BANQUE DE LA REPUBLIQUE
DU BURUNDI

2023

FINANCIAL STABILITY
REPORT

FISCAL YEAR 2023 - NUMBER 9

CONTENTS

LIST OF TABLES

LIST OF CHARTS

LIST OF APPENDICES

LIST OF ACRONYMS

ASBL	: *Association Sans But Lucratif*
B&FI	: Bank and Financial Institution
BIF	: Burundi Francs
Bn	: Billion
BRB	: *Banque de la Republique du Burundi*
CIF	: Cost Insurance and Freight
EAC	: East African Community
CSD	: Central Securities Depositor
DPD	: Domestic Public Debt
EPD	: External Public Debt
DRC	: Democratic Republic of Congo
EAC	: East African Community
ECF	: Extended Credit Facility
FGDR	: *Fond de Garantie de Dépôt et de Résolution*
FI	: Financial Institution
F.O.B	: Freight on Board
GDP	: Gross Domestic Product
GFC	: *Groupement Financier Communautaire*
IMF	: International Monetary Fund
INSBU	: *Institut National de la Statistique du Burundi*
MBIF	: Million of Burundian Francs
MFBPE	: *Ministère des Finances du Budget et de la Plannification Economique*
MFI	: Micro Finance Institution
MID	: *Marché Interbancaire des Dévises*
Mr.	: Mister
N/A	: Not Applicable
NGO	: Non-Governmental Organization
No.	: Number
NPL	: Non Performing Loans
pc	: percent
pp	: percentage point
Q	: Quarter
ROA	: Return on Asset
ROE	: Return on Equity
SDR	: Special Drawing Rights
US	: United States
USD	: United States Dollar

MISSIONS OF THE « BANQUE DE LA REPUBLIQUE DU BURUNDI »

1. Define and implement the monetary policy;
2. Define and implement the exchange rate regime;
3. Hold and manage the official foreign exchange reserves;
4. Regulate and supervise banks, financial institutions and microfinance institutions;
5. Issue banknotes and coins;
6. Promote a stable and sound financial system;
7. Promote a reliable, efficient and sound national payment system;
8. Act as the Government's Cashier;
9. Accomplish any task as provided in its statutes;
10. Perform tasks that other laws could assign to the Bank, provided they align with its autonomy.

VISION OF THE « BANQUE DE LA REPUBLIQUE DU BURUNDI »

The BRB, a modern Central Bank with technical competence to impulse innovation and ensure the stability of the financial system for a durable development of the Burundian economy.

PREFACE

Edouard Normand BIGENDAKO, Governor

In 2023, the effects of the covid-19 pandemic, geopolitical and geoeconomic crises led to the worsening of the cost of living, economic and financial conditions across the world. The year 2023 was generally characterized by accommodative and restrictive economic policies, but many jurisdictions and banking supervisory authorities took adequate prudential measures to mitigate their vulnerabilities.

The Bank of the Republic of Burundi continued to preserve the financial stability of Burundi by strengthening its institutional, regulatory and prudential frameworks in accordance to the Basel Committee on Banking Supervision principles.

On the sidelines of this 9th edition of the Financial Stability Report for the year 2023, the vulnerabilities of the Burundian economic and financial conditions were identified. In order to assess the national financial system resilience, the micro and macro stress tests analyses were conducted and the results are included in this report. The conclusions of this report show that the Burundian financial system was not spared from the effects of macroeconomic and financial imbalances, but it remained resilient in 2023. The Bank of the Republic of Burundi will therefore continue to sustain the stability of the Burundian financial system by implementing macroprudential policies consisting of systemic risks prevention and financial crises management measures.

Edouard Normand BIGENDAKO

Governor

SUMMARY

The global economy has been facing the consequences of the COVID-19 pandemic, with geopolitical and geoeconomic crises leading to persistent macroeconomic imbalances and disruptions in global supply chains in 2023. In addition, slowdown of external demand and tightening of domestic policies to reduce inflation have generally dampened economic growth in Sub-Saharan Africa. To contain financial vulnerabilities affecting domestic financial systems, macroprudential policies were adopted and short-term risks to financial stability were mitigated.

In the East African Community (EAC), economic activity increased slightly despite financing shortages, high borrowing costs, and the effects of the conflict between Ukraine and Russia. However, banks in the region demonstrated resilience to risks regarding capital adequacy and liquidity levels.

In Burundi, the economic and financial situation in 2023 mainly faced high interest rates, an increase in the budget deficit (5.8%), inflation (27.1%) and a decline in foreign exchange reserves in months of imports (0.8 months). However, the Burundian financial system showed resilience in 2023, by maintaining the regulatory solvency (19.3%) and non-performing loans (3.3%) levels in the banking sector. Macroprudential stress test analyses showed, however, that the Burundian financial system could be vulnerable in the event of a gradual deterioration in the economic situation associated with the fiscal deficit and rising inflation. In 2023, the Bank of the Republic of Burundi implemented reforms aimed at preserving the stability of the financial system by revising the minimum capital of banking and microfinance institutions in order to comply with the prudential regulations of the Basel III.

Looking ahead, the Bank of the Republic of Burundi intends to continue implementing macroprudential policies and financial crisis management strategies through the establishment of financial safety nets and the financial services digitalization. The Bank of the Republic of Burundi is also to continue its cooperation with its partners, notably the International Monetary Fund. The latter is supporting the initiatives of the Burundian authorities to address the vulnerabilities that could weigh on the financial system in order to promote the financial and economic stability of Burundi.

Table 1 : Risks to financial stability in 2023

↑	Risk related to the profitability and solvency decline and the increase in non-performing loans in the banking sector
↑	Risk related to the increase in the current external deficit and the decrease in foreign exchange reserves in months of imports
↑	Risk related to the increase in public debt and the fiscal deficit
↑	Risk related to the increase in the money supply to GDP and the average rate of the marginal lending facility
↑	Inflation risk

High systemic risk
Moderate systemic risk

Note: The color indicates the intensity of the risk while the arrow indicates the direction of the latter

CHAPTER 1:
MACROECONOMIC AND FINANCIAL ENVIRONMENT

CHAPTER 1: MACROECONOMIC AND FINANCIAL ENVIRONMENT

1.1. Global macroeconomic and financial environment

At the end of 2023, global economic activity reached its lowest level, although both headline and core inflation had gradually come under control. The global growth declined from 3.5% in 2022 to 3.3% in 2023, remaining well below the historical average. The consequences of the COVID-19 pandemic, the war between Ukraine and Russia, low productivity growth, and geoeconomic fragmentation were behind this economic slowdown.

In developed countries, growth slowed slightly to 1.5% in 2023 from 2.6% in 2022. This was the result of stronger-than-expected growth in the United States, partly offset by weaker-than-expected growth in the euro zone. In the United States, economic activity recovered with GDP growth of 2.5% in 2023 from 1.9% in 2022. This is explained by the fact that business investment increased in the second quarter of 2023 and consumption growth held up well, reflecting the persistence of the labor shortage. In addition, the fiscal stance of general government was expansionary in 2023.

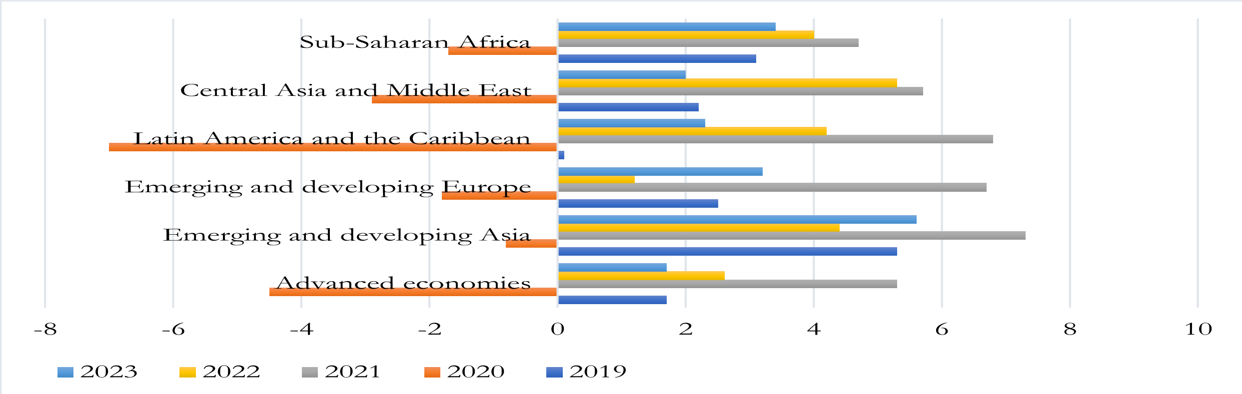
In the euro zone, growth decelerated to 0.5% in 2023 from 3.4% in 2022, following the effects of the acceleration of the rate hike by the European Central Bank and the erosion of real incomes. This deceleration in growth was driven by that of Germany which stood at -0.5% in 2023 from 1.8% in 2022.

Growth in developing and emerging Asia increased from 4.4% in 2022 to 5.7% in 2023. This is mainly attributable to the growth of China's economy, which stood at 5.2% in 2023 compared to 3.0% in 2022 following the delayed effects of stronger-than-expected growth in 2023 and increased government spending on building disaster preparedness capacity. Growth in emerging and developing countries in Europe accelerated, reaching 3.2% in 2023 compared to 1.2% in 2022, where this improvement remains attributable to the Russian economy (3.6% in 2023 compared to -1.2%) and Ukraine (5.0% in 2023 compared to -29.1% in 2022), in connection with the stronger-than-expected increase in domestic demand.

In the Middle East and Central Asia, growth declined from 5.4% in 2022 to 2.0% in 2023, mainly due to the sharper-than-expected slowdown in economic growth in Saudi Arabia, which fell from 7.5% in 2022 to -0.8% in 2023. This deterioration in Saudi economic growth was explained by the decline in oil production.

Countries in the Sub-Saharan Africa region experienced a decline in economic growth in 2023, which stood at 3.4% compared to 4.0% in 2022. This was related to the slowdown in three of the largest economies namely Nigeria (2.9% compared to 3.3%), South Africa (0.7% compared to 1.9%) and Angola (0.5% compared to 3.0%), mainly due to monetary policy tightening and the energy crisis.

Chart 1 : Global growth



Source: Data from IMF World Economic Outlook, July 2024

Global inflation declined, from 8.7% in 2022 to 6.8 % in 2023, driven by lower international commodity prices, particularly energy prices. In the United States, inflation fell by 3.9 pp, from 8.0% in 2022 to 4.1% in 2023. The inflation also declined in the euro zone in 2023, from 8.4% in 2022 to 5.4% in 2023, a decrease of 3.0 pp. In China, inflation fell from 2.0% in 2022 to 0.2% in 2023. In sub-Saharan Africa, headline inflation in 2023 rose to 16.2% from 14.5% in 2022 and exceeds 10% in all the 14 countries [1].

In terms of public finances, large fiscal deficits continue to increase public debt levels while debt costs are rising, thus constituting financial vulnerabilities, following the volatility of the exchange rate for foreign currency-denominated debts in many emerging and developing countries[2]. To this end, about 80% of Sub-Saharan African countries had reserves of less than five months of imports [3]at the end of 2023, declining on a regional average to 4.0 from 4.6 months of imports in 2022. Debt ratios [4]have increased sharply since the Covid-19 pandemic and remain high. Following the accumulation of public and private debts, monetary authorities worldwide have resorted to prudential surveillance tools, namely stress tests, to ensure the resilience of banking and non-banking financial institutions and the tightening of credit in the real estate and residential sector.

In 2023, the financial system stability faced the effects of the COVID-19 pandemic and the war between Ukraine and Russia, reminding of the 2008 financial crisis [5]with the collapse of Lehman Brothers Bank. Moreover, the implementation of restrictive monetary policies such as the increase in interest rates to reduce inflation caused the failure of some banks, including Silicon Valley Bank, Signature Bank, First Republic Bank and Credit Suisse Bank, all of which were acquired as part of the management of financial crisis contagion. Overall, the risks to global financial stability [6]in the short term have therefore lessened; banks have been broadly resilient in absorbing related chocks, mainly the risk of concentration. Within the banking system, household debt sustainability ratios have been at moderate levels worldwide.

1 Angola, Burundi, DRC, Ethiopia, Gambia, Ghana, Malawi, Nigeria, Rwanda, Sao Tome and Principe, Sierra Leone, South Sudan, Zambia and Zimbabwe
2 World Economic Outlook, April 2024
3 Regional Economic Outlook: Sub-Saharan Africa, April 2024
4 Public Finance Monitors, April 2024
5 Africa Economic Outlook and Performance, January 2024
6 Global Financial Stability Report, April 2024

1.2. Regional macroeconomic and financial environment

The East African Community (EAC) macroeconomic and financial environment has been resilient in the face of financing shortages, high borrowing costs and global geopolitical tensions effects. The growth in the EAC region, excluding South Sudan and the DRC, increased slightly to 5.3% in 2023 from 5.2% in 2022. Furthermore, the EAC banking sector has been resilient to internal and external shocks due to the increase in profitability, liquidity and capital buffers. However, the economic outlook for the EAC region remains subject to several risks, including the global economic slowdown, rising commodity and energy prices, geopolitical tensions, tightening global financial conditions and currency depreciation.

Table 2 : GDP growth in EAC countries (%)

	2019	2020	2021	2022	2023
Burundi*	-0.5	3.1	2.2	3.3	3,3
Kenya	-0.1	7.2	4.8	5.5	5,5
Uganda	-2.1	5.1	6.3	4.8	4,8
Rwanda	-0.2	10.2	8.2	6.9	6,9
Tanzania	1.0	4.9	4.7	5.0	5,0
South Sudan	-6.6	5.3	-5.2	-0.1	-0,1
DRC	1.7	6.0	8.8	6.1	6,1
EAC	-0.2	6.5	5.2	5.3	5,3

Source: *IMF, Regional Economic Outlook: Sub-Saharan Africa, April 2024*

** MFBPE, Macroeconomic Framework Document, September 2024*

Headline inflation remains moderate in EAC member countries and is below the macroeconomic convergence criterion of 8.0%. EAC headline inflation has declined from 7.0% in 2022 to 6.8% in 2023. Indeed, three of the EAC member countries have respected this regulatory level of inflation, namely Kenya (7.7 against 7.6% in 2022), Uganda (5.4 against 6.8% in 2022) and the United Republic of Tanzania (4.0 against 4.4% in 2022). However, inflation in Rwanda and Burundi have exceeded this criterion, standing at 14.0 and 27.1% in 2023, respectively, against 13.9% and 18.9% in 2022.

Table 3 : Evolution of inflation at the EAC level

	2019	2020	2021	2022	2023
Burundi	-0.7	7.5	8.3	18.9	27.1
Kenya	5.2	5.3	6.1	7.6	7.7
Uganda	2.3	2.8	2.2	7.2	5.4
Rwanda	2.4	7.7	0.8	13.9	14.0
Tanzania	3.4	3.3	3.7	4.4	4.0
South Sudan	51.2	24.0	30.2	-3.2	40.2
DRC	4.7	11.4	9.1	9.3	19.9
EAC-5	3.9	4.4	4.4	7.1	6.8

Source: *IMF, Regional Economic Outlook: Sub-Saharan Africa, April 2024*

** MFBPE , Macroeconomic Framework Document, September 2024*

The public debt ratios remained high, averaging 59.5% of GDP compared to 56.7% of GDP in 2022, a level above the 50% of GDP convergence criterion set for the EAC, in line with the drying up of development aid and increasingly restricted access to private financing . However, the DRC (14.3%), Uganda (49.9%) and Tanzania (46.1%) met the criterion in 2023.

Table 4 : Public debt in EAC countries (% of GDP)

Criteria	Total public debt (≤50 % du PIB)					External Public Debt					Domestic Public Debt				
Countries	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Burundi*	52.5	57.3	56.7	57.9	54.3	15.3	15.4	16.8	14.5	15.9	37.3	41.9	39.9	43.5	38.40
Kenya	62.1	68.7	68.1	67.9	73.3	31.8	34.7	33.3	31.9	33.9	29.5	34.0	34.8	36	39.40
Uganda	37.6	46.4	51.6	49.9	49.9	25.5	31.3	32.9	26.9	26.5	13.4	15.1	18.7	23.9	23.40
Rwanda	51.0	61.0	68.6	61.1	62.1	43.2	53.9	55.8	51.5	51.0	-6.5	7.1	12.8	12.9	11.10
Tanzania	39.0	40.5	40.8	44.9	46.3	28.1	28.9	28.5	27.4	29.4	10.7	11.6	12.3	14.2	16.90
South soudan	28.1	37.2	58.2	39.9	54.1	50.0	49.9	50.1	42.8	51.0	27.8	36.8	58.2	39.6	3.10
DRC	15.5	16.7	16.3	14.3	14.3	13.4	13.4	14.8	14.9	16.6	2.1	3.3	1.5	1.2	-2.30
EAC-5	48.9	55.7	57.1	56.7	59.5	29.4	32.2	32.7	30.4	31.7	19.5	14.2	24.4	26.3	27.80

*Source: * BRB, Monetary Policy Report, December 2023*

IMF, Regional Economic Outlook: Sub-Saharan Africa, April 2024

Foreign exchange reserves in months of imports have declined from 3.9 months in 2022 to 3.6 months of imports in 2023 against a regional norm of 4.5 months, following the effects of the depreciation of national currencies and the persistence of the current external deficit (-5.7 against -6.4% of GDP). Over the last two years, no EAC country has met this norm of the macroeconomic convergence criteria.

Table 5 : Evolution of foreign exchange reserves within the ECA (Months of imports)

Colonne1	2019	2020	2021	2022	2023
Burundi*	1.1	3.2	1.8	0.8	0,8
Kenya	4.6	4.4	4.4	3.7	3,7
Uganda	4.5	4.0	3.1	3	3
Rwanda	4.7	4.6	3.6	3.8	3,8
Tanzania	5.2	4.9	3.7	3.9	3,9
EAC-5	4.5	4.4	3.9	3.6	3,6
South Sudan	0.1	1	0.9	0.8	0,8
RDC	0.6	0.8	1.7	2	2

Source: IMF, Regional Economic Outlook, Sub-Saharan Africa, April 2024

** BRB*

The EAC fiscal deficit ratio declined slightly, although its level remains above the minimum standard of 3% required by the macroeconomic convergence criteria. It stood at 4.7% compared to 5.6% of GDP in 2022, following the increase in expenditure on subsidies, transfers and investment higher than revenues, the increase in financing needs and the drying up of financing sources.

Table 6: Fiscal deficit in EAC countries (% of GDP)

	2019	2020	2021	2022	2023
Burundi*	4.3	6.1	2.8	5.0	5.8
Kenya	5.2	5.3	8.1	6.1	5.3
Uganda	4.8	7.5	7.8	6.3	5.0
Rwanda	5.1	9.4	6.9	5.7	5.5
Tanzania	2.0	2.5	3.3	3.9	3.5
EAC-5	**2.0**	**2.5**	**3.3**	**5.6**	**4.7**
DRC	2.0	1.4	0.0	0.5	2.2
South Sudan	0.1	6.7	10.0	-4.2	-8.0

Source : IMF, Regional Economic Outlook, Sub-Saharan Africa, April 2024

**BRB*

The EAC financial system remained robust in the face of the effects of the COVID-19 pandemic crisis and the war between Ukraine and Russia. The EAC banking sector remained resilient to credit and interest rate risks, with adequate capital and liquidity buffers built up over time. The credit portfolio of the EAC banking sector remained subject to pressure on household and corporate incomes due to persistently high inflation. To this end, the non-performing loan rate has increased due to the increase in interest rates driven by the tightening of monetary policy in all EAC member states. The credit portfolio is concentrated in the household, industrial, commercial and real estate sectors. High levels of non-performing loans have been observed in these sectors, following a difficult business environment and high commodity prices. A shock in any of these sectors could have adverse effects on the stability of the regional banking sector.

However, the rate of non-performing loans recorded by financial institutions in the EAC in 2023 is decreasing for some countries like Uganda, Tanzania and South Sudan, which contributes to the solidity of their financial systems.

Table 7: Evolution of the rate of non-performing loans in the EAC

	2019	2020	2021	2022	2023
Burundi	5.7	5.3	3.4	2.7	3.3
Kenya	10.0	14.1	13.1	13.3	14.8
Uganda	3.8	5.3	5.3	5.8	4.6
Rwanda	4.9	4.5	4.6	3.1	4.1
Tanzania	9.8	9.4	8.4	7.3	4.4
South Sudan	2.1	3.1	3.1	1.7	1.2

Source : *EAC Country Risck Assessment Dashboard, june 2024*

1.3. Macroeconomic and financial environment of Burundi

Burundi economic and financial situation has faced internal and external vulnerabilities that may lead to systemic risks affecting its financial stability. Indeed, this situation has undergone shocks relating to inflation, public finances, the money market, external accounts and foreign exchange reserves.

1.3.1. Economic Growth and Inflation

In 2023, economic growth accelerated to reach 3.3% compared to 2.2% in 2022. Indeed, this growth in economic activity was the result of the improvement in activity in the primary (0.8% compared to -2.3%) and secondary (3.3% compared to 2.8%) sectors. The sources of growth in the primary sector are mainly related to the growth in production from food crops (0.9% compared to -5.2%), tea (4.5% compared to -1.0%) and livestock (5.9% compared to -50.9%). Growth in the secondary sector was mainly explained by gains in mineral extraction (1.4% compared to -3.5%), electricity, gas and water (4.0% compared to -4.1%), and construction (8.1% compared to 0.8%). The tertiary sector reported stable growth at 4.2% over the past two years.

On an annual average, overall inflation increased to 27.1% in 2023 compared to 18.9% in 2022. The EAC ceiling is 8%. Indeed, it remained high in 2023, reaching a peak of 32.6% in April. This increase in inflation is associated with the rise in food prices (37.1% compared to 24.7%) and other commodities prices (14.7% compared to 11.5%). In addition, inflation in the energy sector, fuel and others rose significantly to 34.0% in 2023 compared to 12.2% in 2022.

Table 8: Inflation rate by component

Year	2019	2020	2021	2022	2023
Food commodities	**-2.9**	**12.6**	**10.4**	**24.7**	**37.1**
-Breads and cereals	0.5	11.3	3.6	36.5	32.5
-Meat	4.4	17.1	10.1	20.9	10.1
- Fish	4.3	4.9	4.6	33.6	16.0
- Milk, cheese and eggs	5.0	5.6	10.9	11.9	14.5
- Oils and fats	2.5	1.0	28.9	33.0	23.2
- Fruit	-1.7	5.3	25.3	13.8	22.9
- Vegetables	-6.7	17.4	12.2	19.4	52.8
- Sugar, jams, honey, chocolate and confectionery	0.1	5.3	-2.9	11.4	5.4
- Food products not elsewhere defined	4.2	9.3	1.2	5.1	7.2
Non food commodities	**1.8**	**2.6**	**6.3**	**11.5**	**14.7**
- Alcoholic drinks and Tobacco	-0.9	1.8	4.5	7.6	17.3
- Clothing and footwear	3.2	4.8	5.5	11.5	13.7
- Housing, water, electricity, gas and other fuels	2.5	5.1	7.8	9.9	16.4
- Furnishing, household equipment and routine maintenance of the house	2.8	3.0	5.5	20.2	15.5
- Health	3.5	2.4	28.8	12.9	5.5
- Transportation	0.8	-1.2	1.6	21.1	13.8
- Communications	0.4	-0.3	2.1	10.9	4.0
- Leisure and culture	6.9	6.4	1.0	12.8	22.6
- Teaching, education	2.2	1.7	5.0	1.9	8.2
- Hospitality, cafe and catering	-0.4	1.7	3.8	9.8	20.9
- Other goods and services	2.2	3.1	3.3	8.1	9.9
Overall	**-0.8**	**7.5**	**8.3**	**18.9**	**27.1**

Source *: Calculations based on INSBU data*

Inflation had an impact on the loan portfolio quality and lead to capital erosion, illustrated by increased borrowing costs and a rise in non-performing loans. To address this, the banking supervisory and regulatory authorities have raised the minimum capital to ensure financial stability.

1.3.2. Monetary and financial situation

As part of the tightening monetary policy, the Central Bank set the minimum refinancing rate by tender at 10%. As a result, the marginal lending facility rate obtained by increasing the refinancing rate by 2 percentage points was raised to 12% in 2023 compared to 5.0% in 2022. It also increased reserves requirement coefficient from 3% to 5% as well as the maturity limit set at 15 instead of 30 days. The level of banks' reserves at the end of December 2023 was expected at 478.3 billion BIF compared to 371.8 billion BIF at the end of December 2022. However, without the Central Bank interventions, the level of bank liquidity would stand at -265,501 MBIF compared to -163,764 MBIF.

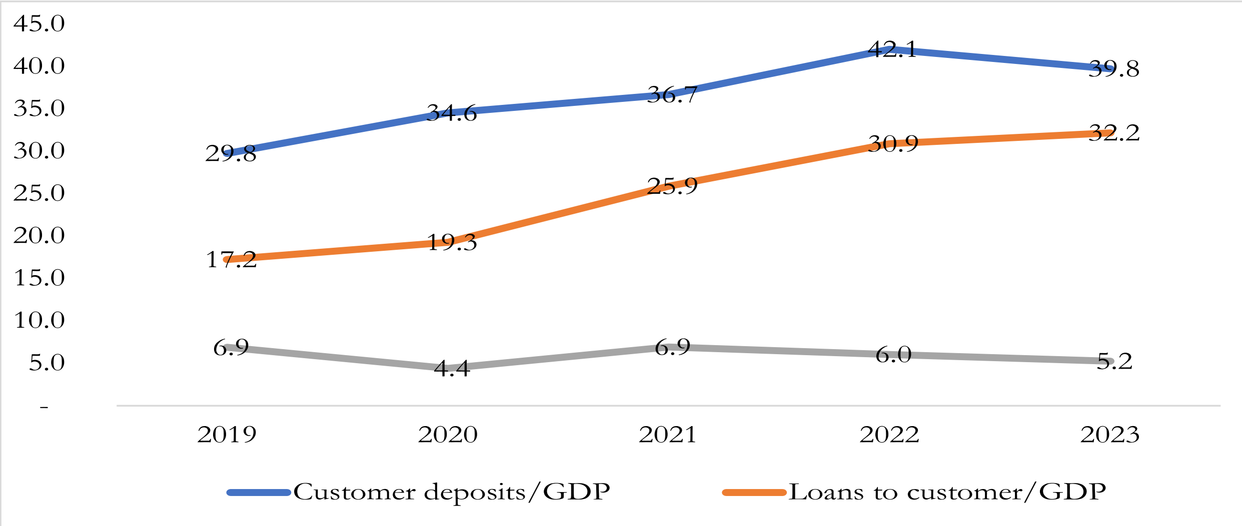
As part of the targeted refinancing of growth-driving sectors in 2023, the amount of BRB refinancing to the banking sector stood at 605.4 billion at the end of 2023 compared to 557.3 billion BIF at the end of 2022 representing an increase of 8.6% in 2023 compared to 5.0% in 2022. Its share in the GDP, however, fell slightly from 6.0% in 2022 to 5.2% in 2023.

The money supply increased by 16.1% in 2023 compared to 37.2% in 2022, following the increase in its components, namely cash circulation outside the banking sector (12.3% compared to 18.0%), demand deposits in BIF (10.6% compared to 53.3%), time and savings

deposits (13.5% compared to 25.2%), and residents foreign currency deposits (97.2% compared to 17.9%). The increase in foreign currency deposits is linked to the increase in individual deposits (households) by 158.0% in 2023 compared to 6.4% in 2022, following the lifting of the measure of settlement in local currency of remittances since October 2022.

In terms of counterparts to the money supply, domestic credit increased by 24.2% compared to 38.0%, including net claims on the Government (17.2% compared to 31.2%) and claims on the economy (29.4% compared to 43.6%). In 2023, the increase in credit to the economy (29.4%), which reached 4,413.3 billion compared to 3,411.5 billion BIF in 2022, is associated to credits granted in 2023 by credit institutions. The credit-to-GDP ratio increased to reach 32.2% of GDP in 2023 compared to 30.9% of GDP in 2022.

Chart 2 : Evolution of financing of the economy (% of GDP)



Source: BRB

In 2023, private enterprise and household debt remained significant in Burundi economy. Household debt decreased by 1.0 percentage point to 18.0% of GDP in 2023 from 19.0% of GDP in 2022. In addition, private enterprise debt as a percentage of GDP increased by 1.7 percentage points in 2023 to 20.2% from 18.5% in 2022 while public enterprise debt decreased slightly by 0.1 percentage point to 0.2% in 2023 from 0.3% in 2022.

Table 9: Household and corporate debt (% of GDP)

Year	Household debt to GDP (%)	Private enterprise debt to GDP (%)	Public enterprise debt to GDP (%)
2019	13.8	6.9	0.7
2020	15.5	7.8	0.3
2021	18.2	12.7	0.3
2022	19.0	18.5	0.3
2023	18.0	20.2	0.2

Source *: BRB*

In 2023, the net position of private companies is in a debtor status. The net indebtedness for private enterprises was 571.6 billion BIF in 2023 contrary to the creditor position in 2022, where they held -57.6 billion BIF. On the other hand, due the increase of 52.3% in deposits of public enterprises in 2023, the net position of these public enterprises remained in credit in 2023, standing at -163.5 billion BIF compared to -99.6 billion BIF in 2022 following deposits exceeding loans.

Furthermore, the households net indebtedness decreased to -208.5 billion BIF in 2023 against 118.5 billion BIF in 2022. The household net position was in creditor status compared to their debtor status in 2022, which was associated to loans slightly greater than deposits.

Table 10: Net household and corporate debt (MBIF)

Year	2019	2020	2021	2022	2023
Households deposits	808,259.7	1,044,697.6	1,298,250.6	1,628,456.7	2,286,300.2
Households loans	855,794.2	1,053,197.5	1,417,033.5	1,746,501.6	2,077,772.7
Households net indebteness	47,534.5	8,499.9	118,782.9	118,044.9	-208,527.5
Private entreprises deposits	776,816.1	979,386.1	1,170,596.1	1,767,206.3	1,767,134.5
Private entreprises loans	426,311.3	527,476.0	978,261.8	1,709,595.6	2,338,756.4
Private entreprises net indebtedness	-350,504.8	-451,910.1	-192,334.3	-57,610.7	571,621.9
State-owned entreprises deposits	38,282.6	37,861.2	61,062.2	123,201.5	187,629.1
State-owned entreprises loans	42,077.7	22,344.7	25,020.4	23,617.4	24,082.1
State-owned entreprises net indebtedness	3,795.1	-15,516.5	-36,041.8	-99,584.1	-163,547.0

Source: *BRB*

To mitigate the effects of the money supply, the Central Bank tightened the money market (interest rates) and credit market, and implemented the demonetization policy in June 2023 to combat hoarding by replacing large denomination notes of 5,000 and 10,000 BIF.

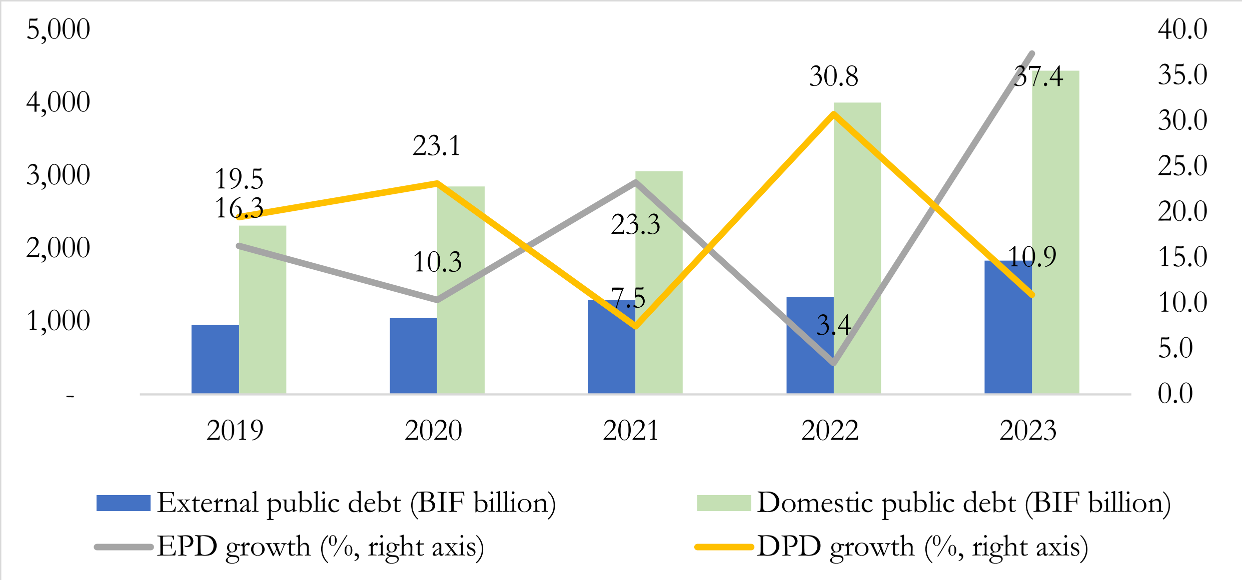
1.3.3. Public finances

The fiscal balance at the end of 2023 remained in deficit, at BIF 672,840.1 million compared to BIF 457,193.1 million at the end of 2022, an increase of 32.1 %. The fiscal deficit to GDP ratio increased from 5.0 % in 2022 to 5.8 % in 2023, exceeding the EAC standard of 5 %. Total revenue at the end of December 2023 increased by 24.3% while total expenditure increased, reaching 29.0% following the more marked increase in capital expenditure (64.1%). This deficit remained largely financed by domestic debt (74.9%), mainly from the banking sector. However, net domestic financing decreased by 17.5%, reaching 503,929.3 MBIF in 2023 against 610,941.5 MBIF in 2022.

The total public debt increased by 17.5% at the end of December 2023, reaching 6,275.4 compared to 5,340.4 billion BIF at the end of December 2022. This increase affected domestic debt (4,442.2 billion in 2023 compared to 4,005.3 billion), or 10.9% and the external debt which reached 1,833.2 compared to 1,335.1 billion BIF in 2022, or 37.4%. The share of domestic public debt in the total public debt remained high, representing 70.8% in 2023 compared to 75% in 2022.

External public debt increased, reaching 29.2% of total public debt in 2023 compared to 25.0% in 2022. It increased by 37.4% in 2023, from 1,334.1 in 2022 to 1,833.1 billion BIF in 2023. The increase in Burundi external debt is linked to that of drawings on external loans (61,855.6 MBIF) and revaluation gains (505,433.1 MBIF) due to the depreciation of the official exchange rate of the Burundi Franc against the US Dollar by 38.41%. Total public debt as a percentage of GDP has therefore decreased to 54.3% from 57.9% of GDP in 2022. The maximum limit required in the EAC macroeconomic convergence criteria is 50%.

Graph 3 : Evolution of Burundi's public debt



Source: MFBPE, BRB, public debt data

Under the 2023 Central Bank monetary and financial reform program, Burundi received a disbursement of SDR 46.2 million (approximately $62.6 million) in a 38-month arrangement under the IMF's Extended Credit Facility (ECF). Burundi has therefore committed to revenue-driven fiscal consolidation and a prudent borrowing policy. In doing so, it aims to restore debt sustainability and implement the financial services digitalization project.

1.3.4. External accounts and foreign exchange reserves

The current account balance in 2023 still showed a deficit of 1,614.1 billion BIF compared to 1,265.3 billion BIF in 2022. The current account deficit was very high in 2023 compared to 2022, representing 13.9% of GDP in 2023. This deficit is linked to the deficit in the trade balance, which amounted to 2,523.2 against 2,141.3 billion BIF in 2022, mainly the goods account (2,081.4 against 1,680.4 billion BIF) and services (633.5 against 529.4 billion BIF).

Indeed, the deterioration of the trade balance deficit is caused by an increase in imports (3,076.4 against 2,564.2 billion BIF) higher than exports (553.2 against 422.9 billion BIF). The trade coverage rate improved slightly, standing at 18.0% against 16.5% at the end of December 2022.

Cumulative imports for the year 2023 increased both in value (+16.0%) and volume (+1.0%) compared to the same period in 2022. Burundi imports came mainly from the Asia region (54.2 against 58.0% in 2022), Africa (30.0 against 26.7%) and Europe (14.4 against 12.7%). This increase in imports in 2023 largely concerned goods up to 20.0%, reaching 3,076.4 against 2,564.2 billion BIF, in relation to the increase in imports of capital goods (42.2%), consumer goods (18.3%) and production goods (14.1%). To ensure economic and financial stability in the face of the current external deficit, the refinancing of the import of strategic products (fuel, pharmaceutical products, etc.) continued in 2023. The Central Bank interventions in the banking sector amounted to USD 201.3 against USD 449.8 million on the foreign exchange market.

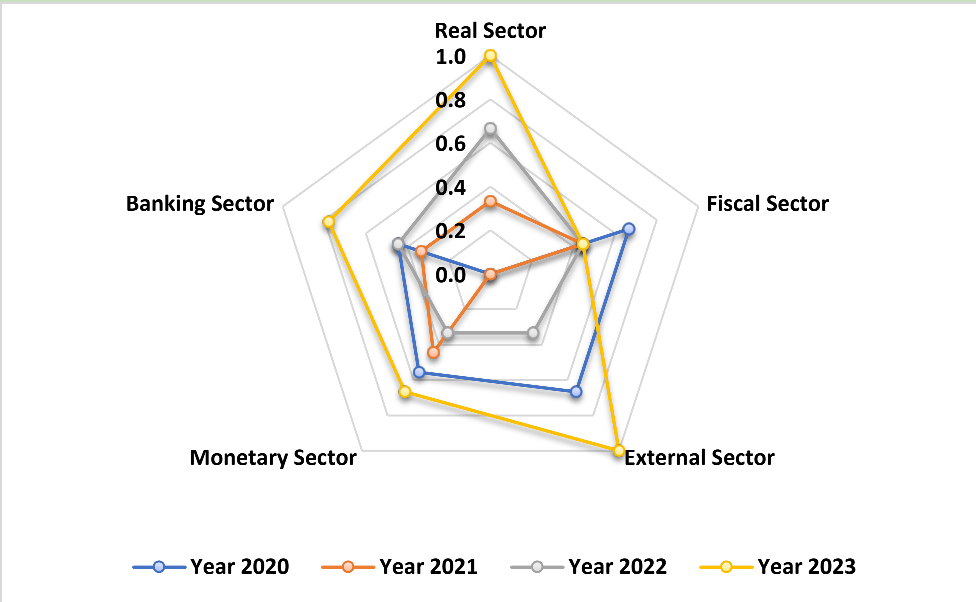
The foreign exchange reserves decreased significantly by 46.1%, reaching USD 95.0 million at the end of 2023 against USD 176.2 million at the end of 2022. Foreign exchange reserves in months of imports stood at 0.8 months at the end of 2023 against 1.8 months at the end of 2022, the standard established as a convergence criterion within the EAC being 4.5 months of imports.

In addition, the Burundi Franc depreciated by 38.41% against the US Dollar in 2023, making Burundi imports more expensive. The exchange rate therefore increased from 2,063.45 BIF at the end of December 2022 to 2,856.11 BIF for one US Dollar unit at the end of December 2023 as part of the unification of rates policy since May 2023. To cope with the decline in foreign exchange reserves, the Central Bank continued the reforms undertaken in the foreign exchange market consisting of the operationalization of the Interbank Foreign Exchange Market (MID) and the policy of transfers to commercial banks, the management of foreign exchange accounts of Non-Governmental Organizations (NGOs) and other private entities. Residents foreign currency deposits increased (97.2%) in the banking sector.

Box: Economic and financial situation in Burundi in 2023

The macroeconomic and financial situation in Burundi encountered shocks linked to inflation, the reduction in reserves in months of imports as well as the increase in the fiscal deficit. However, growth in the Burundian economy has increased and Burundi's banking sector has remained resilient, given Burundian banking soundness regulatory standards. To this end, the prudential supervisory authorities in Burundi have continued to put in place adequate prudential and financial crisis management policies, namely the Deposit Guarantee and Resolution Fund (FGDR) and the increase in the minimum capital of the banking and microfinance sectors by complying with the prudential regulations of the Basel III.

Chart 4: Summary of the Burundi macroeconomic and financial situation



Source : *BRB*

CHAPTER 2:
EVOLUTION OF THE FINANCIAL SYSTEM

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Financial stability is charactered by the stability of the financial system. At the national level, the latter being essentially banking, its stability supposes its resilience to possible simulated vulnerabilities both endogenous and exogenous.

At the end of 2023, the financial system in general was compliant with current regulations, robust and resilient to threats identified as likely to occur. Thus, regulatory compliance was assessed from the perspective of solvency, asset quality and liquidity. Viability was assessed from the perspective of cost control and profitability. Resilience was assessed in relation to risks identified as threats to financial stability.

2.1. Financial system structure

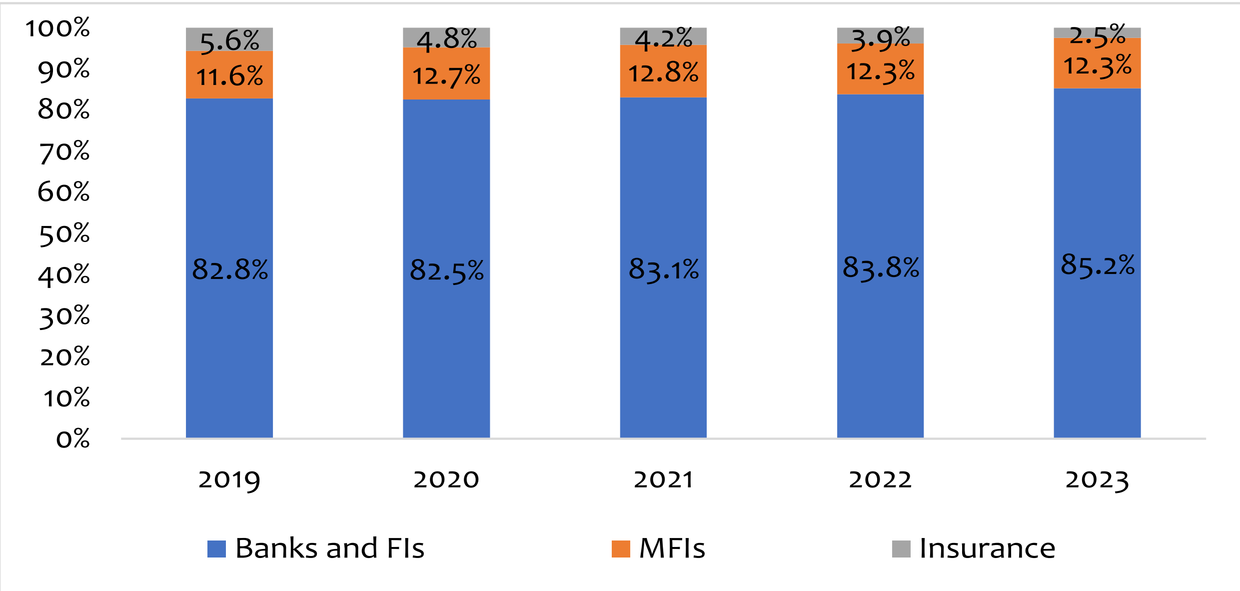
At the end of 2023, Burundi financial system is made up of four types of financial institutions, namely credit institutions (banking sector), microfinance institutions, insurance companies and payment institutions.

The banking sector consisted of 15 credit institutions, including 14 commercial banks and 1 financial institution. The Burundian microfinance sector included 46 savings and credit cooperatives and 29 microfinance enterprises, in addition to 84 community financial groups.

In order to facilitate access to financial products and services, savings cooperatives and microfinance enterprises have increased the number of service points (head offices, agencies and counters) authorized by the BRB, standing at 447 in 2023 compared to 402 in 2022.

The banking sector assets are the most predominant in the national financial sector with 85.2% of total assets, while the microfinance and insurance sectors occupy 12.3% and 2.5% respectively.

Chart 5 : Evolution of the financial system structure according to assets



Source: BRB

2.2. Banking sector

In 2023, the Burundian banking sector remained solid, resilient and in compliance with the regulatory framework. Indeed, the banking sector displays quasi-compliance with regulatory standards, positive profitability, deterioration in the quality of the loan portfolio and resilience to shocks simulated by the BRB.

2.2.1. Banking sector situation

At the end of 2023, the activities of the banking sector are generally oriented towards financing the Government and the economy, as well as providing means of payment. Credits to the economy from the banking sector represented 36.9% of GDP in 2023 compared to 30.9% in 2022. The banking sector had five systemically important banks.

2.2.1.1. Banking sector assets

At the end of 2023, the total assets of the banking sector reached 7,908.4 billion BIF compared to 6,462.3 billion BIF at the end of 2022, an increase of 22.4%. The assets in the banking sector are mainly and respectively composed of credit to the economy 47.0% and financing to the Government 23.3% at the end of 2023 compared to 44.0% and 30.9% at the end of 2022. Systemically Important Banks contributed 67.8% in the financing of credit to the economy and 91.5% in the financing of the Government.

Credit is concentrated in the trade (33.6%) and agriculture (13.3%) sectors. Credits distributed by banks were mainly short-term (38.7%) at the end of 2023 compared to 42.4% at the end of 2022, while medium- and long-term credits represented 26.8% and 34.5% respectively in 2023 compared to 23.4% and 34.2% in 2022.

The Government is financed through the purchase of Treasury Securities (Treasury Bills and Bonds). Treasury bills have a maturity ranging from 13 to 26 weeks, while Treasury bonds have a maturity ranging from 2 to 10 years.

The "Others" section includes in particular fixed assets, as well as liquidity held in cash and at the BRB.

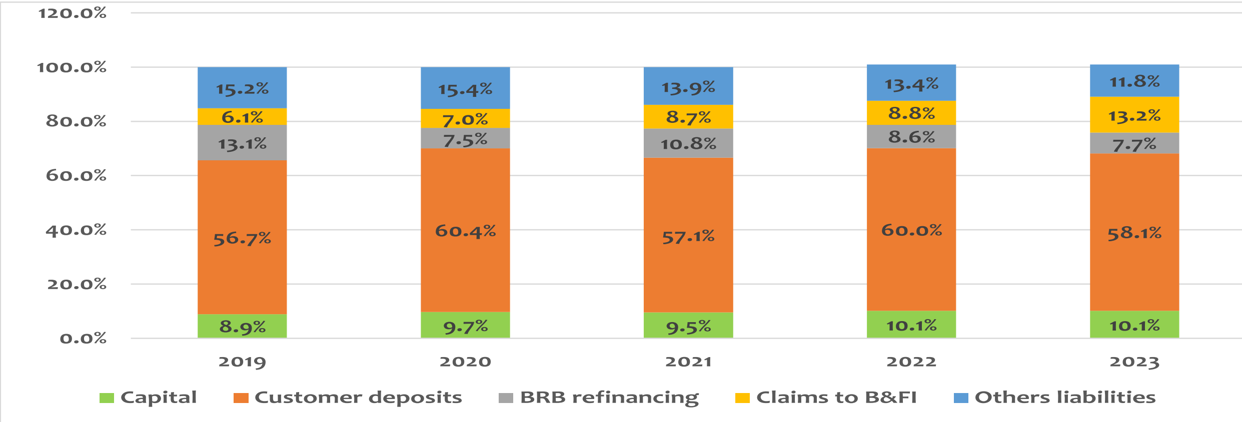
Chart 6 : Assets structure (in %)

Source: *BRB*

2.2.1.2. Banking sector resources

In 2023, the banking sector resources are mainly composed of customer deposits (58.1% compared to 60.0% in 2022), debts from credit institutions (13.2% compared to 8.8% in 2022) as well as capital, stagnating at 9.2%. Systemically Important Banks hold 67.8% of customer deposits.

Chart 7 : Structure of resources (in %)

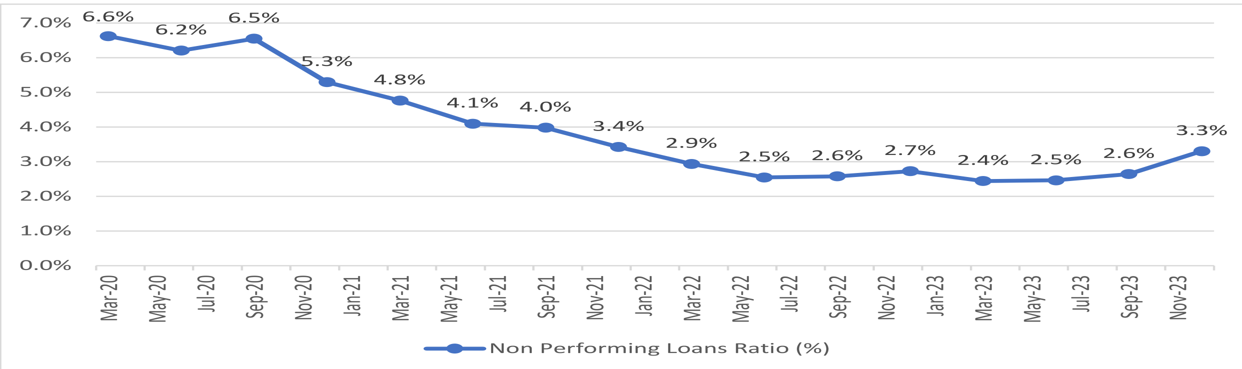


Source: *BRB*

2.2.2. Loan portfolio quality

The sector loan portfolio deterioration rate increased by 0.6 percentage points. In fact, the overall deterioration rate increased from 2.7% at the end of December 2022 to 3.3% at the end of December 2023.

Chart 8 : Evolution of the non-performing loan ratio (in %)



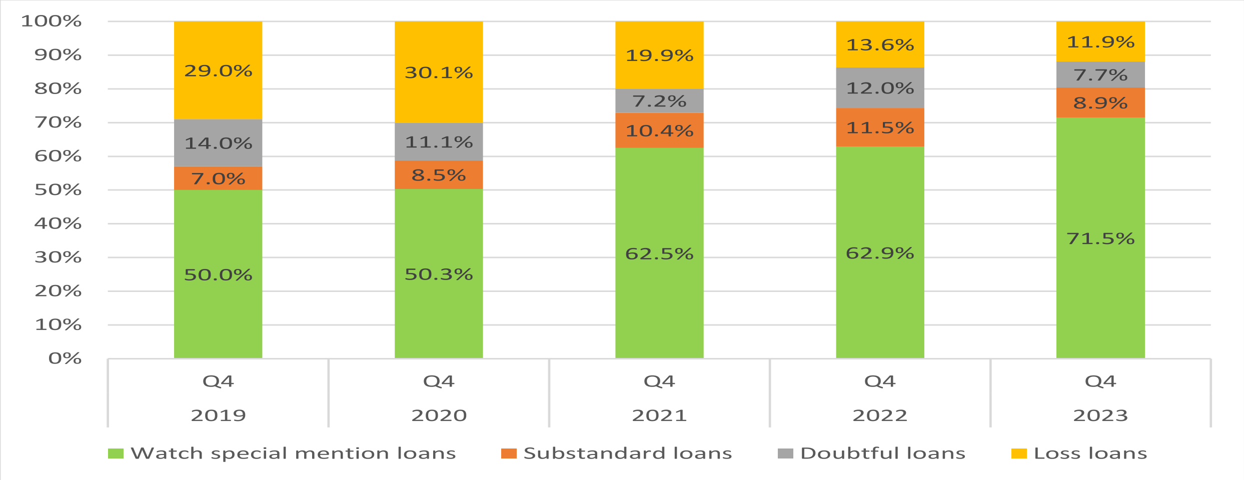
Source *: BRB*

At the end of 2023, the most predominant sectors of activity in non-performing loans were trade, miscellaneous and housing with respectively 36.3%; 26.8% and 11.3%.

Compared with EAC member countries, according to good practices regarding the quality of the loan portfolio (loan portfolio deterioration rate ≤ 5%), the situation in Burundi is almost acceptable (see table 7).

The watch special mention loans being a precursor indicator of future deterioration of the loans portfolio, remained high from one year to the next, thus establishing itself at 71.5%. Thus, to face this deterioration of the portfolio, the banks have constituted provisions with a general provisioning rate of 56.0%.

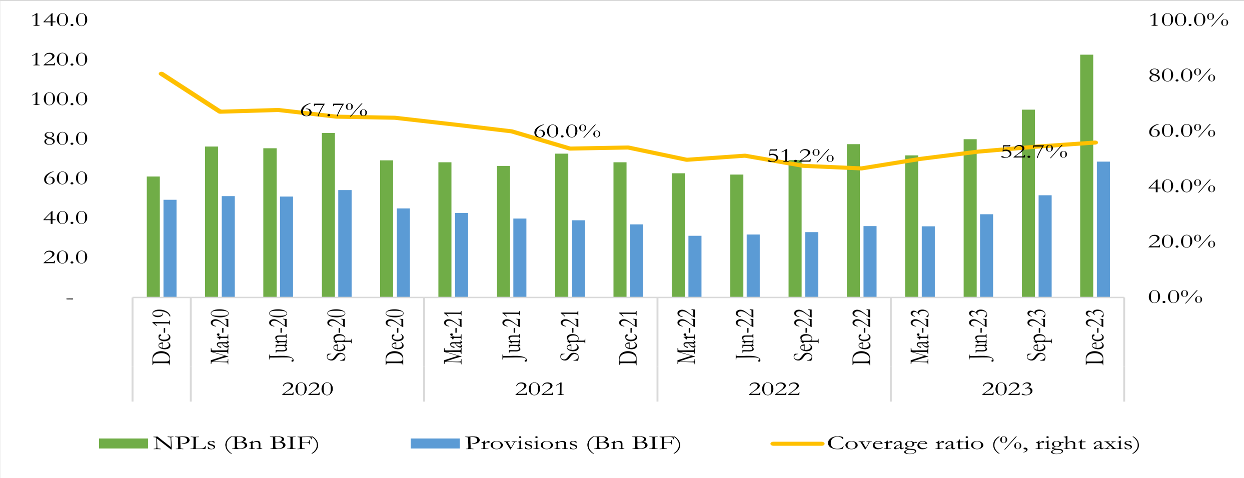
Chart 9 : Structure of overdue loans in Burundi (in %)



Source *: BRB*

The provisioning rate for non-performing loans increased from 46.6% in 2022 to 56.0% in 2023. The amount of non-performing loans increased from 77.5 billion BIF in 2022 to 122.7 billion BIF in 2023. Thus, the provisions made for non-performing loans are 68.7 billion BIF in 2023 compared to 36.1 billion BIF in 2022.

Chart 10 : Provisioning rate for non-performing receivables



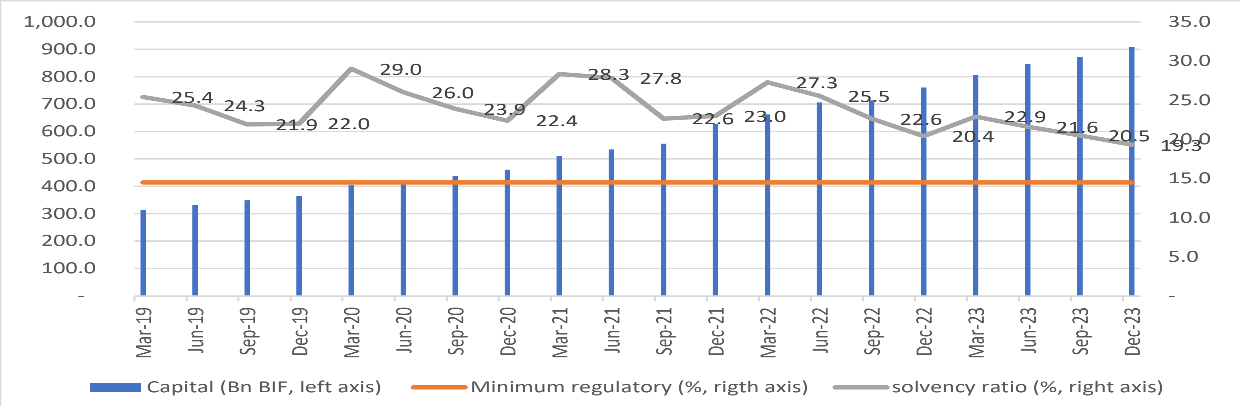
Source *: BRB*

2.2.3. Capital Adequacy

In 2023, the banking sector had sufficient capital. It increased by 19.5%, reaching 909,121 MBIF at the end of December 2023 compared to 760,979.7 MBIF at the end of December 2022.

This improvement was due to the incorporation of a part of the result into capital and the increase in the minimum capital of credit institutions. The overall solvency ratio fell slightly, from 20.4% to 19.3% at the end of December 2023.

Chart 11 : Capital adequacy



Source *: BRB*

2.2.4. Liquidity

The liquidity ratio remained within the regulatory standard of 100% at the end of 2023 in domestic and foreign currency with 173.8% and 115.4% respectively.

However, the overall compliance of the banking sector with the liquidity ratio contains some disparities. Indeed, from the point of view of foreign currency liquidity, two systemically important banks are not compliant.

Table 11: Evolution of the liquidity ratio

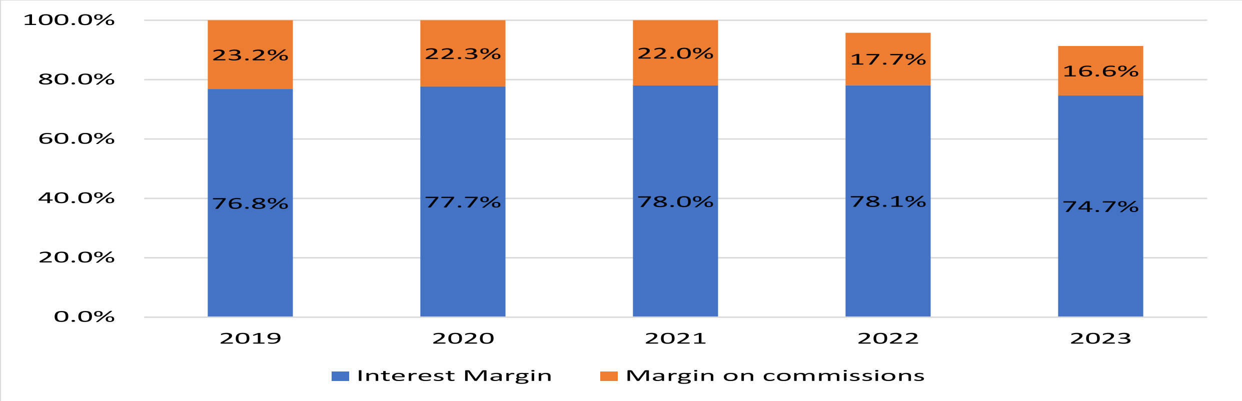
	Q4 2019	Q4 2020	Q4 2021	Q4 2022	Q4 2023
Liquidity Ratio in BIF (%)	226.1	213.5	192.8	169.2	173.8
Liquidity Ratio in foreign currency (%)	133.4	172.4	135.5	161.5	115.5
Overall Liquidity Ratio (in %)	220.0	210.4	187.5	168.7	168.0
Standard (in %)	≥100	≥100	≥100	≥100	≥100

Source *: BRB*

2.2.5. Profitability of the banking sector

At the end of 2023, the banking sector remained profitable. Net banking income increased by 17.4% from 405,957.6 MBIF to 476,646.8 MBIF compared to the year 2022 while the net income of credit institutions also increased by 4.3% from 154,740.0 MBIF to 161,462.8 MBIF over the same period.

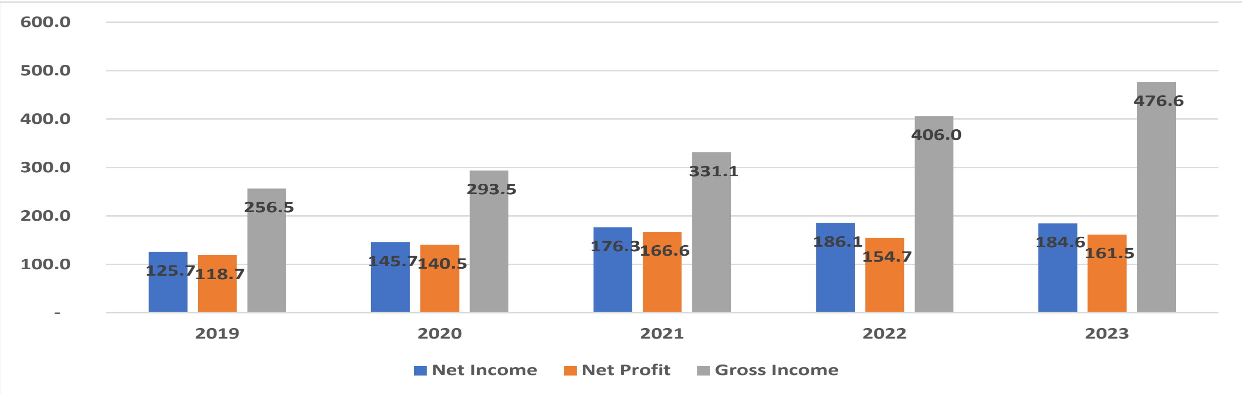
Chart 12 : Distribution of Net Banking Income (in %)



Source : *BRB*

However, return on assets and return on equity fell, standing at 2% and 17% respectively compared to 2.4% and 20.4% in 2022 following the larger increase in assets and capital than the result.

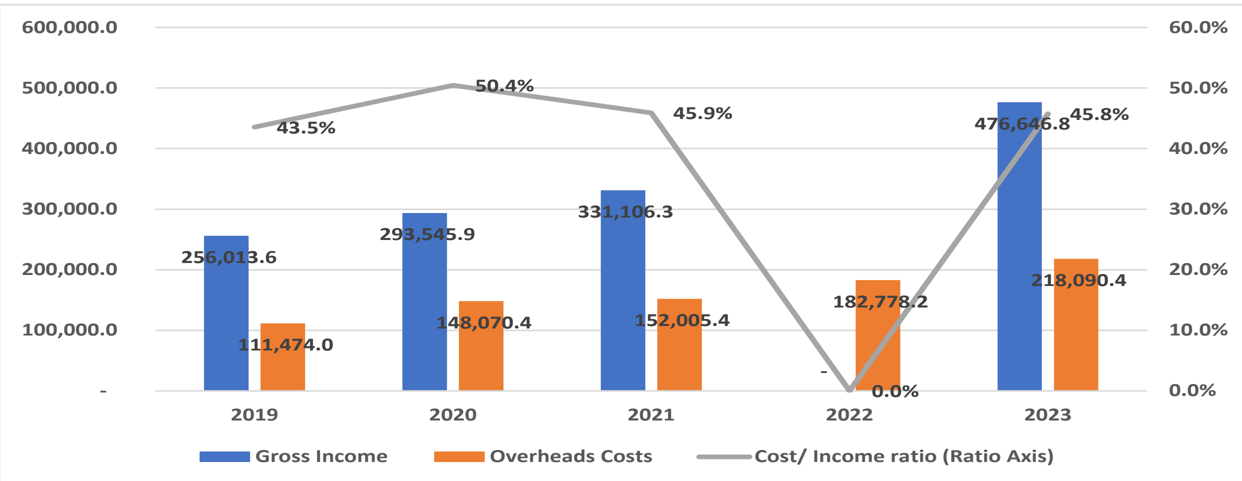
Chart 13 : Intermediate Management Balances (in billions of BIF)



Source : *BRB*

At the end of 2023, general expenses increased by 19.3%, Net Banking Income by 17.4% and the operating ratio by 0.9%.

Chart 14 : Overheads costs (MBIF) and operating ratio (%)



Source : *BRB*

2.2.6. Stress tests

The assessment of the financial system resilience is a part of risk management process. Indeed, after assessing the strength of the banking system according to the regulations governing banking activities in force, it is usual to assess its resilience under hypothetical adverse conditions.

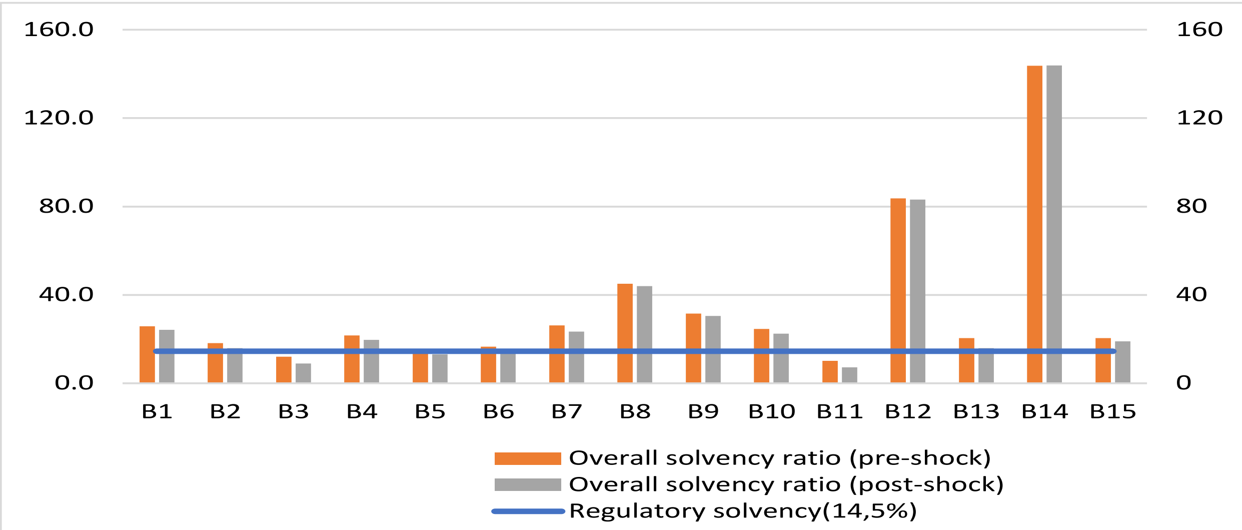
There are two main categories of stress tests. Microprudential tests assessing the resistance of each institution in isolation and macroprudential tests assessing the resistance of the entire financial system, thus making it possible to capture the impact of previously identified systemic risks. The former can be conducted in a bottom-up manner (by banks internally) or in a top-down manner (by the regulator).

From a microprudential perspective, the stress test was conducted to assess the resilience of 15 credit institutions to credit and liquidity risks.

On the credit risk, 4 types of shocks were simulated [7]. These are the provisioning readjustment shock, the proportional increase shock of non-performing loans, the shock of sectoral degradation as well as the degradation shock of large debtors. These shocks are simulated in a severe scenario.

For provisioning readjustment shock, a higher level of provisioning is assumed (1.5 times more than the existing one). The results are such that five credit institutions out of fifteen do not resist this shock.

Chart 15 : Provisioning readjustment shock Result

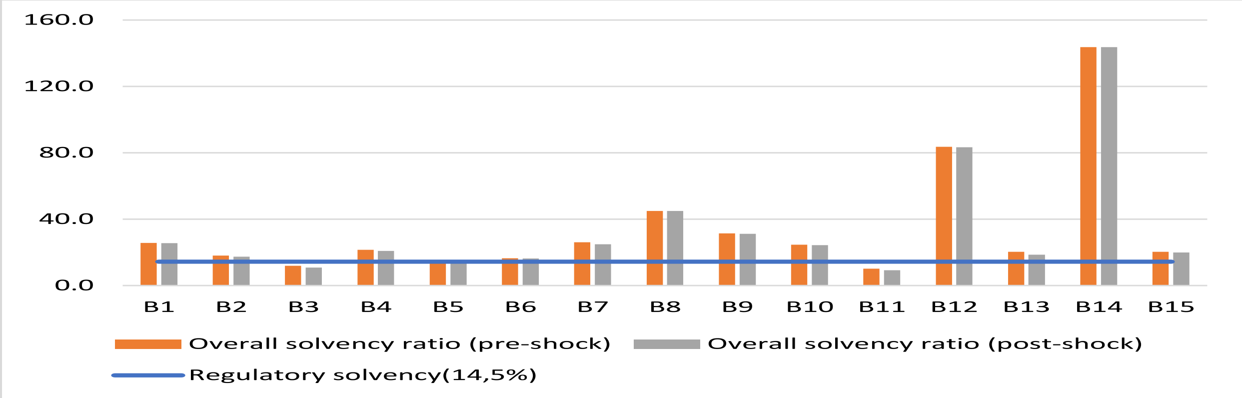


Source *: BRB*

For the proportional increase shock of non-performing loans, additional provisioning is assumed following a hypothetical migration of 50% of performing loans to non-performing loans and a consequent provisioning of 75%. The results are such that three out of fifteen credit institutions do not withstand this shock.

7 These are the shocks recommended by the methodology "Introduction to Applied Stress Testing", Martin Cihak, 2007.

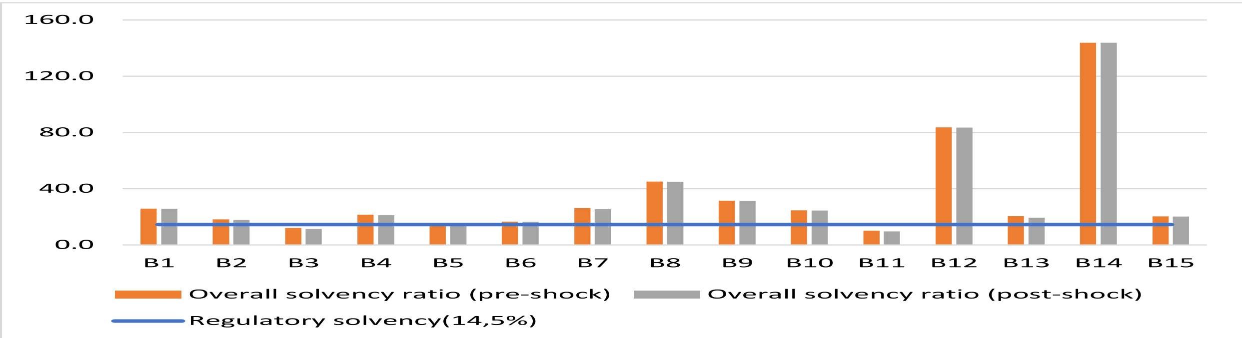
Chart 16 : Proportional increase shock in non-performing loans result



Source : *BRB*

For the sectoral deterioration shock, additional provisioning is assumed following a hypothetical deterioration of 30% of each sector of activity and a consequent provisioning of 75%. The results are such that three out of fifteen credit institutions do not withstand this shock.

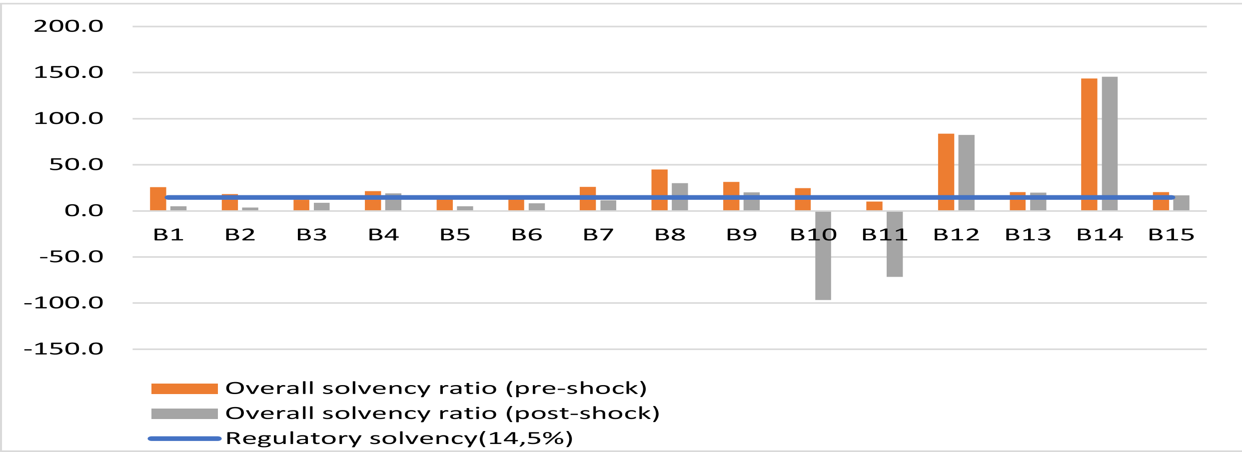
Chart 17 : Sectoral degradation shock Result



Source : *BRB*

For the shock of deterioration of large debtors, an additional provisioning of 75% is assumed following a hypothetical deterioration of the 3 largest debtors per credit institution. The results are such that seven credit institutions out of fifteen do not resist this shock. Two credit institutions had a very concentrated credit portfolio.

Chart 18 : Large debtors degradation shock result



Source : *BRB*

On the liquidity risk, a sustained withdrawal was simulated for 5 consecutive days at the rate of:
15% per day for current deposits in local currency;
10% per day for current deposits in foreign currency;
3% per day for local currency term deposits;
1% per day for foreign currency term deposits.

The results are such that all credit institutions, except one, resist this shock during the first 2 days. At the end of the fourth day, one credit institution has been added to those that do not resist this shock. At the end of the fifth day, five credit institutions do not resist this shock.

From a macro prudential point of view, the stress test was conducted to assess the resilience of the national banking sector in relation to the previously identified risks in the first chapter. On the one hand, it is a simulation of the deterioration of these risk-bearing indicators and, on the other hand, the impact of this hypothetical deterioration on the overall solvency of the national banking sector.

The results are such that the banking sector solvency is:

- Vulnerable to 2.05% of initial solvency (19.3%) compared to the risk of deterioration of foreign exchange reserves, simulated at half the average of the last eight years.
- Vulnerable at 4.27% of initial solvency (19.3%) compared to the risk of deterioration of the fiscal balance (ratio of fiscal balance to GDP), simulated at three times the average of the last eight years
- Vulnerable to the extent of 4.26% of initial solvency (19.3%) compared to the risk of an increase in the level of inflation, simulated at the level of three times the average of the last eight years

2.3. Microfinance sector

The microfinance sector is involved in the providing of financial services to low-income people, and is considered as an essential tool to facilitate financial inclusion. Thus, microfinance has become a fashionable device in the credit markets as an instrument for socio-economic development.

2.3.1. Microfinance sector structure

In Burundi, there are 4 categories of institutions carrying out microfinance activities, namely:

First category: Microfinance enterprises, financial cooperative societies and other types of microfinance institutions having the legal form of a public limited company, public enterprise or mixed enterprise authorized to collect public deposit and credit granting operations and which can offer other financial services to their customers;

Second category: Financing and/or guarantee funds carrying out microfinance activities, microcredit programs affiliated with Non-Governmental Organizations (NGOs) and Non-Profit Associations (ASBLs) which grant credits but not authorized to collect deposits from the public;

Third category: Savings and Credit Cooperatives having the legal form of Cooperative Society which carry out operations of collecting deposits from their members and granting them credits and other financial services;

Fourth category: Community Financial Groups such as cooperative societies, pre-cooperative groups, village savings and credit associations which collect contributions from their members and grant them credits according to the agreed approach.

Regarding the 4th category, the exercise of the activities of the latter does not require approval but registration with the BRB.

At the end of 2023, the Burundian microfinance sector had 159 microfinance institutions, including 46 savings cooperatives and 29 microfinance enterprises, in addition to 84 community financial groups. To improve access to financial products and services, the savings cooperatives and microfinance enterprises together had a total of 447 service points (head offices, agencies and counters) authorized by the BRB in 2023, compared to 402 in 2022.

Cooperatives dominate the sector market, they alone account for 81.98% of assets, 84.11% of loans, 79.03% of deposits and 81.56% of capital in the sector. In 2023, the total assets of MFIs were 1,137,522.7 MBIF compared to 948,605.1 MBIF in 2022, an increase of 20.0%.

Table 12: MFI Assets concentration in MBIF

	2019	2020	2021	2022	2023	2023
Cooperatives	391,580.7	511,123.7	632,641.3	785,271.80	932,519.53	932,519.53
Microfinance companies	64,902.3	89,475.6	125,146,8	163,333.30	205,003.2	205,003.2
Total Assets	456,482.9	600,599.4	757,788.1	948,605.10	1,137,522.75	1,137,522.75
Cooperatives' share	85.8	85.1	83.5	82.78	81.98	81.98
Microfinance companies share	14.2	14.9	16.5	17.22	18.02	18.02

Source *: BRB*

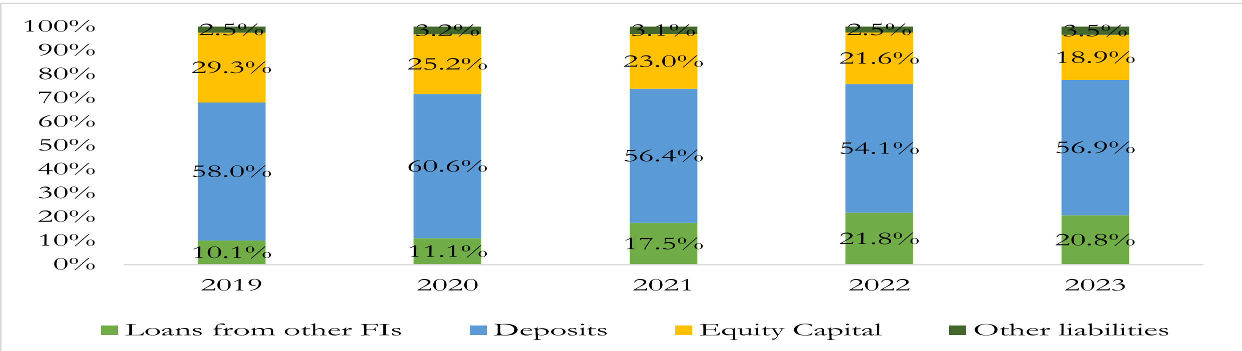
MFI assets are highly concentrated in cooperatives (3rd category) with 81.98% of total assets while microfinance enterprises (1st category) occupy 18.02%.

2.3.2. Microfinance sector resources

MFIs find resources in deposits, loans, capital and various operations. MFI resources increased by 19.9%, reaching BIF 1,137.5 billion in 2023 compared to BIF 948.6 billion in 2022.

This change is mainly linked to the increase in deposits of 26.0%, reaching BIF 646.9 billion compared to BIF 513.3 billion in 2022. Resources also increased following the increase in borrowings from the microfinance sector by 14.1%, reaching BIF 236.1 billion compared to BIF 206.9 billion in 2022. At the end of December 2023, capital increased by 5.0%, reaching BIF 215.0 billion compared to BIF 204.8 billion at the end of December 2022.

Chart 19 : MFI resources distribution in MBIF



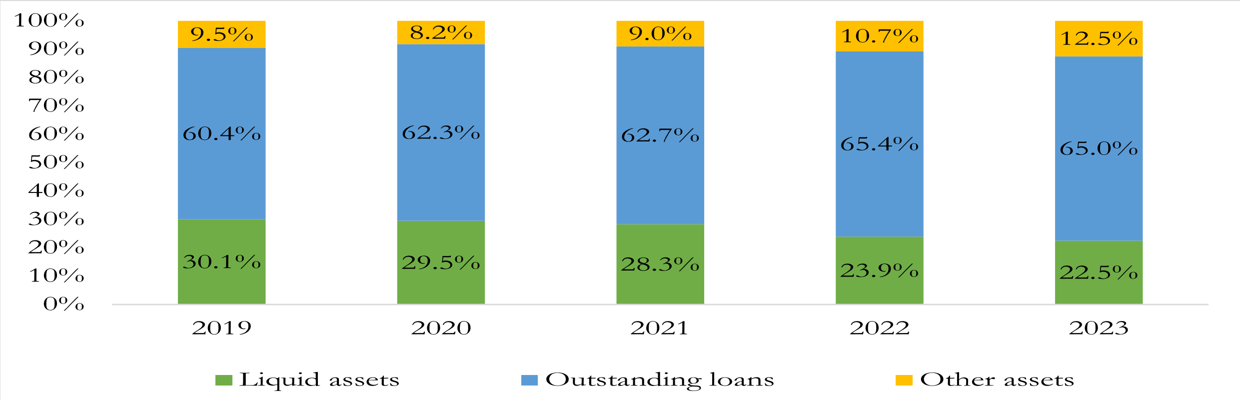
Source: *BRB*

2.3.3. Microfinance sector assets

Microfinance sector assets are mainly made by loans. The gross outstanding MFIs loans reached 739,344.1 MBIF in 2023 compared to 620,695.9 MBIF in 2022, an increase of 19.1%.

However, the share of loans in total MFI assets decreased slightly by 0.4%, from 65.4% in 2022 to 65.0% in 2023.

Chart 20 : MFI assets evolution in MBIF



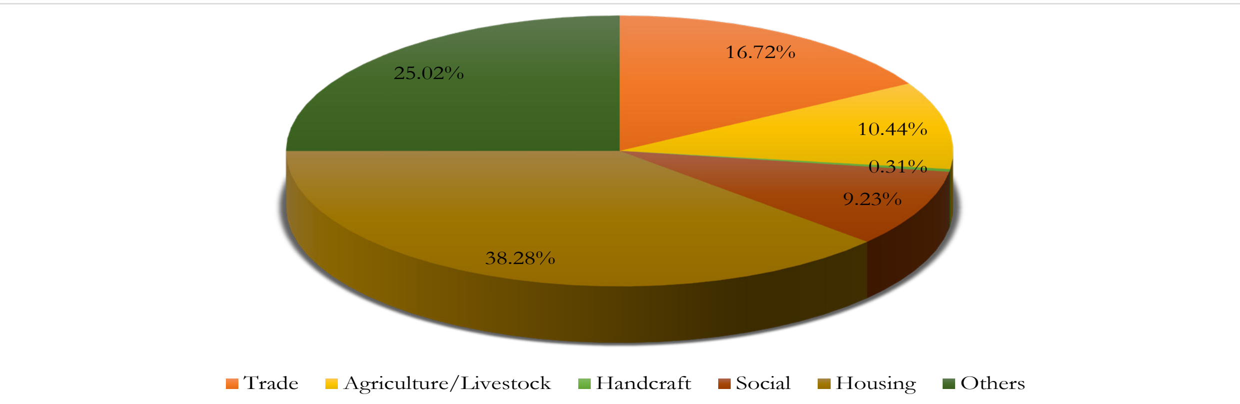
Source *: BRB*

2.3.4. Financing sector structure

The housing sector is the most favored by MFIs compared to other sectors with 38.3% of loans in 2023 against 45.3% in 2022. Being the sector driving growth, the agriculture is the least financed by MFIs with only 10.4% at the end of 2023.

The chart below provides details on the distribution of loans by sector of activity at the end of December 2023.

Chart 21 : Loans distribution by sector of activity



Source *: BRB*

2.3.5. Loan portfolio quality

The deterioration rate of the loan portfolio increased by 0.4 p.p year-on-year, from 6.6% to 7.0%, exceeding the industry maximum acceptable limit of 5%.

Table 13 : Loan portfolio quality

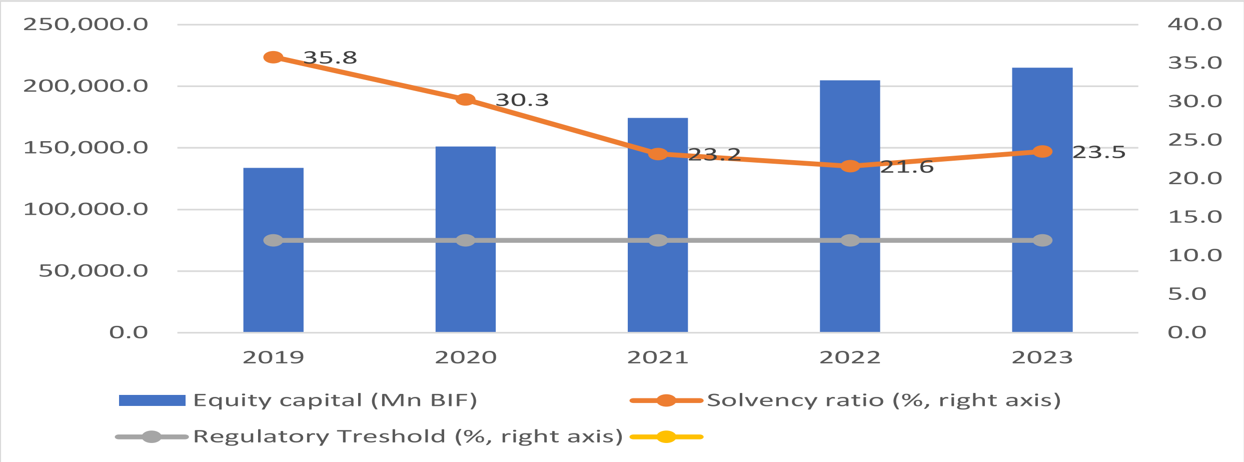
	2019	2020	2021	2022	2023
Loans(in MBIF)	283,950.6	374,151.7	474,882.2	638,663.7	765,362.4
Normal loans	268,135.4	355,899.7	445,008.2	595,665.0	711,598.3
Outstanding loans	15,815.2	18,252.0	29,874.0	42,259.4	53,764.1
Loan Provisions	8,194.6	8,413.9	11,917.7	18,350.9	26,431.9
Net credits	275,755.9	365,737.8	462,964.5	619,573.6	739,344.1
Gross loans	283,950.6	374,151.7	474,882.2	638,663.7	765,776.0
Provisioning rate	51.8%	46.1%	39.9%	43.4%	49.2%
Deterioration rate	5.6%	4.9%	6.3%	6.6%	7.0%

Source : BRB

2.3.6. Microfinance sector capital adequacy

The microfinance sector remained sufficiently capitalized and capital increased from one year to the next, reaching 215,042.4 MBIF in 2023 compared to 204,889.6 MBIF in 2022, an increase of 5.0%. Therefore, the overall solvency ratio of the sector increased by 1.9 p.p, reaching 23.5% compared to 21.6% in 2026 and remaining above the regulatory standard of 12%. However, this ratio contains disparities because some MFIs do not respect this ratio.

Chart 22 : Evolution of capital



Source *: BRB*

2.3.7. Microfinance sector liquidity

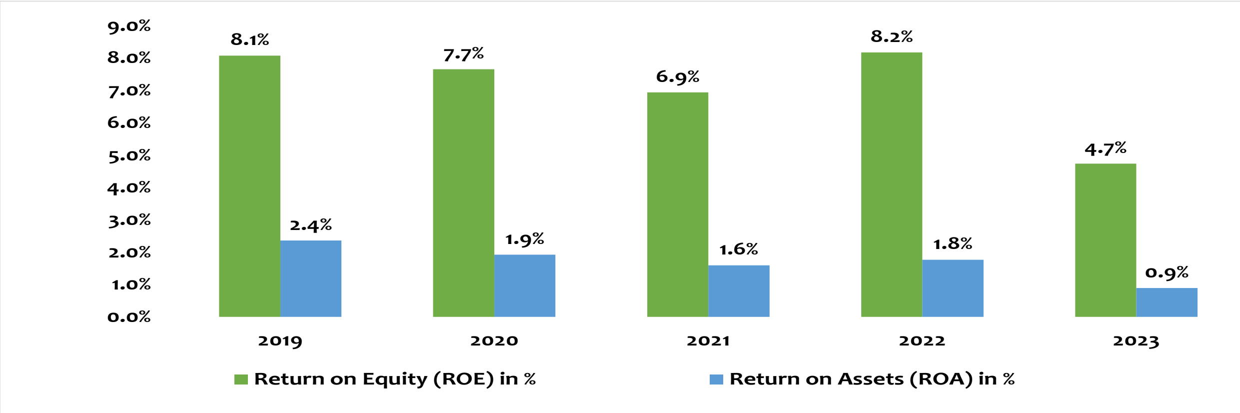
At the end of 2023, the microfinance sector was liquid compared to the minimum regulatory standard of 20% even if the liquidity of this sector fell from one year to the other. The liquidity ratio decreased by 2.4 p.p, setting at 30.9% in 2023 against 33.3% in 2022. However, some MFIs remained below this standard. The credit to resources ratio was 118.4%, still within the acceptable regulatory standard, below 200%, in relation to loans taken out from the banking sector.

2.3.8. Microfinance sector profitability

The microfinance sector was less profitable at the end of 2023 compared to the previous financial year. The sector net income fell by 39.2%, reaching 10,188.7 in 2023 against 16,745.1 MBIF in 2022.

Return on equity (ROE) decreased by 3.5 p.p. to 4.7% from 8.2% in 2022. Similarly, return on assets (ROA) decreased to 0.9% in 2023 from 1.8% in 2022.

Chart 23 : Evolution of MFI profitability indicators



Source: BRB

2.3.9. Exposure to the banking sector

MFI operations with the banking sector are mainly focused on investments of cash surpluses as well as on loans. The investments made are identified through term deposits with 75,165.0 MBIF in 2023 against 96,782.9 MBIF in 2022, 6.6% of total assets while loans amount to 229,784.1 against 201,041.8 MBIF in 2022, 20.0% of total liabilities.

2.3.10. MFIs main risks

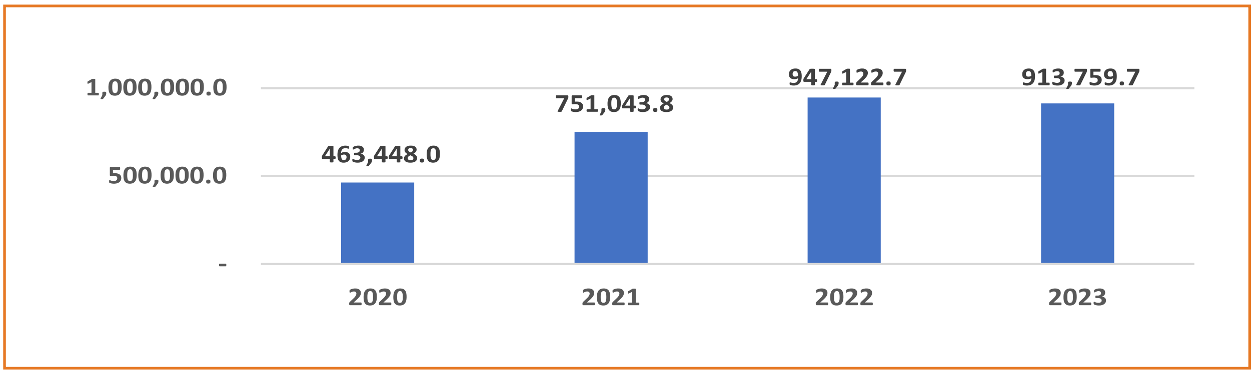
The main risks that MFIs often face in their daily activities are linked in particular to solvency and liquidity.

Furthermore, the microfinance sector in Burundi also suffers from persistent organizational and overall management shortcomings, particularly operational risk and governance risk.

2.3.10.1. Credit risk

After an increase of 26.1% in 2022, credit risk-weighted assets fell by 3.5%, from 947,122.7 MBIF in 2022 to 913,759.9 MBIF in 2023.

Chart 24 : Credit risk-weighted assets evolution (MBIF)



Source : BRB

2.3.10.2. Operational risk

Regarding operational risk, it is often noted that almost all MFIs are exposed to this risk. Most of them do not have an efficient Information System Management and others have a semi-automated system.

Furthermore, in their daily activities, MFIs experience enormous difficulties in risk management, cost management and the financial information production, in accordance with Central Bank deadlines and frameworks.

2.3.10.3. Governance risk

The MFIs governance is considered a major determinant in their success or failure. Good governance helps limit the risk of MFI collapse. It also helps improve the internal management framework and protect, as much as possible, against internal fraud cases noted in several MFIs.

2.4. Insurance sector

The insurance sector is one of the components of the Burundian financial system, and occupies 3.1% on average in terms of assets, and the activities of the sector continue to expand through the entry of new players into the market. It plays a critical role in protecting policyholders against life and physical risks.

2.4.1. Insurance sector structure

The insurance sector includes the branches of life insurance and non-life insurance. There are sixteen (16) insurance companies, six (6) of which specialize in life insurance and ten (10) are focused on non-life insurance. In addition to these, there is a composite insurance company (1) and 32 insurance brokerage companies.

2.5. Digital financial services

In 2023, digital financial services were provided by twenty-six institutions including five electronic money payment institutions, eleven commercial banks and ten microfinance institutions offering mobile banking services. The Burundian electronic money market continues to grow significantly.

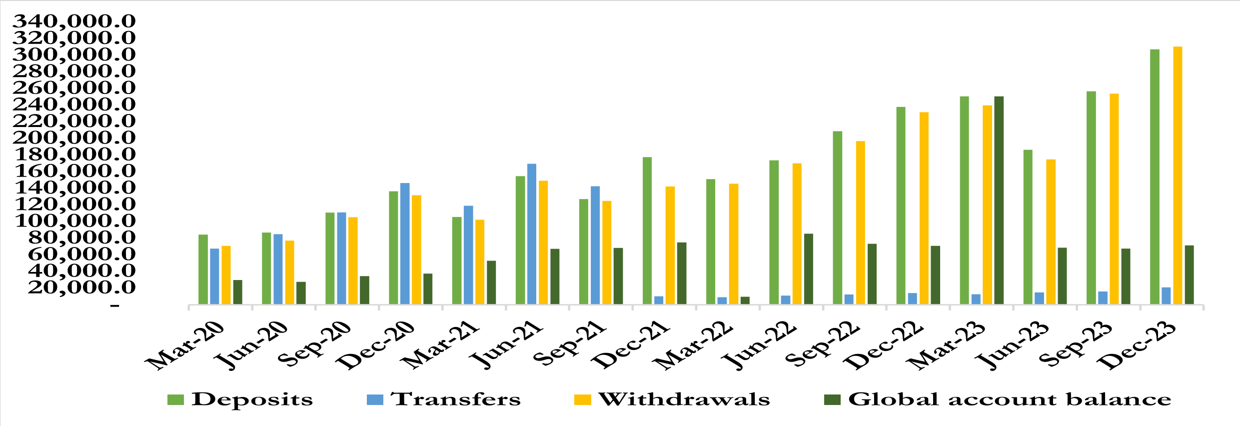
The banking network is spread throughout the national territory through traditional service points and commercial agents. Indeed, the 253 Agencies and Counters, in addition to 23,553 Commercial Agents for commercial banks offering digital financial services, were approved by the BRB.

The microfinance sector, excluding Community Financial Groups, operated on a network of 447 service points (Headquarters, Agencies and Counters) in 2023 compared to 402 in 2022, an increase of 11.19%.

Besides these service points, there are 507 commercial agents for four (4) microfinance institutions which have their own platforms for digital financial services, other microfinance institutions offering electronic money services have partnerships with commercial banks.

In addition to these, there are 139,475 sales agents for electronic money payment institutions.

Chart 25 : Payment institutions transactions evolution

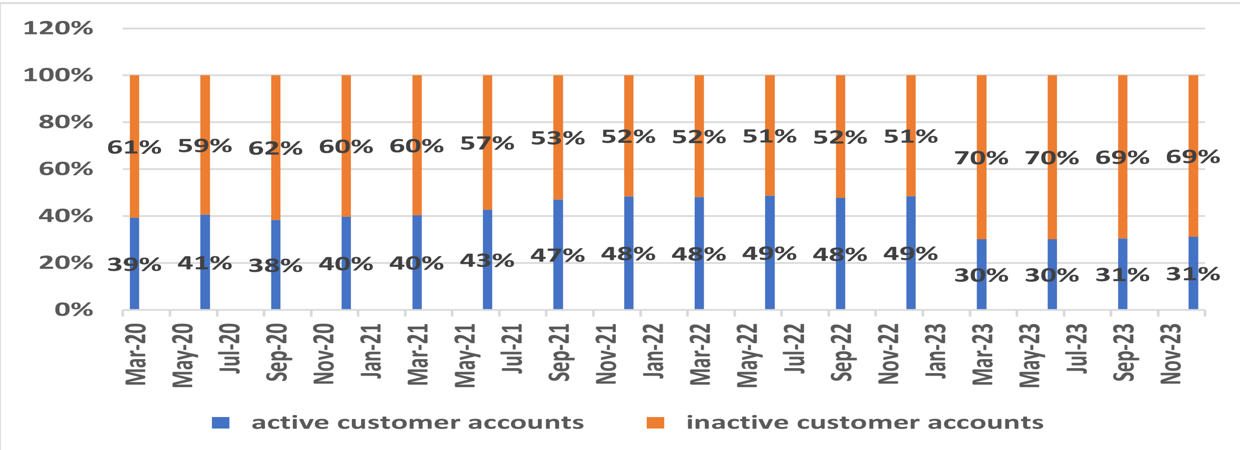


Source : *BRB*

Digital financial services transactions increased in 2023 compared to the same period in 2022. Payment Institutions Cumulative deposits increased significantly, standing at 307,117.2 MBIF at the end of December 2023 compared to 237,827 MBIF at the end of December 2022.

This represents a growth of 29.14%. The overall account balance (Trust Account) slightly increased of about 0.8%, standing at 71,294 MBIF at the end of December 2023 compared to 70,724 MBIF at the end of December 2022.

Chart 26 : Number of accounts of payment institutions



Source : *BRB*

The Payment Institutions customers number is 6,964,572, including 2,173,729 active customer accounts and 4,788,426 inactive customer accounts. The number of inactive customers remained very high, amounting to 69% at the end of December 2023 compared to 51% at the end of December 2022.

CHAPTER 3:
MONEY MARKET AND MARKET INFRASTRUCTURES DEVELOPMENTS

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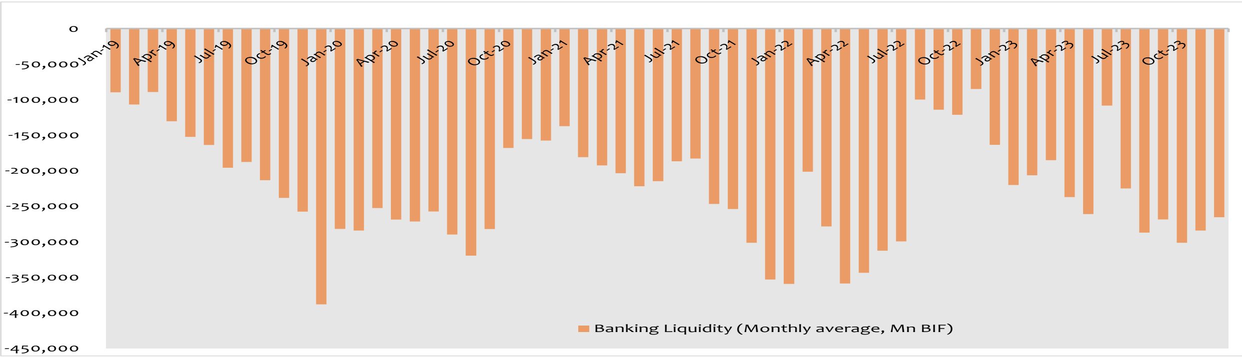
The level of banking liquidity remained in deficit since the end of the first quarter of 2018 and has deteriorated from one year to another. In 2023, it decreased by 62.1% year-on-year, standing at -265,501 MBIF, without BRB interventions and on a daily average, compared to -163,764 MBIF in 2022.

Chart 27: Daily average bank liquidity evolution (MBIF)



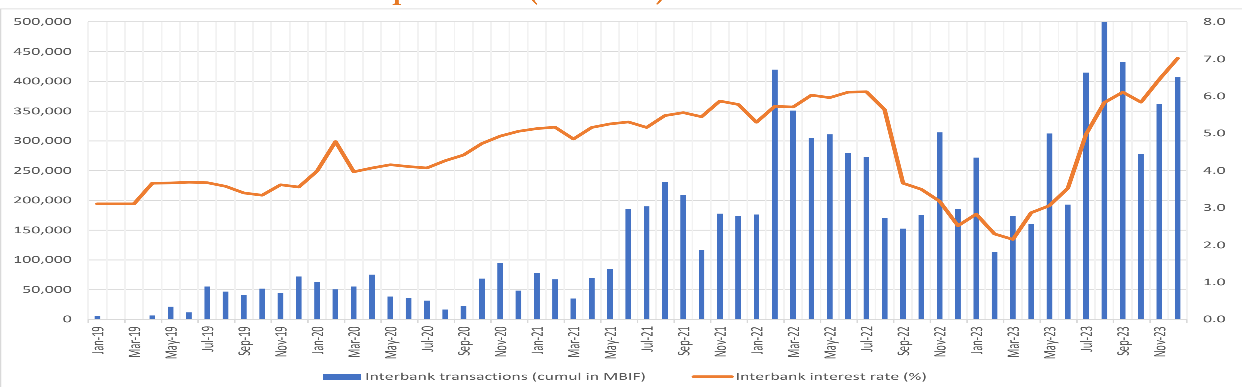
Source : BRB

3.1. Money market

3.1.1. Interbank market

In 2023, the volume of interbank transactions increased compared to 2022. Indeed, the cumulative volume of liquidity exchanges through the interbank market increased from 185,400 MBIF at the end of December 2022 to 406,800 MBIF at the end of 2023. Similarly, over the same period, the interbank interest rate increased from 2.5% at the end of 2022 to 7.0% at the end of December 2023.

Chart 28: Interbank market operations (in MBIF) and interbank rate

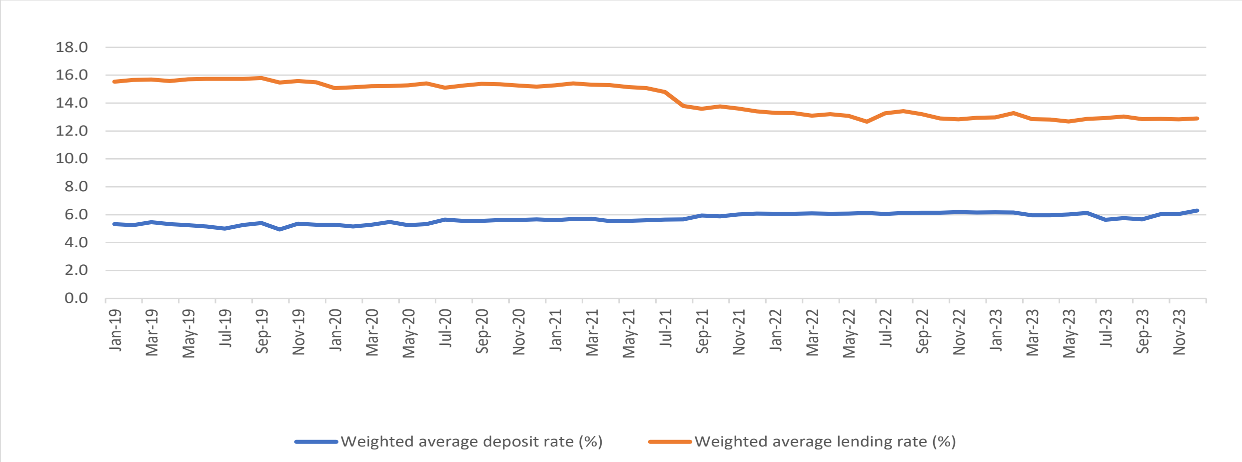


Source: BRB

3.1.2. Interest rates on loans and deposits

The average interest rate on distributed loans by credit institutions decreased slightly by 0.05 p.p. in 2023, reaching 12.90% compared to 12.95% in the same period of 2022. On the other hand, interest rates on deposits increased by 0.14 p.p., reaching 6.29% at the end of 2023 compared to 6.15% in the same period of 2022.

Chart 29: Average debit and credit rates



Source : BRB

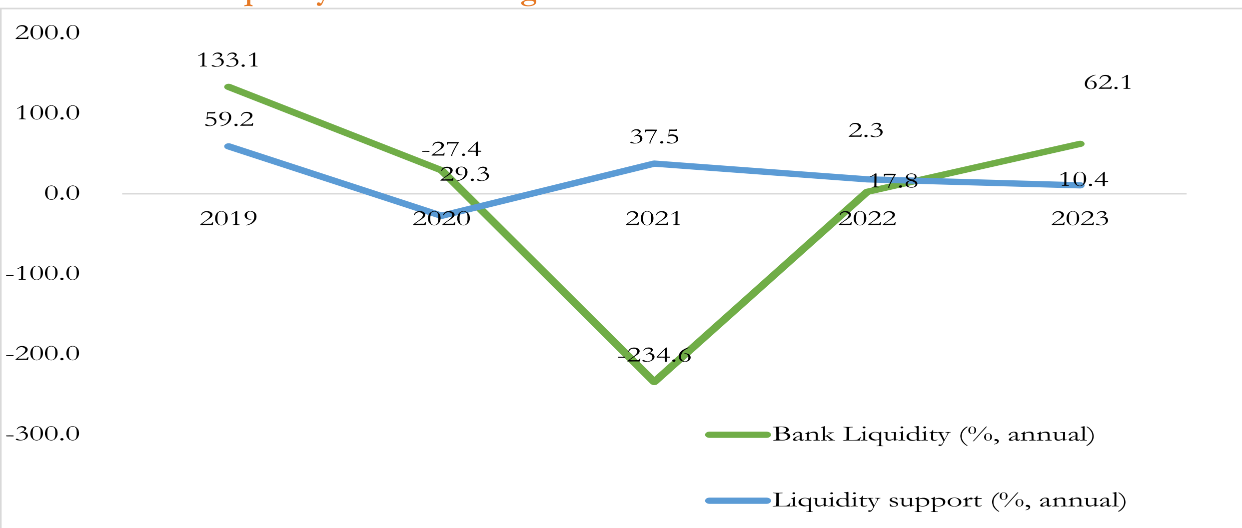
3.1.3. Liquidity injection operations by the BRB

As part of implementing new monetary policy measures, the BRB conducted liquidity injection operations in the banking sector. The amount of liquidity injections reached 572.394 MBIF by the end of 2023 compared to 518.627 by the end of 2022, marking an annual increase of 10.4%. However, the liquidity injection interest rate remained unchanged at 2.0%.

In 2023, liquid reserves deteriorated by 62.1% on an annual average, standing at -265,501 MBIF against -163,764 MBIF in 2022 despite the increase in interventions by the Central Bank in the sector.

The vulnerability of the sector to the liquidity problem can be understood through this level of reserves of credit institutions which has remained low for almost four years. However, this situation did not negatively impact the stability of the financial sector given that a good part of the banks reserves has been used to accumulate public debt securities in the form of risk-free Treasury bills and bonds.

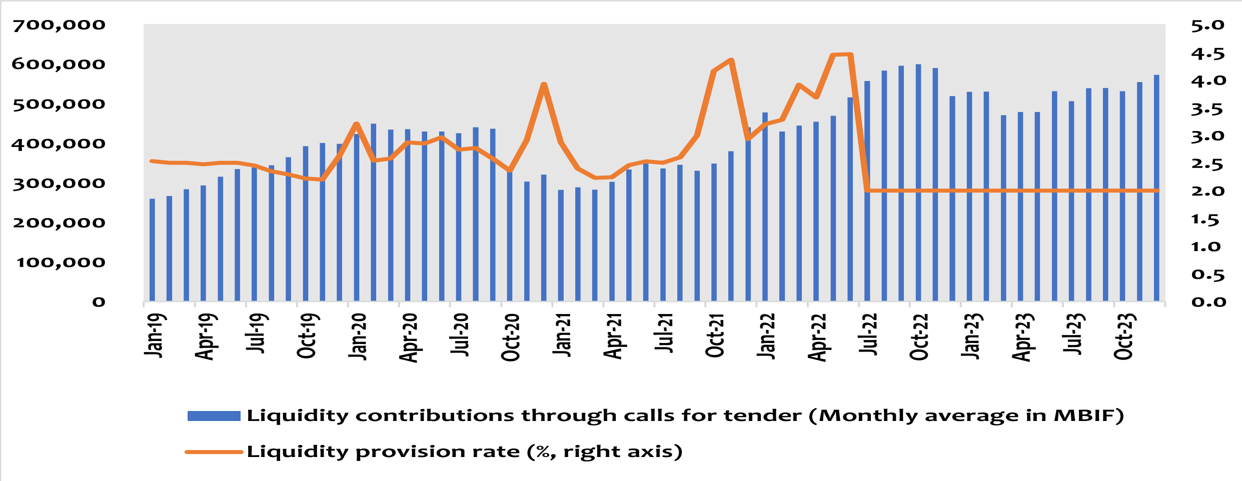
Chart 30 : Bank liquidity vs. refinancing



Source: BRB

It is clear that when there is shortage of liquidity in the sector, Central Bank refinancing increases; it was the case for the period from 2016 to 2023. Refinancing trends follows the pattern of reserves, which indicates a certain reduction of the sector's dependence on Central Bank interventions.

Chart 31: Liquidity injection through tenders



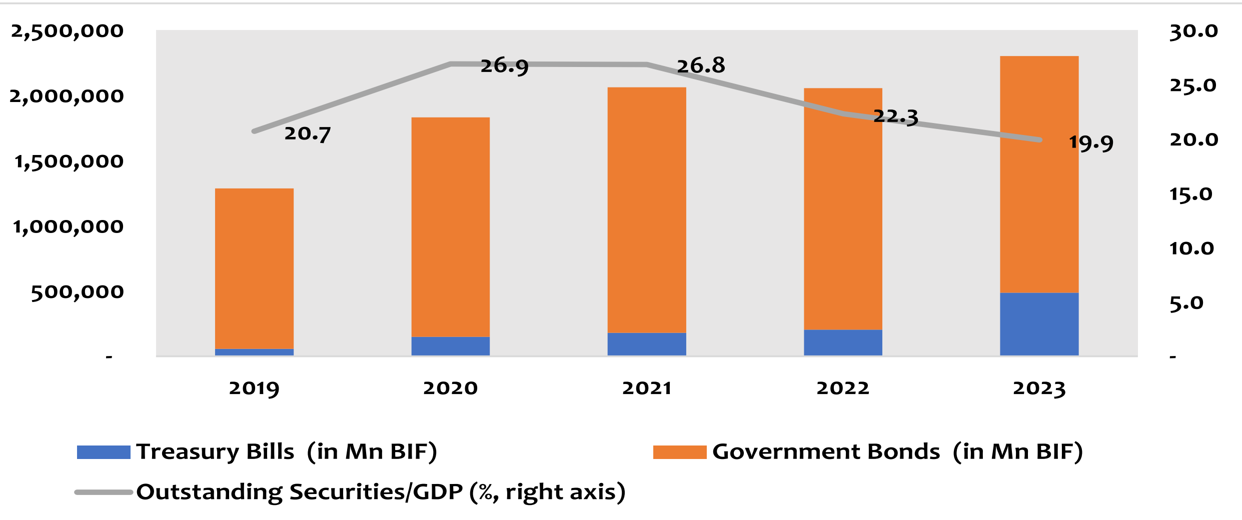
Source : BRB

3.1.4. Treasury securities market

In 2023, the BRB continued the issuance of Treasury securities by auction. The total outstanding amount of Treasury securities increased by 12.0%, reaching 2,301,023 MBIF at the end of 2023 against 2,053,932 MBIF at the end of 2022.

The increase in Government financing through the Treasury securities market led to an increase in Treasury securities portfolio held by the banking sector (Treasury bills and bonds). The outstanding amount increased by 3.3% in 2023, from 1,941,768 MBIF at the end of 2022 to 2,005,978 MBIF at the end of 2023. The share of Treasury securities stood at 19.9% of GDP compared to 22.3% of GDP at the end of 2022.

Chart 32 : Outstanding Treasury securities held by the banking sector



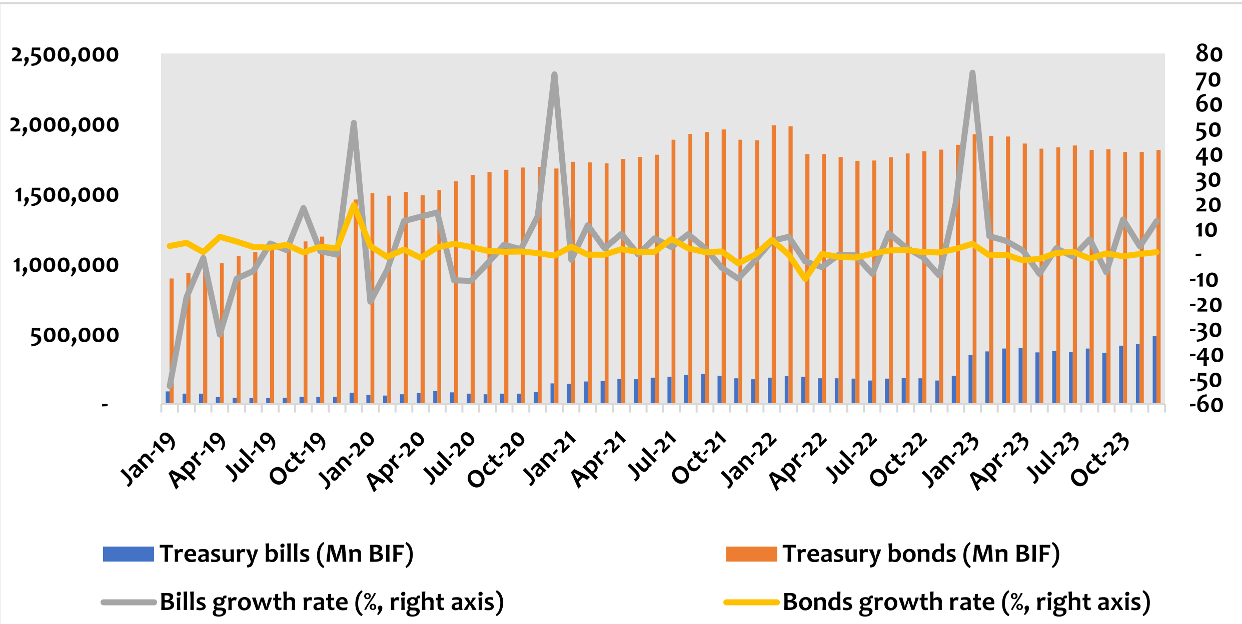
Source: BRB

3.2. Securities settlement system

For the proper functioning of the primary and secondary market of Treasury securities (Treasury bills and bonds), the BRB ensures the central functions for the proper conduct of transactions on these markets through the Central Securities Depository (CSD). Thus, the BRB keeps the securities registered in the securities accounts in the CSD and manages the settlement/delivery system for all transactions carried out on the securities. The performance and reliability of the said system constitute the fundamental basis for the proper functioning of the financial system and the assessment of systemic risks due to the volume of financial assets and flows processed through this system.

The outstanding amount of Treasury securities traded in the CSD stood at 2,301,023 MBIF at the end of 2023 compared to 2,053,932 MBIF at the end of 2022, an increase of 12.0%. The growth rate in the volume of Treasury securities traded in the CSD was less significant for Treasury bills and more significant for Treasury bonds, that is 139.0% and -2.0% respectively.

Chart 33: Evolution of Treasury securities traded via the CSD



Source: BRB

CHAPTER 4:
LEGAL AND REGULATORY FRAMEWORK DEVELOPMENT

CHAPTER 4: LEGAL AND REGULATORY FRAMEWORK DEVELOPMENT

During 2023, the various financial sector regulatory authorities have strengthened the regulatory framework to ensure the supervision of the financial system.

In order to broaden the base of guarantees acceptable to financiers, particularly banks and microfinance institutions, and with the aim of increasing financial inclusion to improve access to credit for borrowers with movable property to give as collateral, Decree No. 100/223 of 23 November 2023 implementing Law No. 1/10 of 12 August 2016 governing conventional movable securities in Burundi was promulgated. The purpose of this decree was to determine the operating procedures of the national register of movable securities. The purpose of this register is to receive, centralize and store information relating to movable securities and to ensure their publicity in order to facilitate research into the existence of securities encumbering the tangible or intangible movable property of a potential borrower.

4.1. Banking sector regulation

The Bank of the Republic of Burundi, as the financial institutions Regulatory Authority, issued on April 28, 2023, Regulation No. 001/2023 on the fight against money laundering and the financing of terrorism in application of Law No. 1/02 of February 4, 2008 on the fight against money laundering and the financing of terrorism. This Regulation requires subject financial institutions to establish and maintain a system that allows them to safeguard themselves against the use of the financial system for the purposes of money laundering and the financing of terrorism.

To strengthen the solidity and stability of the financial system of credit institutions, allowing them to no longer resort to requests for exemptions for exceeding prudential limits and to be in harmony with the East African Community, the BRB has issued Circular No. 1/2023 from November 28, 2023 revising Circular No. 1/2018 of August 17, 2018 relating to the mandatory minimum capital of credit institutions issued under the Banking Law No. 1/17 of August 22, 2017 .

4.2. Regulation of the microfinance sector

In line with the objective of harmonizing the country monetary policy with that of the EAC countries, the BRB issued Circular No. 01/M/23 of November 20, 2023 revising Circular No. 01/M/18 relating to the approval of Microfinance Institutions, umbrella structures and financial bodies as well as the registration of Community Financial Groups under Regulation No. 001/2018 relating to Microfinance activities.

To facilitate the GFCs activities, the BRB issued Circular No. 14/M/23 of October 10, 2023 relating to the registration and operation of Community Financial Groups (GFCs) and members of their Management Committees under Regulation No. 001/2018 relating to Microfinance Activities.

4.3 . Capital market regulation

On October 11, 2023, there was a decree appointing a Director General of the Burundi Capital Market Regulatory Authority. It was on this date that this authority began to operate under the supervision of the Ministry of Finance.

4.4. Insurance companies regulation

In 2023, with a view to strengthening the supervision of the insurance sector, new regulations were issued. These include the regulatory texts listed below:

- Regulation No. 540/93/003 of 24/10/2023 establishing the conditions for authorization, practice and removal of Experts, Auditors and Actuaries with insurance companies.
- Regulation No. 540/93/002 of 24/10/2023 establishing the methods for calculating provisions for current risks .
- Regulation No. 540/93/001/2023 of 02/08/2023 relating to the management of development costs for the insurance sector in Burundi .
- Circular No. 540/93/001 of 10/31/2023 amending the rules of diligence, ethics and authorization of Experts in the valuation of real estate assets in the insurance sector in Burundi .
- Decision No. 540/93/013/2023 of 02/08/2023 setting the minimum rate for Civil Liability insurance for motor vehicles in Burundi .
- Decision No. 540/93/016 of 10/24/2023 setting the application and approval fees for Technical Experts and Statutory Auditors of insurance companies .
- Decision No. 540/93/018 of 10/30/2023 amending Decision No. 540/93/013/2023 of 08/02/2023 setting the minimum rate for Civil Liability insurance for motor vehicles in Burundi .

4. 5. Macroprudential supervision framework

As part of crisis management, to strengthen the resilience of financial institutions and consumer confidence in financial products and services, the Bank of the Republic of Burundi, with the assistance of Bank Al-Maghreb, is setting up a Deposit Guarantee and Resolution Fund whose members will be credit and microfinance institutions. Drawing on regional and international best practices in this area, and taking into account the national context, the BRB issued Regulation No. 003/2023 of December 28, 2023 on the creation, missions, organization and operation of the Deposit Guarantee and Resolution Fund (FGDR).

In addition, it issued a Circular No. 01/FG/2023 relating to the terms of payment of premiums, compensation and other costs issued under Regulation No. 003/2023 on the creation, missions, organization and operation of the Deposit Guarantee and Resolution Fund.

The Deposit Guarantee and Resolution Fund system will play a key role in strengthening the safety net of Burundi financial sector. It will also have the mission of compensating depositors in the event of unavailability of their deposits and of bail out of distressed institutions.

During the 2023 financial year, the BRB continued to set up an Electronic Financial Identification Center, aimed at providing a Unique Financial Identifier to each client in the banking and microfinance sectors, producing the solvency report of the clients of these two sectors, and providing the BRB with reliable data enabling monitoring of the supervision of the financial system.

The BRB is also working on a Memorandum of Understanding between the various financial regulatory authorities of the financial system in

Burundi to establish a National Financial Stability Committee.

Furthermore, it has initiated a project to develop regulations governing entities engaged in financing and guaranteeing loans granted by regulated credit institutions.

4.6. Regulation within the framework of exchange rate policy

As a part of the process to modernize foreign exchange rate policy, Bank of the Republic of Burundi, issued the Foreign Exchange Rate Regulations on December 28, 2023.

In accordance with this Foreign Exchange Rate Regulations, the BRB has issued Circular No. 001/RC/2023 relating to exchange limits for payments for services, which was enacted under the foreign exchange regulation of December 28, 2023.

Additionally, the BRB has issued the following circulars:

Circular No. 002/RC/2023 relating to the timeframes for the consumption of good paid for before their actual consumption;

Circular No. 003/RC/2023 relating to the approval of foreign exchange bureaus and their managers ;

Circular No. 004/RC/2023 relating to the pricing of services provided by the BRB to foreign exchange bureaus;

Circular No. 005/RC/2023 concerning the conditions for opening a branch of a foreign exchange bureaus;

Circular No. 006/RC/2023 about the submission of periodic reports by foreign exchange bureaus;

Circular No. 007/RC/2023 establishing the matrix of sanctions applicable to banks and foreign exchange bureaus under the foreign exchange regulation;

Regulation No. 02/2023 governing to the Interbank Foreign Exchange Market (MID) ;

Circular governing Regulation No. 001/2023 on the operational modalities of the Interbank Foreign Exchange Market (MID) issued in accordance with Regulation No. 02/2023 relating to the Interbank Foreign Exchange Market.

FINANCIAL STABILITY OUTLOOK

FINANCIAL STABILITY OUTLOOK

The national financial system continues to face international shocks related to the tightening of financial conditions and the effects of geopolitical and geoeconomic crises. However, Burundi's financial system has remained resilient despite shocks affecting both the national and international economic and financial situation.

In order to ensure the stability of the financial system, the Bank of the Republic of Burundi will continue to strengthen the macroprudential supervision and crisis management frameworks. Thus, it will proceed with the implementation of a Deposit Guarantee and Resolution Fund and an Electronic Financial Identification Center.

Additionally, the Central Bank will continue working on regulations governing entities involved in financing and guarantee operations for loans provided by regulated credit institutions. Moreover, it will continue the implementation of a national registry for movable collateral in Burundi.

As part of the coordination of the surveillance of the financial system, the Bank of the Republic of Burundi will coordinate the process of establishing a National Financial Stability Committee including all the regulatory authorities of Burundi's financial system.

Finally, the BRB will continue its project to digitalize Burundi's financial sector.

APPENDICES

Appendix 1 : Financial Solidity Indicators in the EAC

Indicators	Country		Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Capital/Risk Weighted Assets	Burundi		22,7	23,2	23,6	22	22,4	23,0	20,4	19,3
	Kenya		18,9	18,5	17,2	18.8	19,2	19,6	19,0	18,4
	Tanzania		19,1	19,7	14,2	17.9	17,9	19,5	18,6	18,4
	Uganda		19,8	23,2	18,7	21.8	22,2	23,7	23,9	24,1
	Rwanda		23,1	21,4	19,8	24,1	21,5	21,5	21,7	20,3
	South Sudan	N/A	N/A	N/A	13,9	11,6	14,8	14,8	8,3	9,1
Non performing Loans/Total loans	Burundi		14,7	14,7	9,0	5.7	5,3	3,4	2,7	3,2
	Kenya		11,7	10,6	12,0	12.0	14,4	13,1	13,3	14,8
	Tanzania		9,6	12,5	10,2	9,8	11,8	8,4	5,8	4,4
	Uganda		10,4	5,6	3,4	4,9	5,3	5,3	5,4	4,6
	Rwanda		7,1	7,6	5,0	9,8	4,5	4,6	3,1	4,1
	South Sudan	N/A	N/A	48,0	44,4	N/A	3,1	3,1	2,4	1,2
Return on Equity (ROE)	Burundi		8,5	16,5	20,6	32,6	32,3	28,0	20,3	17,8
	Kenya		24,8	20,8	22,5	21.23	13,8	21,6	21,5	22,9
	Tanzania		8,9	6,9	5,9	8.1	1,9	2,8	14,2	20,4
	Uganda		8,3	16,4	14,4	16.7	14,2	15,6	15,1	17,1
	Rwanda		9,1	6,3	11,7	NA	11,8	15,0	17,8	20,7
	South Sudan		21,6	16	24,8	NA	19,7	19,7	48,1	2,2
Return on Assets (ROA)	Burundi		1,3	2,2	2,4	3,7	3,8	3,4	2,4	2,0
	Kenya		3,1	2,7	2,7	2.5	1,6	2,6	2,5	2,3
	Tanzania		2,1	1,7	1,5	1.9	53,6	49,8	3,4	4,4
	Uganda		1,3	2,7	2,5	2.9	2,4	2,7	2,8	3,2
	Rwanda		2,5	2,1	3	NA	2,0	3,7	4,3	4,8
	South Sudan		2,3	2,3	3,4	NA	2,6	2,6	5,2	1,8

Source: *BRB*

Appendix 2 : Financial Sector Indicators for Credit Institutions

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CAPITAL ADEQUACY													
Core capital (tier1)	136,188.5	162,524.4	189,541.4	200,630.6	210,323.5	229,217.6	224,608.6	286,587.8	335,858.9	398,124.5	536,753.6	670,672.6	807,386.0
Total capital	157,829.8	185,430.9	223,415.7	231,350.9	243,523.4	265,744.0	247,559.8	312,326.5	364,790.7	421,913.6	570,998.5	730,630.1	874,129.1
ASSET QUALITY													
NPLs Ratio	6.9	7.7	9.4	11.1	16.9	12.1	14.7	8.9	5.7	5.3	3.4	2.8	3.2
Performing Loans													
Pass loans	533,927.0	506,820.0	592,607.0	528,871.0	300,915.0	611,508.0	638,481.0	804,866.6	923,173.5	1,000,051.0	1,813,869.6	2,533,521.0	3,159,094.9
Special mention loans	4,350.0	6,278.0	7,189.0	8,768.0	37,364.0	32,131.0	41,098.7	54,517.3	61,324.9	46,936.4	113,729.0	131,234.0	307,812.0
Non-Performing Loans													
Substandard loans	3,703.0	7,137.0	4,821.0	8,625.0	32,811.0	33,734.0	14,031.8	8,144.4	8,776.1	7,392.5	19010.5	23374.9	35224.2
Doubtful loans	4,730.0	4,056.0	7,591.0	6,583.0	8,472.0	6,925.0	21,644.0	8,371.8	16,658.4	13,055.5	13,035.4	24,329.8	30,950.6
Loss loans	31,329.0	39,044.0	53,400.0	75,763.0	94,149.0	50,918.0	80,237.7	68,407.8	35,774.0	39,718.2	36,250.3	28,290.8	50,177.1
Total NPLs	39,762.0	50,238.0	65,812.0	90,971.0	135,433.0	91,577.0	115,913.0	84,924.2	61,208.4	60,166.2	68,296.2	75,995.4	116,351.9
PROFITABILITY													
Net income	33,984.3	20,705.9	18,855.1	14,066.1	22,579.7	21,863.2	35,731.7	61,662.7	119,359.3	130,881.6	166,615.3	149,516.6	156,883.9
ROA (%)	6.9	4.2	4.5	1.9	1.9	1.3	2.2	2.4	3.7	3.8	3.4	2.4	2.0
ROE (%)	34.9	18.6	18.7	9.4	11.5	8.5	16.5	19.7	32.6	32.3	28.0	20.5	17.9
Interest Margin	61,814.6	71,955.9	80,686.8	81,335.0	112,289.5	90,834.4	107,678.0	147,155.0	196,645.4	210,102.4	251,289.5	317,210.1	343,470.9
Margin on commission	33,378.2	18,070.1	35,969.6	44,373.9	32,766.9	103,534.5	71,994.6	40,956.0	43,869.7	45,510.8	56,184.9	78,183.6	76,754.8
Average lending rate	15.3	15.7	16.2	16.71	16.85	16.77	16,16	15.37	15.5	15.2	13.4	13.0	12.9
Average deposit rate	7.6	8.8	9.0	8.80	8.70	7.21	5,96	5.42	5.3	5.7	6.1	6.2	6.3
LIQUIDITY													
Liquid asset	312,317.5	317,691.7	420,546.1	514,743.3	493,719.2	758,972.1	285,645.0	233,363.4	293,874.1	318,411.3	273,589.4	585,728.0	614,502.0
Liquid Asset/ Deposit ratio	47.0	47.0	48.0	54.0	50.0	80.0	24.0	20.0	28.3	14.5	9.8	15.3	13.6
Loans/Deposit ratio (%)	87.0	95.0	84.0	88.0	81.0	68.0	59.0	56.0	57.9	50.3	68.8	71.7	79.4
MARKET													
Loans in foreign currency	3,141.0	81.2	2,315.8	36,394.6	34,634.1	23,163.7	16,958.3	55,526.8	68,955.0	165,178.2	187,600.4	313,326.3	648,635.5
Deposit in foreign currency	155,089.7	185,108.5	199,349.5	225,790.8	154,231.8	180,504.9	119,675.0	159,047.0	165,465.9	231,875.6	260,532.2	278,998.4	555,351.4
Assets in foreign currency	157,129.0	210,111.3	218,810.2	219,025.9	260,502.6	167,374.0	187,039.8	218,519.9	293,874.1	413,037.0	452,383.4	590,013.2	1,166,330.7
Liabilities in foreign currency	157,869.0	203,792.6	222,629.7	252,723.5	248,580.5	180,504.9	201,694.8	236,643.7	257,797.7	399,795.7	484,073.7	643,632.4	1,185,390.6
Loans in foreign currency / Core capital	2.3	0.0	1.2	18.1	16.5	10.1	7.6	19.4	20.5	41.5	35.0	46.7	80.3
Loans in foreign currency/Deposits in foreign currency	2.0	0.0	1.2	16.1	22.5	12.8	14.2	34.9	41.7	71.2	72.0	112.3	116.8
Assets in foreign currency/Liabilities foreign currency	99.5	103.1	98.3	86.7	104.8	92.7	92.7	92.3	114.0	103.3	93.5	91.7	98.4

Source: *BRB*

Appendix 3 : REAL GDP (in %)

Years	2019	2020	2021	2022	2023
Primary sector	**2.8%**	**-12.9%**	**9.9%**	**-2.3%**	**0.8%**
- Subsistence agriculture	5.0%	-17.3%	11.1%	-5.2%	0.9%
- Export agriculture	-18.4%	127.9%	72.6%	5.8%	0.2%
- Coffee	-60.0%	275.5%	-23.4%	43.8%	-30.4%
- Tea	9.0%	92.5%	104.2%	-1.0%	4.5%
- Other export crops	-37.8%	169.7%	120.1%	12.2%	13.4%
- Forest	-2.5%	8.0%	16.1%	2.0%	1.7%
- Breeding	-11.9%	-39.2%	-175.5%	-50.9%	5.9%
- Fishing	-2.5%	8.0%	17.8%	2.4%	1.7%
Secondary sector	**1.1%**	**0.6%**	**10.6%**	**2.8%**	**3.3%**
- Extraction	2.1%	5.6%	50.4%	-3.5%	1.4%
- Industries	0.5%	-8.2%	2.6%	5.0%	0.5%
- Food industry	0.6%	-12.1%	0.6%	2.0%	-0.9%
- Manufacturing industries	0.4%	6.5%	8.7%	13.6%	4.1%
- Textile industries	-8.4%	10.3%	12.2%	11.5%	4.1%
- Other manufacturing industries	2.2%	5.7%	8.1%	14.0%	4.1%
- Electricity, gas and water	-2.5%	-35.5%	124.0%	-4.1%	4.0%
- Construction	3.0%	25.9%	16.1%	0.8%	8.1%
Tertiary sector	**7.2%**	**7.0%**	**-0.2%**	**4.2%**	**4.2%**
- Trade	3.9%	-68.1%	-35.9%	50.8%	1.1%
- Transport and telecommunications	10.2%	-9.5%	15.7%	-13.9%	3.7%
- Transportation	9.5%	-9.5%	27.4%	-22.1%	1.9%
- Postal, Telecommunications, Internet Services	10.4%	-9.5%	11.6%	-10.6%	4.4%
- Banks and Insurance	27.7%	6.8%	20.7%	-0.3%	8.9%
- Accommodation, catering and other commercial services	4.6%	-29.9%	-4.8%	1.4%	1.6%
- Public administration	2.8%	18.6%	3.8%	4.8%	4.5%
- Education	3.3%	18.6%	1.0%	3.3%	3.5%
- Health and social action	3.4%	24.5%	7.1%	3.3%	2.5%
- Activities of a collective or personal nature	3.8%	36.8%	-22.8%	3.7%	-3.6%
- Domestic services	3.8%	36.8%	-14.9%	4.2%	-3.2%
- SIFIM	3.8%	-7.4%	24.4%	-6.8%	4.3%
GDP at factor costs	**4.7%**	**-0.2%**	**4.6%**	**2.1%**	**3.1%**
Taxes and duties	3.0%	4.1%	-6.8%	2.5%	4.5%
GDP at market prices	**4.5%**	**0.3%**	**3.2%**	**2.2%**	**3.3%**

Source: *MFBPE, macroeconomic framework, September 2024*

Appendix 4 : Evolution of the main macroeconomic indicators

	2016	2017	2018	2019	2020	2021	2022	2023
GROSS DOMESTIC PRODUCT AND PRICES								
Real GDP growth (in pc)	3.2	3.8	4.2	4.1	- 0.5	3.1	2.2	3.3
Inflation rate (annual average)	5.6	16.1	- 2.6	- 0.7	7.5	8.3	18.9	27.1
EXTERIOR SECTOR								
Exports, f.o.b. (in millions of dollars)	124.7	172.6	180.2	176.6	162.4	163.7	207.9	214.9
Imports, CIF (in millions of dollars)	616.2	756.0	793.5	871.0	909.6	1,025.0	1,260.5	1,195.2
Export volume (in tonnes)	84,613.5	93,125.1	103,217.8	103,030.0	105,857.8	110,208.4	124,293.3	126,411.8
Volume of imports (in tonnes)	708,203.3	822,513.7	976,693.6	1,143,866.4	1,175,731.2	1,270,832.6	1,338,119.5	1,445,572.9
Current account balance (in millions of dollars)	- 339.7	- 360.0	- 348.9	- 342.3	- 315.8	- 421.9	- 609.5	- 1,407.0
BIF/USD exchange rate (period average)	1,654.6	1,729.1	1,782.9	1,881.1	1,915.1	1,976.0	2,034.3	2,574.1
BIF/USD exchange rate (end of period)	1,688.6	1,766.7	1,808.3	1,878.6	1,946.4	2,006.1	2,063.4	2,856.1
Gross foreign exchange reserves (in millions of USD, at end of period)	98.6	109.8	80.5	128.7	94.3	266.6	176.2	95.0
Gross foreign exchange reserves (in months of imports)	1.4	1.7	1.0	1.5	1.1	3.2	1.8	0.8
the following year)								
CASH								
Net foreign assets (MBIF)	- 176,523.1	- 154,400.0	- 203,201.0	- 206,340.3	- 205,016.1	- 322,390.5	- 561,926.3	- 1,093.6
Domestic credit (in MBIF)	1,767,122.4	2,004,966.2	2,369,485.6	2,827,585.3	3,463,032.7	4,307,712.6	5,944,924.7	7,378.2
Net receivables from the State	905,857.4	1,112,214.4	1,337,534.0	1,618,917.6	2,025,750.7	1,930,723.8	2,532,697.6	2,964.9
Claims on the economy	861,265.0	892,941.6	1,031,951.6	1,208,667.7	1,437,282.0	2,376,988.8	3,412,227.1	4,413.3
Money supply (M3)	1,187,101.8	1,499,512.9	1,797,468.9	2,202,818.6	2,733,847.0	3,289,945.4	4,512,504.7	5,293.5
Money supply (M2)	1,093,131.8	1,340,926.6	1,625,958.7	2,014,729.8	2,526,518.5	3,035,234.7	4,212,292.6	4,701.5
Velocity of money circulation (GDP/M2, end of period)	4.4	4.3	4.4	3.1	2.6	2.5	2.2	4.1
Monetary base (Growth rate)	29.2	39.0	- 3.3	23.6	11.6	1.1	44.5	24.5
Liquidity contribution interest rate (in pc)	3.1	2.8	2.9	2.7	2.9	3.0	2.0	2.0
Marginal lending facility interest rate (in pc)	8.6	7.1	5.8	5.4	6.2	6.8	5.0	12.0
Average credit interest rates (in pc)	7.7	6.0	5.6	5.3	5.5	5.8	6.2	6.3
Rates on 5-year and longer Treasury Bonds	-	14.0	12.6	12.6	12.2	11.2	10.5	6.2
Average debit interest rates (in pc)	16.5	16.2	15.9	15.7	15.2	14.5	13.0	12.9
PUBLIC FINANCES								
Revenues and donations (in percentage of GDP)	15.6	15.7	18.0	19.7	20.0	19.9	19.4	19.3
Expenditure (in pc of GDP)	21.5	20.0	22.6	24.0	26.1	22.7	25.2	25.2
Overall budget balance (in % of GDP, accruals basis)								
- donations excluded	- 8.4	- 6.8	- 8.2	- 8.2	- 9.9	- 6.2	- 8.5	- 9.1
- donations included	- 5.9	- 4.3	- 4.5	- 4.3	- 6.1	- 2.9	- 5.0	- 5.8
Domestic debt (in MBIF)	1,374,178.2	1,648,219.7	1,937,821.9	2,314,985.5	2,851.2	3,063.2	4,005,281.9	4,442, 245.1
External debt (in MUSD, at end of period)	429.1	440.5	451.1	502.3	532.2	638.1	647.4	642.3
External debt service ratio (in pc of exports)	6.3	8.0	3.2	5.0	5.3	5.5	5.9	8.6
External debt (in percentage of GDP)	14.9	13.6	14.0	15.1	15.6	17.0	14.5	15.9
GDP at market price (in billions of BIF)	4,938.2	5,702.1	5,914.4	6,216.9	6,805.6	7,676.4	9,213.9	11,555.8

Source: *BRB*

Appendix 5 : Evolution of convergence criteria in Burundi

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1. Annual inflation rate (standard = 8%)	9.6	18.2	8.0	4.4	5.5	5.6	16.1	(2.6)	-0.7	7.5	8.3	18.9	27.1
2. Budget deficit including grants as % of GDP (standard = 3%)	3.0	3.6	2.9	4.1	8.0	6.0	4.3	4.5	4.3	6.1	2.8	5.0	5.8
3. Public debt as a % of GDP (standard = 50%)	33.7	34.1	31.8	31.0	39.8	42.5	43.2	46.6	52.5	57.3	56.7	57.9	54.3
4. Foreign exchange reserves in months of imports (standard = 4.5 months)	4.0	4.0	4.2	4.1	2.0	1.5	1.7	1.0	1.5	1.1	3.2	1.8	0.8

Source: *BRB*

Appendix 6 : Structure of public debt

	2019	2020	2021	2022	2023
INTERNAL DEBT	2,314,927.1	2,850,353.5	3,063,201.0	4,005,281.9	4,442,245.1
1. Treasury bills and bonds	1,497,527.9	1,816,692.6	2,046,057.7	2,185,496.9	2,284,995.1
2. Commitments to the B.R.B.	746,479.4	894,667.8	901,529.1	1,731,217.0	2,004,680.5
3. Others	70,919.8	138,993.1	115,614.2	88,568.0	152,569.5
EXTERNAL DEBT	948,429.4	1,046,573.0	1,290,078.5	1,334,152.7	1,833,186.6
1. Direct debt	946,831.8	1,045,131.6	1,288,596.5	1,332,844.8	1,831,381.1
2. Indirect debt	1,597.6	1,441.4	1,482.0	1,307.9	1,805.5
TOTAL PUBLIC DEBT	3,263,356.5	3,896,926.5	4,353,279.5	5,339,434.6	6,275,431.7
As a percentage of total outstanding					
INTERNAL DEBT	70.9	73.1	70.4	75.0	70.8
1. Treasury bills and bonds	45.9	46.6	47.0	40.9	36.4
2. Commitments to the B.R.B.	22.9	23.0	20.7	32.4	31.9
3. Others	2.2	3.6	2.7	1.7	2.4
EXTERNAL DEBT	29.1	26.9	29.6	25.0	29.2
1. Direct debt	29.0	26.8	29.6	25.0	29.2
2. Indirect debt	0.0	0.0	0.0	0.0	0.0
TOTAL	100.0	100.0	100.0	100.0	100.0

As a percentage of GDP					
INTERNAL DEBT	37.2	41.9	39.9	43.5	38.4
EXTERNAL DEBT	15.3	15.4	16.8	14.5	15.9
TOTAL PUBLIC DEBT	52.5	57.3	56.7	57.9	54.3
GDP	6216.9	6805.6	7676.4	9213.9	11,555.8

Source: *BRB*