is unclear whether this has yet happened.

### **Frodebu accuses the government of dictatorship**

Léonce Ngendekumana, the chairman of Frodebu, the country's second-largest political party and the CNDD-FDD's main competition for support among Hutu voters, issued a statement on December 4th 2006 accusing the government of a range of sins, including violating human rights and the country's constitution, the generalised killing of innocent civilians and coups against elected leaders who are not members of the ruling CNDD-FDD—a reference to the ongoing removal of many Frodebu councillors throughout the country for alleged law-breaking and their replacement with CNDD-FDD loyalists. Mr Ngendekumana said that Frodebu had concluded as a result that the government was dictatorial and thus operating against the will of Burundians, and called on the international community to pressure it to release its political prisoners, including the opposition leaders then on trial for treason. Mr Ngendekumana appealed to Burundians not to accept any leaders imposed by force, and warned that it would resist "military dictatorship", whatever the consequences. These were strong words, even by the standards of Burundian politics, although it is not clear whether they will amount to much in practice given Mr Ngendekumana's uncertain authority, even within his own party. Frodebu's

Elie Buzoya, for example, continues to serve in government as the minister of agriculture, against orders issued by Mr Ngendekumana over six months ago. No action has yet been taken by the government against Mr Ngendekumana, but a clear sign of the times came when Charles Karikurubu, the parliamentary head of Frodebu, was denied permission in December to leave the country to receive medical treatment. Mr Karikurubu died in early January with his family blaming the government's decision to keep him in the country.

**The main Tutsi party is conspicuously silent**

While the predominantly Hutu opposition parties have been taking a strong stance against the Hutu-led government, Uprona, the country's largest predominantly Tutsi party, has been almost entirely silent. It has not even commented on the treason trial, despite the alleged involvement of Mr Kadege, one of Uprona's most senior members. This may be because the abrasive Mr Kadege is not well liked by the rest of the Uprona leadership (February 2005, The political scene), but is more likely motivated by the party's desire to retain the little influence it has left by staying on the right side of Mr Nkurunziza and Mr Radjabu. The first vice-president, Martin Nduwimana, is from Uprona, as is the minister of transport and telecommunications, Marie Goreth Nizigama. Uprona's stance has dismayed more radical Tutsi parties, who have loudly and repeatedly forecast Uprona's imminent demise.

**CNDD-FDD hierarchy plan a congress to enforce party unity**

Alice Nzomukunda, the former vice-president who dramatically resigned in September 2006 in protest at what she termed the baleful influence of Mr Radjabu and then fled into exile (November 2006, The political scene), has continued to make waves in her homeland. In mid-November 2006 Ms Nzomukunda hosted a well-attended press conference in Brussels at which she alleged Mr Radjabu was arming his own militia and had sent some of its fighters to Sudan for training. This claim, although unproven, has become commonly accepted in Bujumbura, and is often cited by disgruntled CNDD-FDD supporters as one more reason not to trust their party's president. There is increasing talk of a coalition of opponents to Mr Radjabu in the CNDD-FDD, and, in an apparent bid to arrest this development, the hierarchy has started to plan an extraordinary congress at which it hopes to enforce party discipline and begin to prepare for the next elections, scheduled for 2010.

**International criticism of the government grows**

The government's poor record on governance has come increasingly under the international spotlight in recent months, with highly critical reports published by the International Crisis Group (ICG), a Brussels-based lobbying organisation, and Human Rights Watch (HRW), a New York-based human rights organisation. Entitled *We Flee When We See Them*, the HRW report, released in October 2006, focuses on the national intelligence service, which the report claimed was guilty of illegal detentions and summary executions. The report called for increased parliamentary oversight of the intelligence service, and for UN access to its detention centres. The ICG report, *Democracy and Peace At Risk*, concludes that the new administration has charted an authoritarian course, and predicts violent unrest and a loss of the gains of the peace process unless this course is reversed. The ICG called on donors to monitor the government's performance closely, and to encourage it to adopt a more inclusive approach, in part through donor aid conditionalities. Also damning was the public assessment of Ismael

Diallo, the head of the human rights unit in UNOB, who said in late November that arbitrary arrests and torture were commonplace and that abuses by the intelligence services were "noticeably worse" than under the previous government.

### **CNDD-FDD supporters dominate parastatals**

When he came into office, Mr Nkurunziza promised not to make the mistake of the country's only other elected Hutu president, Melchior Ndadaye, who provoked the ire of the Tutsi establishment by rapidly promoting his followers into all the key civil service and military posts. After his inauguration, Mr Nkurunziza warned his expectant supporters that promotions would only proceed on merit and not on the basis of political affiliation (November 2005, The political scene). Yet, according to the ICG, a little over a year into Mr Nkurunziza's administration all but three of the country's parastatals are run by CNDD-FDD supporters.

### **Directors-general of parastatals**

<b>Parastatal</b>	<b>Director-general</b>	<b>Ethnicity</b>	<b>Political affiliation</b>
Social Security (INSS)	Nicéphore Ndimurukundo	Tutsi	Independent Labour Party
Insurance (SOCABU)	Eloie Bigerinyange	Tutsi	CNDD-FDD
Banque de la République du Burundi (BRB)	Gabriel Nicezerano	Hutu	CNDD-FDD
Burundi Finance Society (SBF)	Donavine Niyongabire	Hutu	CNDD-FDD
National Bank for Economic Development (BNDE)	Ciza Jean	Hutu	CNDD-FDD
Burundi Credit Bank (BCB)	Prime Nyamoya	Tutsi	n/a
Commercial Bank of Burundi (BANCOBU)	Currently no DG	n/a	n/a
Banque Populaire du Burundi (BPB)	Currently no DG	n/a	n/a
Electricity and Water Distributor (REGIDESO)	Wilson Itangishaka	Tutsi	CNDD-FDD
Telecoms (ONATEL)	Alfred Ndanigamije	Hutu	CNDD-FDD
Air Burundi	Salvator Nizigiyimana	Hutu	CNDD-FDD
Telecoms regulator (ARCT)	Joseph Nsengana	Hutu	CNDD-FDD
Tea (OTB)	Alexis Nzohabonimana	Hutu	CNDD-FDD
Coffee (OCIBU)	Deo Nduwimana	Tutsi	CNDD-FDD
Sugar (SOSUMO)	Alexis Ntaconzoba	Tutsi	CNDD-FDD
Society for Development of the Imbo Plain (SRDI)	Venant Niyongere	Tutsi	CNDD-FDD
Society for Selling and Packaging (SODECO)	Cyrille Ndenzako	Tutsi	Uprona
Airport management (SOBUGEA)	Henry Lepage	Hutu	CNDD-FDD
Burundi Commerce and Investment Bank (BBCI)	Juliette Bamerwa	Tutsi	CNDD-FDD
Bujumbura Textile Company (COTEBU)	Festus Ntanyungu	Hutu	CNDD-FDD

Source: International Crisis Group.

### **BINUB takes over reins from UNOB**

UNOB officially disbanded on December 31st 2006, seamlessly replaced by the Bureau intégré des Nations Unies au Burundi (BINUB). Unlike UNOB, BINUB does not deploy troops but instead has a function not unlike that of the UN Development Programme (which is now housed in BINUB), focusing on reconstruction, development and capacity building (August 2006, The political scene). The head of BINUB is Youssef Mahmoud, a Tunisian diplomat who worked previously for the UN in Guyana and Cambodia. Although BINUB has no troops, UNOB's South African military contingent is staying on, swapping their UN helmets for AU ones. The military unit's main task, as well as protecting returning Palipehutu-FNL politicians, is to oversee the cantonment and demobilisation of the country's various fighting forces.

### **Burundi joins East African Community**

In a long-awaited but much delayed move, Rwanda and Burundi were finally admitted into the East African Community (EAC) on November 30th 2006. The EAC's other members are Uganda, Kenya and Tanzania, and Rwanda and Burundi initially applied to join them in 2002. The first practical move will be for the two countries to join the EAC customs union, which entered into force in March 2005. This will require them to reduce import tariffs for goods from EAC member countries. EAC members are also expected to participate in a referendum on a federal constitution, scheduled for 2009, and the establishment of a common currency in the same year. The federation, complete with president, government, parliament and supreme court, is scheduled to begin in 2010.

## **Economic policy**

### **The 2007 budget promises a modest expenditure increase**

The new minister of finance, Denise Sinankwa, delivered her first budget in December 2006, having been moved to the post from the Ministry of Commerce and Industry in a reshuffle in September (November 2006, The political scene). The 2007 budget proposes expenditure of Bufr445bn (US\$443m) for the year, a modest 7% higher than was budgeted for in 2006. The final outturn for the 2006 budget is not yet publicly available, but according to statistics released by the Banque de la République du Burundi (BRB, the central bank), total expenditure during the first three quarters of the year was Bufr240.7bn, only 57% of the budgeted annual total. This was despite several substantial new expenditure commitments made during 2006, including free education for the under-fives and large increases in public-sector pay (May 2006, Economic policy)—although it is unclear to what extent these were actually delivered. Ms Sinankwa budgeted for a 26% increase in public-sector wages in 2007 compared with 2006, partly because of the previously promised salary increases, but also because of the planned recruitment of thousands more teachers and several hundred more doctors and magistrates. Capital expenditure is unchanged from 2006, at Bufr168bn. As usual, the government intends almost all of this to be financed by donors, and the outturn will thus be dependent on donor goodwill. Ms Sinankwa promised higher social spending in 2007, but it is unclear whether her budget included the provision for free education at secondary and tertiary levels for orphans and widows that Mr Nkurunziza promised in his New Year message.

The budget was hotly debated in the National Assembly and the Senate, but was ultimately passed in both without amendment. The budgeted deficit is to be financed domestically, although the actual deficit will probably be higher since it is once again overly ambitious regarding its projections for donor assistance.

**National budget, 2007**

	Bufr bn	% change from 2006 budget (nominal terms)
Revenue	429	27
Domestic revenue	209	19
Fiscal receipts	184	12
Non-fiscal receipts	25	127
Total grants	220	37
Expenditure	445	7
Capital expenditure	168	0
<b>Balance</b>	<b>-16</b>	<b>n/a</b>

Sources: Burundi News Agency; Ministry of Finance; Auditor General's Office.

**Substantial government revenue hike is forecast**

Ms Sinankwa budgeted for Bufr429bn in revenue during 2007, a hefty 27% higher than was budgeted for in 2006, and 20% higher than the outturn, which, according to Ms Sinankwa, was Bufr21bn higher than had been anticipated. This was a remarkable achievement, particularly since, according to the BRB's statistics, revenue for the first three quarters of 2006 was just Bufr176.2bn, only half the annual total claimed by Ms Sinankwa. The revenue increase hoped for by the government in 2007 would come despite of a series of tax cuts proposed in the budget, including a reduction of import tariffs on foodstuffs from 30% to 5%, and lower taxes on beer and on information and communications technology.

**Conclusion to fifth PRGF review is expected soon**

The IMF concluded discussions for a fifth poverty reduction and growth facility (PRGF) review in December 2006, although the review itself is only expected to be completed in February 2007. The IMF completed its third and fourth reviews of Burundi's PRGF in July 2006 and disbursed a further US\$21m of the US\$102m facility (August 2006, Economic policy). Reporting to a meeting of the new UN Peacebuilding Commission on Burundi (see Foreign trade and payments), Paul Mathieu, an IMF representative, said that lower than anticipated external budget support in 2006 had delayed structural reforms and created political tension because of the non-payment of some civil service salaries. Mr Mathieu said that a resident representative would be posted to Burundi in early 2007 and predicted that technical assistance from the IMF would have a marked positive impact on domestic revenue in 2007, during which period he forecast improved GDP growth and continued lower inflation.

## The domestic economy

### Economic trends

**Consumer price index drops**

In a welcome development for the city's hard-pressed residents, the consumer price index (CPI) for the capital, Bujumbura, fell by 2.6% in the third quarter of 2006 compared with its second-quarter level. This meant that the year-on-year rate of inflation fell to 0.5%, compared with 3.6% in the previous quarter. The main cause of the reduction in the CPI was a 5% drop over the third quarter in the food price index—which has a weighting of 51.9% in the inflation calculations—due to a reasonably good 2006 "B" harvest (November 2006, The

domestic economy: Agriculture). This was despite a 7% increase over the period in transport and communications costs. The third quarter CPI data bode well for the overall annual inflation rate for 2006, which has not yet been officially announced; the Economist Intelligence Unit has lowered its estimate to 5%.

### **The Burundian franc strengthens**

The Burundian franc has strengthened slightly against the US dollar in recent months, firming from Bufr1,058:US\$1 in mid-October 2006 to Bufr1,004:US\$1 in early January 2007. This is partly owing to US dollar weakness, but the franc also gained ground against the euro during the same period, moving from Bufr1,340:€1 in October to Bufr1,300:€1 in early January, an appreciation of 3%, which indicates a more general increase in confidence in the currency. This has had a negative impact on export competitiveness, although this has been more than counteracted by the positive effect on the cost of imports, which traditionally outweigh exports in Burundi by a high margin.

### **Long-term savings rise**

Narrow money (M1) was a modest 6.4% higher in late October 2006 (the latest period for which figures are available) than at the beginning of the year, while broad money (M2) registered a slightly higher growth rate of 8.1% over the same period. Encouragingly for the monetary authorities, given the historically low savings rates in the country, short-term deposits rose by 4.8% between January and October 2006, but longer-term savings rose by 12.3%, as savers took advantage of higher interest rates (November 2006, The domestic economy: Economic trends).

### **Commercial bank credit to the private sector grows**

In a sign that health is finally returning to the long-suffering domestic economy, commercial bank credit to the private sector grew significantly in 2006, from Bufr165bn at the beginning of the year to Bufr193bn at the end of October, a rise of 17%. Credit to the private sector fell in 2005 compared with its 2004 figure, and in 2004 rose by a mere 1% from its 2003 level. Indeed, the last time there was any significant growth in commercial bank credit to the private sector was in 2002, when the figure rose by 30% in the year. However, the franc depreciated by 12% in 2006, leaving the real credit increase at a more modest 18%.

## **Agriculture**

### **A food crisis looms in the northern provinces**

In mid-December 2006 the UN Food and Agriculture Organisation (FAO) warned that a food crisis was looming in the northern parts of the country, but added that the severity of this crisis would not be as bad as in 2006. The problem has been caused by poor rains in September, which was the 2007 "A" harvest planting season, followed by heavy rains since November, which have caused severe flooding in some parts, displacing thousands of people and damaging crops. Additional long-term problems include continued population pressure and the ongoing effect of the mosaic virus on the country's cassava crop. Nearly 100 people are reported to have died of hunger in the northern province of Ngozi in December, while many others were reported to have fled to Rwanda in search of food. The UN World Food Programme (WFP) has been distributing food in affected provinces, and the government has established a

compulsory four-month "National Solidarity Fund", which taxes wages in the private and public sectors to pay for food relief.

### **Tea and coffee harvests are disappointing**

The 2006/07 coffee harvest stood at 35,801 tonnes at the end of October 2006, five times higher than at the same stage in the disastrous 2005/06 season, but 17% lower than the 2004/05 harvest. The relatively weak nature of the recovery in production further underlined the need for fundamental structural reforms in the sector, which have been promised for many years but have yet to materialise substantively. Meanwhile, the 2006 tea harvest totalled 26,000 tonnes (of green tea) at the end of October 2006, a deeply disappointing 33% lower than in the same month of 2005. This was the worst performance in the tea sector for over five years. Both the tea and coffee sectors would have performed better, but smuggling to neighbouring countries, particularly Rwanda, where producer prices are much higher, remains a problem.

## **Financial and other services**

### **Banque Populaire du Burundi closes its doors**

The Banque Populaire du Burundi (BPB), one of the country's main commercial banks, closed its doors in November 2006 and was placed under the emergency management of the Banque de la République du Burundi (BRB, the central bank), because of the bank's rapidly deteriorating financial position, in which its liabilities exceed its assets by over Bufr2bn (US\$2m). The central bank governor, Gabriel Ntizezerana, has said that it will cost Bufr4bn to recapitalise the BPB, but he appears undecided on what course to take, other than demanding that the BPB's shareholders pay up. This seems unlikely, and the BPB's many clients fear that the central bank may simply opt to liquidate the bank, meaning they would lose most if not all of the value of their deposits.

## **Foreign trade and payments**

### **The current account deteriorates sharply**

Export earnings picked up in the third quarter of 2006 after a particularly poor first half of the year, when they had totalled just Bufr13.2bn (US\$12.9m) (November 2006, Foreign trade and payments). Recorded exports earned Bufr18.7bn during the third quarter, mainly on the strength of improved coffee sales as the poor 2005/06 coffee season gave way to the much improved 2006/07 season. The cost of imports, meanwhile, fell back to Bufr93bn in the third quarter from Bufr100.4bn in the second. The trade deficit for the first three quarters of the year was Bufr289.1bn, compared with Bufr156.8bn for the same period of 2005, highlighting just how poor export levels were in the first half of 2006. The services deficit also worsened, mainly because of the growing cost of non-factor services. There was particularly strong growth in the cost of travel for state employees, probably because of the extensive globe-trotting of the president, Pierre Nkurunziza, and his delegations over the period. Unilateral transfers over the first three quarters of 2006 totalled Bufr134bn, far lower than the government had (optimistically) been banking on, and the overall deficit on the current account at the end of September 2006 was Bufr115bn, nearly four times its size compared with the year-earlier period.

**UN Peacebuilding Commission promises US\$25m**

The newly established UN Peacebuilding Commission has selected Burundi as one of two countries it is focusing on intensively (the other is Sierra Leone), and at a meeting in mid-December 2006 it agreed to grant the country US\$25m to aid in its efforts at reconstruction. Much of the money will be to pay civil service salaries, since Commission members were in agreement that non-payment would endanger the country's national security. National and international human-rights lobby groups had urged donors to use the Peacebuilding Commission meetings to put pressure on the government regarding its authoritarian drift (see The political scene), but donors mostly declined to do so, preferring to talk blandly of the need to assist the government in rebuilding the country.

**Aid and loan briefs**

- The African Development Bank announced in November 2006 that it would lend US\$10.8m to assist the country's economic reform programme, focusing particularly on improving public expenditure management and supporting private-sector growth.
- The Belgian government committed in late October to a three-year co-operation programme (2007-09) worth €60m (US\$76.8m). The money will go primarily to projects in agriculture, education and health. Shortly afterwards, in early November, the Dutch government pledged €6m to develop micro-finance over a three-year period.
- The French government signed a new partnership agreement with the Burundian government in mid-November worth at least €47m, intended to improve governance, promote the French language and improve the economic lot of vulnerable communities.